

Leaderships Styles, Preferences and Effectiveness: Empirical Evidence from the Cyprus Banking Sector

Pavlos Evangelides¹, Nikos Karfakis²

Abstract: This study investigates the perceptions of employees in the banking sector of Cyprus with regards to the style of leadership (i.e. democratic or autocratic) management adopts and the level of effectiveness of each style. For this purpose, a sample of 493 participants, working in various banking departments in Cyprus, was used. Data were collected using a structured questionnaire which included multiple choice and scale questions. Results show that employees perceive the prevailing leadership style in the Cyprus banking sector to be the autocratic leadership style. On the other hand, it was shown that the respondents are of the opinion that the managers who adopt a democratic leadership can lead to, even if to a very small extent, more positive results.

Keywords: democratic; autocratic; Cyprus banking sector; effectiveness

JEL Classification: E50

1. Introduction

Leadership is perhaps one of the most contentious issues in organizational research (House & Aditya, 1997; Judge et al., 2004; Northouse, 2012; Pfeffer, 1977). The importance of leadership within organizations may have recently become strongly prevalent in management (e.g. Avolio et al., 2004; Cooper, 2011; Graham et al., 2015) and organizational psychology (e.g. Pierro et al., 2013; Wagner, 2013) but can be traced back to studies conducted in the late 1930s. Significantly, there seems to be no consensus among scholars over what leadership is or how it should be studied and there is little agreement on what are the best strategies for developing and exercising leadership (Bennis, 2007; Hackman & Wageman, 2007; Vroom & Jago, 2007). Nonetheless, if one had to speak of a dominant paradigm within the leadership literature then that would be the Transformational and Transactional leadership paradigm (Bass, 1985; Bass & Avolio, 1995). Moreover, the concept of leadership can be said to be both ambiguous and difficult to measure (Pfeffer, 1977). However,

¹ Professor, PhD, Czech Technical University, Czech Republic, Address: Jugoslávských partyzánů 1580/3 160 00 Prague 6 – Dejvice, Czech Republic, Tel: 0035799754709, Corresponding author: pavlos.evangelides@yahoo.com.

² Alexander College, Cyprus, Address: 2 Artas Street, Aradippou, 7102, Larnaca, Cyprus, Tel.: +357 24532373, Fax: +357 24532365 E-mail: n.karfakis@alexander.ac.cy.

scholars have suggested that leadership impacts corporate culture (Bryman, 1986; Bolton et al., 2013), employee commitment and job satisfaction (Belias & Koustelios, 2014) and consequently organizational performance (García-Morales et al., 2012). Therefore, it is obvious that organizations need to delineate what leadership methods and styles are the most effective for them in order to develop and thrive. Effective leadership is crucial for the success of an organization and can potentially help organizations improve their operations and make efficient use of their resources. It is an essential component of organizational success as it helps in creating a committed workforce which is eager to take on challenges and improve. Leadership increases organizational productivity and profitability but the extent to which leadership can lead to success depends on the style of the leader and the manner in which s/he modifies the environment so as employees can perform best. Leadership style is, simply, the manner in which the leader provides direction, implements plans, and motivates people. Given the overall importance of leadership to organizational performance and success, it is not surprising that leadership style is one of the most widely studied topics in management and industrial psychology.

1.1. Leadership Styles

Due to leadership's importance to organizational success, determining the effectiveness of leaders is crucial (Bryman, 1992, Jung & Solik, 2006). Although several theories on what leadership entails have been proposed and despite, as already mentioned, the lack of an undisputed definition of leaders or leadership, it seems that most leadership theorists (e.g. House, 1971; Turner & Muller, 2005) agree that there are three dominant leadership theories: traits theory, style theory, and contingency theories (for an overview of these, see Horner, 1997). One of the earlier studies of leadership styles was conducted by Lewin et al. (1939). They developed a framework of leadership styles which includes three broad categories:

- Autocratic;
- Democratic;
- Laissez-Faire.

According to Lewin et al. (1939), autocratic leaders tend to be aggressive, hostile and dominative towards their followers. Such leaders also exhibit a high demand for attention. On the other hand, leaders that adopt a democratic leadership style tend to be more spontaneous, fact-oriented and have friendly interactions with their followers. Importantly, these leaders tend to treat their followers on an equality basis and decisions are taken collectively. In other words, this is a participative style of leadership. The democratic leader may take the final decision but everyone is involved and contributes in the decision making process, leading to increased job satisfaction and skill development. Finally, leaders that adopt a laissez-faire

leadership style give complete freedom of decision making to their followers without interfering. A laissez-faire leadership style is, perhaps paradoxically, non-leadership.

