IMPACT OF LEADERSHIP STYLE ON BANK PROFITABILITY: CASE STUDY OF A BANK IN BOSNIA AND HERZEGOVINA*

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Received: 10. 9. 2017 Preliminary communication
Accepted: 9. 12. 2017 UDC 336.71(497.6)

Abstract

The goal of this paper is to demonstrate the extent to which the quality of the leader-follower relationship, expressed by the LMX coefficient, affects the bank profitability. Banks characterised by a high level of LMX possess a successful social atmosphere and interpersonal relationships, which is reflected in the emotional support and willingness to share resources, knowledge, and information between employees. Such a relationship between leaders and followers contributes to creating favourable social atmosphere, significantly affecting the overall performance of banks. Empirical research presented in this paper uses the data collected from a business network of a specifically selected Bank. The data was collected via a modified version of the LMX-7 questionnaire, focusing on each branch of a selected bank. Concrete indicators were analyzed (such as net profit margin, ROA, and ROE), which helped establish a link between profitability and the degree of leader-follower communication exchange (measured by LMX coefficient). The results reveal that the applied leadership style directly impacted on the profitability of a selected bank, indicating that this finding could be used as input for management systems of similar financial institutions as well as a catalyst for further research in this field.

Keywords: banks, leadership, leader-member exchange (LMX), in-group exchange, out-group exchange

1. INTRODUCTION

“Good leadership makes it easy for followers to follow and good ‘followership’ makes it easy for leaders to lead” Richard B. Gasaway, 2006

The leadership phenomenon is as old as the human civilization. Leadership research has influenced many different aspects of human behaviour, especially when it comes to politics, military, economics, management, decision making, and communication. Accordingly, there are almost as many definitions of leadership as there are individuals who tried to define it. We have also seen many tools and methods designed to assist researchers and leaders in improving...
the “art of leadership”. One of such tools is the Leader-Member Exchange (LMX) construct, created by Dansereau, Graen, and Haga (1975). It was originally named as the Vertical Dyad Linkage (VDL) approach (also referred to as Leadership-Making model). The focal point of LMX theory is that through different types of “exchanges”, leaders differentiate in the way they treat their followers (or subordinates), leading to different quality relationships between the leader and each follower. In general, previous research about LMX revealed that a higher quality of LMX relationship is related to various positive follower’s outcomes (e.g. job satisfaction, job commitment, and performance), and vice versa (Cole, Schaninger & Harris, 2002; Epitropaki & Martin, 1999; Janssen & van Yperen, 2004).

In modern organizations such as banks, a hypercompetitive and hyper-changing business environment imposes a need for permanent improvement of quality of products, services, and business processes, as well as the need for conducting continuous training and development of their employees. Thus, for example, banking institutions pay special attention to the so-called “quality of service”, which implies kindness, sensibility, and well-developed skills of verbal and non-verbal communication, referring to the general art of communication of banking officers with bank clients (Tomašević-Lišanin, 1997). Research in the leadership field illustrates a positive correlation between the applied style of leadership, employee/followers job satisfaction (along with their performance) and the profitability of organizations (Green, 2003; Harris, K. J., Harris, R. B. & Eplion, 2007; Yahaya & Ebrahim, 2016). Hence, the question arises: does the nature of leader-follower relationship, measured by the LMX coefficient, affect the profitability of banks’ operations?

2. LITERATURE REVIEW

A wide range of research has been conducted with respect to the leadership and its effects within the organizations, or in the workplace, worldwide. A comprehensive review of theory and research regarding relationship-based approaches to leadership, especially LMX, was made by Schriesheim, Castro, and Cogliser (1999). Scrutinizing the extant literature, they found that LMX was initially conceptualized quite broadly, as being comprised of the amount of interpersonal connection between a leader and a member (follower) and the degree of loyalty that existed between a leader and a member as well as attention, support, and sensitivity. They distinguished three relationship-based approaches to leadership: (1) the Vertical Dyad Linkage (VDL) approach, which employed negotiating latitude as its key variable and was focused on differentiated dyads in groups as its level of analysis; (2) the Leader-Member Exchange (LMX) approach, which used measures of leader-member exchange as its central variable and left the level of analysis open or unspecified (despite using the terms “dyad” and “dyadic”, i.e. the relationship between a leader and each of his/her subordinates), LMX theory and research was typically unclear as to whether dyads in groups, dyads independent of groups, or some other level of analysis is involved], and (3) the Individualized Leadership (IL) approach, which employed self-worth, satisfaction, and performance as its main focus and used whole dyads (independent of groups) as its level of analysis. The LMX construct was operationalized with many different measures, and the various LMX scales ranged from two to 25 items, as a result of confusion existing within the literature about the nature of the phenomenon of interest. Schriesheim, Castro, and Cogliser (1999) noticed that extant LMX approach provided little guidance as to how
to view leaders or followers from a levels-of-analysis perspective (at which effects are expected to occur), and that was a critical deficiency. They concluded that there was a need for improved theorization about LMX and its basic process, for improved measurement practices, and for enhanced and more appropriate data-analytic techniques.