Lewin et al. (1939) believed that democratic style is more effective but some scholars have taken issue with this assumption. For example, Tannenbaum and Schmidt (1973) argued that the leader should adjust his/her behavior to fit the organizational circumstances. In case of time pressure or great skill difference between the leader and his/her subordinates, they argued, the autocratic leadership style is preferable. The literature suggests that there is no 'one best way' to effective performance (e.g. Goffee & Jones, 2000; Higgs, 2003). Moreover, the effectiveness of each particular leadership style depends on the criterion which is used to assess the effectiveness of leadership and on the organizational context. Scholars have identified and discussed both the limitations and advantages of the autocratic leadership style (Hicks & Powel, 1976; Whetten, 1980) and the democratic leadership style (Hackman & Johnson, 1986; Luthar, 1996; Mullins, 1999). Simplifying, if team work is important and high employee morale and quality is the goal, the democratic leadership style seems more appropriate. On the other hand, if productivity and speed of delivery is the goal, the autocratic leadership style is more effective. However, we need to acknowledge that the democratic versus autocratic leadership style is a narrow aspect of leadership behavior compared to the "task-oriented" versus 'interpersonally oriented' leaders approach as developed by Bass (1990). Indeed, in the 1980s and 1990s various attempts at enriching our understanding of leadership styles were made, leading researchers to distinguish between transformational and transactional leaders. That effort initially begun with Burns' (1978) critique of the existing leadership studies which, according to his view, were neglecting other important styles and elements of leadership.

Therefore, there are various approaches with regards to leadership styles but for the purposes of this study, we will focus on Lewin et al. (1939) classic study (on the continuing importance of Lewin et al's (1939) pioneering work, see, for example, Burnes, 2009; Cremer, 2006) and only autocratic and democratic leadership styles will be considered and measured. This approach is, we believe, still valid and is still being utilized to assess, for example, group member satisfaction in organizations (Foels et al., 2000) or the role of gender in leadership styles (Eagly & Johannesen-Schmidt, 2001).

2. Objectives of the Study

- To determine which leadership style is more commonly adopted by managers in the banking sector of Cyprus.
- To determine whether employees in the banking sector of Cyprus consider the leadership style of their managers effective.

Hypothesis Testing 1 - Assessment of the managerial effectiveness of the democratic leadership style

H1: In a study examining employee perceptions, the democratic leadership style is related to higher managerial effectiveness.

H0: In a study examining employee perceptions, the democratic leadership style is not related to higher managerial effectiveness.

Hypothesis Testing 2 - Assessment of the managerial effectiveness of the autocratic leadership style

H1: In a study examining employee perceptions, the autocratic leadership style is related to higher managerial effectiveness.

H0: In a study examining employee perceptions, the autocratic leadership style is not related to higher managerial effectiveness.

Hypothesis Testing 3 - Preferable Leadership Style

H1: In a study examining employee perceptions, leaders with democratic leadership style characteristics are preferred over those with autocratic leadership style characteristics.

H0: In a study examining employee perceptions, leaders with democratic leadership style characteristics are not preferred over those with autocratic leadership style characteristics.

3. Method

3.1. Participants

The sample size of this survey is 493. The participants worked in 65 different branches in Cyprus, 42% of the branches were located in Nicosia, 24.7% in Limassol, 15.1% in Larnaca, 9.6% in Paphos, and 8.6% in non-occupied area of Famagusta. Of the 493 participants 308 were female and 185 of them were male and the corresponding percentages are 62.5% and 37.5%. The participants are categorized in four different groups according to age. The corresponding percentages of these categories are: a) (0-29) 17.20%; b) (30-39) 37.65%; c) (40-49) 34.40%; and d) (over 50) 10.75%. In addition, the years of employment of the respondents have to be noted. The four following categories were identified: a) less than 5 years of work experience 13.98%; b) 6 to 11 years work experience 19%; c) 11 to 20 years work experience 34%; and d) more than 20 years work experience 19%.

The sample represents the pattern of actual distribution of employees within the banking sector of Cyprus, with female workers being predominant. Participants were

asked to assess the leadership styles used by their direct managers/supervisors as well as some variables related to the effectiveness of the supervisors.

3.2. Instruments

The questionnaire we used is divided into two parts. The first part of the questionnaire was for demographic details, while the second part measured the styles of leadership (i.e. democratic and autocratic).

3.3. Leadership Measures

We used quantitative method and the data were collected through a questionnaire that contains multiple choice and scale questions. We followed Molero et al.'s (2007) questionnaire in order to measure the leadership styles. Molero et al. (2007) used five questions in order to measure the democratic style and four questions in order to measure the autocratic style. The final reliability of Cronbach = 0.63 for autocratic and Cronbach = 0.84 for democratic. The range of each variable (of the questions) is between 1 and 5, where 1 = not at all, and 5 = almost always, as in the case of Molero et al. (2007).

3.4. Validity

There will always be doubts about the extent to which the outcomes of a research are valid and reliable. In order to assess the validity and credibility of the whole study the following criteria should be considered:

- The branches and the participants are randomly selected;
- Giving questionnaires to employees rather than to managers. In previous studies, the employees were often asked to assess the leadership styles of their managers in order to ensure the collection of more objective opinions;
- The questions considered the supervisor's behavior;
- The questionnaire was successfully used by previous studies (Molero et al., 2007).

3.5. Actual Leadership Style

A questionnaire with score from 1 to 5 is utilized in order to measure the leadership styles. We used 9 variables in order to measure the styles of leadership. The first four statements measure the autocratic leadership style and the next five measures the democratic leadership style. The actual leadership style of the supervisor being assessed, as perceived by employees, was evaluated on the basis of different aspects that related to his/her behavior towards his/her subordinates.

The first four statements corresponded to the autocratic leadership style:

1. My manager directs the group in an austere way;

2. All policies regarding group activities and procedures are determined by the manager;
3. Activity steps and techniques are communicated by the manager;
4. The manager takes responsibility for assigning the activity tasks of and the colleagues for each group member.

The next five statements were used to measure the democratic leadership style:

1. Policies are determined after group decision and discussion is encouraged by the manager.
2. The manager endeavors to be a regular group member;
3. The manager passes information to the group members;
4. The manager encourages the choices made by group members;
5. Everyone is at liberty to work with whomever they choose to and the division or responsibility is left up to the group members.

From the results (Appendix A) it can be concluded that the highest responses correspond to the autocratic leadership style rather than to the democratic style. In order to verify that the overall mean of the autocratic and democratic styles were calculated. Using SPSS, the overall mean scores for the leadership styles (4 for the autocratic and 5 for the democratic) were calculated. Descriptive analysis was used in order to identify the overall mean for leadership styles. Specifically, the scores were as follows:

- Autocratic leadership style (mean = 3.86; SD = .369);
- Democratic leadership style (mean = 3.03; SD = .470);

This shows that the respondents believe that their direct managers have a more autocratic leadership style within the workplace. Comparing the overall mean scores, it can be concluded that the style of direct managers is more autocratic rather than democratic.

4. Results and Discussion

As already mentioned, the designed questionnaire was divided into two parts. The first part was designed for demographic purposes. The second part was itself divided into two parts. One part corresponds to the autocratic leadership style and the other part corresponds to the democratic leadership style. Based on the data gathered, it was shown that the value of the mean of the autocratic leadership style (mean = 3.86) was greater than the value of democratic leadership style (mean = 3.03). Therefore,

the most prevalent leadership style in the banking sector of Cyprus is the autocratic. Nevertheless, importantly, when participants were asked regarding the effectiveness of each leadership style it was shown that the democratic leadership style prevailed. Specifically, the mean of the democratic leadership style is equal to 3.32, whereas the mean of the autocratic leadership style is equal to 3.2.

From Hypothesis test 1, it can be concluded that of the 493 participants the 202 participants (44,5%) consider their direct managers as having democratic leadership style characteristics and the mean was 3.32, therefore the null hypothesis is accepted (greater than three).

From Hypothesis test 2, it can be concluded that of 493 participants the 291 (55.5%) consider the direct managers as having autocratic leadership style characteristics, and the mean response was 3.2, therefore the null hypothesis is accepted (greater than three).

From Hypothesis test 3, based on the above results and findings, it is concluded that bank employees in Cyprus prefer that their managers would use an autocratic leadership style within the workplace; hence, the null hypothesis is rejected. Specifically, the mean of autocratic leadership style is equal to 4.01, whereas the mean of democratic leadership style is equal to 3.88.