Martin et al. (2016) designed a meta-analysis to address several main issues derived from LMX theory, with a focus on the relationship between LMX quality and performance. The main findings confirmed that the effects of LMX on various indices of performance (positive with task or in-role performance, as well as citizenship performance or extra-role performance, and negative with counterproductive performance, i.e. negative behaviours that harm others in the organization, such as property misuse and theft) are of moderate to large size and, also, establish a moderate positive effect size on objective performance. Furthermore, a number of factors were found to mediate the LMX-performance relationship, with trust in leader having the largest effect. Finally, evidence was found for a relationship between LMX and performance and not for reverse, i.e. reciprocal causality of effects. Besides, Tsai et al. (2017) investigated effects of expressive relational schema congruence, in terms of knowledge structures in social exchange processes (“cognitive maps to help people navigate their social world”), on LMX, or more precisely follower-rate LMX. They identified a positive effect. Moreover, to solve an enigma why one and the same LMX relationship is often rated differently by a leader and a follower, van Gils, van Quaquebeke, and van Knippenberg (2010) integrated the notion of Implicit Leadership and Followership Theories (ILTs and IFTs) to argue that the currencies of contributions differ between leaders and followers. This dyadic model set the stage to explain that LMX disagreement can stem from (a) differences in both parties’ ILTs as well as both parties’ IFTs, but also from (b) differences in perceptions of own and other’s behaviour.

Besides abovementioned references, the literature provides a plethora of published doctoral dissertations directly or indirectly linked to LMX as a multidimensional construct (Dienesch, 1987; Harris, 2004; Kwok Yee Wing, 2006; Walters, 2007; Huang, 2007; Chen, 2011; Alshamasi, 2012; Pacleb, 2013; Konja, 2014, etc.). For example, by the simulation where undergraduate students were followers and graduate students were leaders, Dienesch (1987) discovered significant relationship between LMX quality and subordinate satisfaction, but no relationship between LMX and subordinate test performance. However, he found the possibility that LMX may be more closely related to long term performance factors than to short term task performance. Also, Walters (2007) confirmed the underlying assumption of the LMX and productivity relationship, which suggested the employee will be more productive when he/she is in a high quality LMX relationship, and vice versa. Further, Pacleb’s survey (2013) upheld the fundamental premise that relationships are built through communication. It affirmatively confirmed that leadership is communication. His model highlighted the role that leader communication style plays in proximal relations, power relationships, and intercultural relationships, and shifted the focus of leadership studies from trait-based to examining how leader-member dyadic relationships are built.

As far as banking sector is concerned, Green, Blank and Liden (1983) conceptualized LMX as “quality of exchange” between bank leaders (i.e. branch managers or supervisors) and subordinates (i.e. employees or staff). Subdimensions they considered were...
linked to the exchange quality, leader’s personal sensitivity to employee, level of contribution of employee in the dyad, and leader’s handling of performance problems, but only two composite measures were included in the analysis. Namely, quality of exchange was measured by 10 items, each using a five-point scale, for example:

- Effectiveness of your working relationship with your supervisor (staff respond for each manager);
- The extent to which a supervisor will “bail you out” at his/her expense;
- How often does a supervisor treat you harshly when correcting job performance?
- Flexibility of supervisors in evolving change in the job;
- Supervisor’s understanding of your problems and needs, etc.

Besides quality of exchange, dyadic contribution was measured by four following items:

- How often do you volunteer for assignments?
- How often do supervisors ask you to do extra?
- How often do you bring suggestions to a supervisor?
- Likelihood of supervisor taking action when you make a mistake.

For all analyses, the quality of the exchange based on the (interpersonal) relationship between the subordinate and the manager is identified as being most important. Moreover, Green, Blank and Liden (1983) highlighted that the less favourable the environment bank employees serve, the less positively they feel about their work experience. Also, the larger their work unit, in terms of number of people, the less desirable the job. Finally, the relative contributions of environmental and organizational characteristics (e.g. nature of customer market, amount of competition within the market, specifics of the service organization, etc.) to explaining responses to work appeared consistent with the conception of bank employees mentioned.

Based on the data collected from 23 branches of a large commercial bank in Taiwan and, thereby, 228 manager-employee dyads, Weng, Su, and Lai (2011) found that both transformational leadership and LMX have significantly positive effects on service performance, with the LMX relationship playing a mediating role between transformational leadership and service performance. Furthermore, Çetin, Karabay, and Efe (2012) tested the assumption that leadership styles and the communication competency of bank managers are the basic elements that affect the employees’ job satisfaction in Turkish (deposit) banks. The data were obtained from the questionnaires and analysed using the SPSS Statistics. Their empirical findings revealed that interactive leadership style (which requires a relationship based on a mutual exchange between leaders and their followers) and communication competency have, indeed, a stronger relationship with job satisfaction. On the other hand, transformational leadership (which emphasize followers’ intrinsic motivation and personal development) and individual oriented leadership (which means that leaders are people who start and maintain the change) do not have any clear influence on bank employees’ job satisfaction.
3. THEORETICAL BACKGROUND AND HYPOTHESIS

Together with material resources, employees, as human resources, are highly important “assets” for achieving organizational goals and promote a thriving organization. Organizations need to have efficient leaders to lead and motivate their employees in their daily operation so that they can achieve set goals. As Peter Drucker (1909-2005), the founder of modern management, once proclaimed: “Management is doing things right – improving operational performance, maximizing revenues, and reducing expenses while increasing artistic production values and audience appreciation. Leadership is doing the right things – setting organizational priorities and allocating human and fiscal resources to fullfill the organization’s vision”. Consequently, the way a leader interacts with the team can determine the way the employees perform. The essence of (traditional) leadership lies in performance.[2]

As far as banks are concerned, they are the dynamic service sector, the backbone of the financial system, and the engine of the economy. Under (post)crisis circumstances, human resources and business policy, as some regulators emphasized, become the key factors for bank business success. In other words, in their survival and profit-chasing battle after 2008 crisis, banks have no other choice but to maximise the utilisation of their internal resources, which includes people (Kozarevic, Peric & Delic, 2014).

In contrast to management, which focuses on ensuring order and stability, the primary role of leadership is reflected in envisioning the future and generating changes. Taking into consideration the complexity of the current business environment of banks, leadership, as defined above, becomes one of the key determinants of business success and competitiveness for this form of financial institutions in comparison to many others. As previously stated, there is an empirically proven relation between the applied style of leadership, employee/followers job satisfaction, and profitability of organizations, including the profitability or business performance of banks.

As a relationship-based approach to leadership, LMX means that leaders develop different exchange relationships with their followers, which has an important impact on members’ as well as leaders’ performance outcomes (Gerstner & Day, 1997; Graen & Uhl-Bien, 1995). Despite the originally broad definition, we believe that LMX approach refers to an in-group as well as an out-group (of followers) exchange. While it is a generally accepted principle to treat others the way you want to be treated, this is not always the case between leader and employee. In-group members are those employees who have created high-quality relationships with their immediate supervisors, characterized by mutual trust, respect, affection, and reciprocal influence (Mueller & Lee, 2002; Graen & Uhl-Bien, 1995; Yukl, O’Donell & Taber, 2009). Out-group members are those employees who have low-quality relationship with their supervisors and who are managed by formal rules and policies. Moreover, considering that satisfaction with supervision has a significant impact on job satisfaction[3] that directly influences employees’ work performance (e.g. productivity, expressed as the ratio of output to inputs), leaders should develop high-quality relationships with as many subordinates as possible. “Their in-group should be as large as their out-group” (Lunenburg, 2010, pp. 1-5).