Moreover, it has to be noted that there is a correlation between the different age groups and the work experience of the participants and their opinions. It was found that young participants with fewer years of work experience tend to be directed by their managers in a strict way, while participants with substantial work experience tend to be led in a more lenient manner. Therefore, we may argue that leaders in the banking sector of Cyprus adjust their leadership style according to the age groups of their subordinates.

The main goal of this investigation was to analyze and evaluate the leadership styles in the banking sector of Cyprus. To do that we utilized Lewin et al.'s (1939) classic study of leadership styles and followed Molero et al. (2007) on the design of the questionnaire. To our knowledge, there is no previous study concerning the leadership styles in the banking sector in Cyprus, therefore this research fills an important gap in the available literature. We concluded that in the banking sector of Cyprus the autocratic leadership style prevails despite the fact that the respondents considered the democratic leadership style as more effective. This means that in the banking sector of Cyprus managers tend not to adopt the most effective leadership style.

4.1. Limitations and Future Directions

We believe that future investigations might benefit from utilizing newer theories of leadership styles such as the transformational and transactional leadership (Bass 1999). As is known, this is the current paradigm of leadership studies and has been

extensively applied. However, again, there seems to be no such study available in Cyprus.

5. Acknowledgments

We would like to thank Sofia Yialourou for providing us with some of the data analyzed and presented in this paper. Her contribution was invaluable.

6. Funding

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

7. References

- Avolio, B.; Zhun, W.; Koh, W. & Bhatia, P. (2004). Transformational leadership and organizational commitment: mediating role of psychological empowerment and moderating role of structural distance. *Journal of Organizational Behavior*, 25(8), pp. 951-968.
- Bass, B. (1985). *Leadership and performance beyond expectations*. New York: Free Press.
- Bass, B. (1990). *Bass & Stodgill's handbook of leadership: Theory, research, and managerial applications*. 3rd ed. New York: Free Press.
- Bass, B. (1999). Two decades of research and development in transformational leadership. *European Journal of Work and Organizational Psychology*, 8(1), pp. 9-32.
- Bass, B. & Avolio, B. (1995). *The multifactor leadership questionnaire*. Palo Alto: Mind Garden.
- Belias, D. & Koustelios A. (2014). Leadership and job satisfaction – A review. *European Scientific Journal*, 10(8), pp. 24-46.
- Bennis, W. (2007). The challenges of leadership in the modern world: Introduction to the special issue. *American Psychologist*, 62(1), pp. 2-5.
- Bolton, P.; Brunnermeier, M. & Veldkamp, L. (2013). Leadership, coordination, and corporate culture. *The Review of Economic Studies*, 80(2), pp. 512-537.
- Bryman, A. (1986). Leadership and corporate culture. *Management Decision*, 24(6), pp. 50-53.
- Bryman, A. (1992). *Charisma and leadership in organizations*. London: Sage.
- Burnes, B. (2009) Reflections: Ethics and organizational change—Time for a return to Lewinian values. *Journal of Change Management*, 9(4), pp. 359-381.
- Cremer, D. (2006) Affective and motivational consequences of leader self-sacrifice: The moderating effect of autocratic leadership. *The Leadership Quarterly*, 17, pp. 79-93.
- Burns, J. (1978). *Leadership*. New York: Harper & Row.

- Cooper, C. (2011). Management research in the UK: A personal view. *British Journal of Management*, 22(3), pp. 343-354.
- Eagly, A. & Johannesen-Schmidt, C. (2001). The leadership styles of women and men. *Journal of Social Issues*, 57(4), pp. 781-797.
- Foels, R.; Driskell, J.; Mullen, B. & Salas, E. (2000). The effects of democratic leadership on group member satisfaction: An integration. *Small Group Research*, 31(6), pp. 676-701.
- García-Morales, V.; Jiménez-Barrionuevo, M. & Gutiérrez-Gutiérrez, L. (2012). Transformational leadership influence on organizational performance through organizational learning and innovation. *Journal of Business Research*, 65(7), pp. 1040-1050.
- Goffee, R. & Jones, G. (2000, September/October). Why should anyone be led by you? *Harvard Business Review*, 78, pp. 63-70.
- Graham, K.; Ziegert, J. & Capitano, J. (2015). The effect of leadership style, framing and promotion regulatory focus on unethical pro-organizational behavior. *Journal of Business Ethics*, 126(3), pp. 423-436.
- Hackman, M. & Johnson, C. (1986). *Leadership: A communication perspective*. Illinois: Waveland Press.
- Hackman, J. & Wageman, R. (2007). Asking the right questions about leadership. *American Psychologist*, 62(1), pp. 43-47.
- Hicks, H. & Powel, J. (1976). *Management, organizations and human resources*. Boston: McGraw-Hill.
- Higgs, M. (2003). Development in leadership thinking. *Leadership & Organizational Development Journal*, 24(5), pp. 273-284.
- Horner, M. (1997). Leadership theory: past, present and future. *Team Performance Management: An International Journal*, 3(4), pp. 270-287.
- House, R. (1971). A path-goal theory of leadership effectiveness, *Administrative Science Quarterly*, 16(3), pp. 321-339.
- House, R. & Aditya, R. (1997). The social scientific study of leadership: quo vadis? *Journal of Management*, 23(3), pp. 409-473.
- Judge, T.; Piccolo, R. & Ilies, R. (2004). The forgotten ones? The validity of consideration and initiating structure in leadership research. *Journal of Applied Psychology*, 89(1), pp. 36-51.
- Jung, D. & Sosik, J. (2006). Who are the spellbinders? Identifying personal attributes of charismatic leaders. *Journal of Leadership & Organizational Studies*, 12(4), pp. 12-27.
- Lewin, K.; Lippitt, R. & White, R. (1939). Patterns of aggressive behavior in artificially created social climate. *Journal of Social Psychology*, 10(2), pp. 271-299.
- Molero, F.; Cuadrado, I.; Navas, M. & Morales, F. (2007). Relations and effects of transformational leadership: A comparative analysis with traditional leadership styles, *Spanish Journal of Psychology*, 10(2), pp. 358-368.
- Mullins, L. (2010). *Management and organization behavior*. 9th ed. Harlow: Prentice Hall.
- Northouse, P. (2012). *Leadership: Theory and practice* (6th ed.). New York: Sage.

- Pierro, A.; Raven, B.; Amato, C. & Bélanger, J. (2004). Bases of social power, leadership styles, and organizational commitment. *International Journal of Psychology*, 48(6), pp. 1122-1134.
- Pfeffer, J. (1977). The ambiguity of leadership. *The Academy of Management Review*, 2(1), pp. 104-112.
- Tannenbaum, R. & Schmidt, W. (1973). How to choose a leadership pattern. *Harvard Business Review*, 51, pp. 162-180.
- Turner, J. & Muller, R. (2005). The project manager's leadership styles as a success factor on projects: A literature review. *Project Management Journal*, 36(2), pp. 49-61.
- Vroom, V. & Jago, A. (2007). The role of the situation in leadership. *American Psychologist*, 62(1), pp. 17-24.
- Wagner, S. (2013). Leadership and responses to organizational crisis. *American Psychologist*, 6(2), pp. 140-144.
- Whetten D.A. (1980). *Sources, responses, and effects of organizational decline*. In Kimberly, J. and Miles, R. (eds.) *The organizational life cycle: Issues in the creation, transformation and decline of organizations*. San Francisco: Jossey-Bass, pp. 342-374.

Appendix A

| Questionnaire Results - Actual Leadership Style (as perceived by the employees) | | | | | | |
|--|---|-----|---------|---------|------|-------|
| | | N | Minimum | Maximum | Mean | SD |
| 1. | My manager directs the group in an austere way | 493 | 1 | 5 | 3.11 | 1.124 |
| 2. | All policies regarding group activities and procedures are determined by the manager | 493 | 3 | 5 | 4.08 | .727 |
| 3. | Activity steps and techniques are communicated by the manager | 493 | 3 | 5 | 4.22 | .520 |
| 4. | The manager takes responsibility for assigning the activity tasks of and the colleagues for each group member | 493 | 3 | 5 | 4.04 | .906 |
| 5. | Policies are determined after group decision and discussion is encouraged by the manager | 493 | 1 | 5 | 3.24 | 1.019 |
| 6. | The manager endeavors to be a regular group member | 493 | 1 | 5 | 3.36 | 1.056 |
| 7. | The manager passes information to the group members | 493 | 1 | 5 | 3.08 | 1.177 |
| 8. | The manager encourages the choices made by group members | 493 | 1 | 5 | 2.98 | 1.046 |
| 9. | Everyone is at liberty to work with whomever they choose to and the division or responsibility is left up to the group members. | 493 | 1 | 4 | 2.48 | 1.031 |