Considering LMX is a multistage construction, besides having various outcomes, it is influenced by many preconditions (antecedents). Both antecedents and outcomes can be differentiated at individual, group, and organizational levels. Furthermore, the
individual level can be divided into two categories, leaders and associates. The most important prerequisites for LMX are organizational structure and culture, group culture, leadership style, human resource management practices, etc. (Henderson et al., 2009).

This paper demonstrates the extent to which the quality of the leader-follower relationship, expressed by the so-called coefficient of LMX, affects the bank profitability. Unlike other theoretical approaches to leadership, viewed from either the leaders’ or followers’ perspective and in different contexts, according to the LMX theory, the key to leader success is in the interaction/exchange between leaders and followers (members) (Gerstner & Day, 1997). Banks categorized by a high level of LMX demonstrate a high level of social atmosphere and interpersonal relationships, which is reflected in the emotional support and willingness to share resources, knowledge, and information between employees (Mueller & Lee, 2002; Graen & Uhl-Bien, 1995). Such a relationship between leaders and followers contributes to creating favourable social atmosphere, significantly affecting the overall performance of banks, especially profitability as their main goal. Therefore, the basic research hypothesis of the paper is:

_The level of the leader-follower exchange, measured by the LMX coefficient, significantly affects the profitability of the bank._

4. METHODOLOGY OF THE EMPIRICAL RESEARCH

The overall objective of the empirical research covered in this paper focuses on the connection and impact between the leader-follower exchange levels and the profitability of the selected Bank. Empirical research included the business network of a specific Bank, that is, its 10 branches (A-J) that operate as profit centers. In each of these branches indicators of successful business performance were determined: financial outcome, monthly indicators of plan realizations (small and medium enterprises (SME) business deposit plan, personal deposit plan, business-SME loan plan, and personal loan plan), ROA, and ROE. The research was conducted through the corrected LMX-7 questionnaire, which ensured reliable instrument for establishing the quality of the leader-follower exchange in each branch of the specific Bank. This questionnaire is designed in the way to measure three dimensions of the leader-follower relationship: respect (to what extent do leaders and followers have mutual respect), trust (to what extent do leaders and followers have mutual trust), and commitment (to what extent do leaders and followers have a sense of obligation to each other). Out of a total of 148 employees in 10 branches of the specific Bank, 90 of them, or 60.81%, were surveyed. Of these, 17.78% identified themselves as leaders in the sample and 82.22% as followers. The data collected was processed using a software package for the statistical processing of quantitative and qualitative data in social science research.

The results of the research conducted within the business network of the specific Bank were interpreted using the following guidelines:

- Points within the range of 85-100 indicate a very high degree of leader-follower exchange,
- Points within the range of 70-84 indicate a high degree of leader-follower exchange,
- Points within the range of 55-69 indicate a moderate degree of leader-follower exchange,
• Points within the range of 40-54 indicate a low degree of leader-follower exchange,

• Points within the range of 20-39 indicate a very low degree of leader-follower exchange.

The established higher number of points in some branches of the specific Bank indicate the existence of a strong and high-quality leader-follower exchange (as they exist within the “in-group”), while the results of the research obtained in other branches with a lower number of points indicate lower quality relationships on the leader-follower relation (as they exist with the members of the “out-group”).

5. RESULTS AND DISCUSSION

The profitability of banks’ operations is usually evaluated and reported using standardized profitability indicator of the average bank total assets (ROA) and the profitability indicator of the average bank equity (ROE). Table 1 shows the interconnectedness of the profitability level and the degree of leader-follower exchange, measured by the LMX coefficient, in the branches of the specific Bank.

Spearman’s rank correlation confirmed a statistically significant relationship between the LMX coefficient and the profitability indicator ROA (RO = 0.806, p < 0.005), as well as the correlation between the LMX coefficient and the profitability indicator ROE. This demonstrated a strong relationship rho = 0.758, with a probability of p < 0.011.

In Table 2 is shown interconnectedness of the achieved financial results and the degree of the leader-follower exchange, measured by the LMX coefficient, in the branches of the specific Bank.

Spearman’s rank correlation did not confirm the statistically significant correlation between the LMX coefficient and the financial results of the branch’s operations with, a probability of p < 0.365.

Table 3 contains interconnectedness of different plan realizations and the degree of the leader-follower exchange, measured by the LMX coefficient, in the branches of the specific Bank.

Table 1: Profitability (ROA, ROE) and LMX coefficient

<table>
<thead>
<tr>
<th>Branches of the specific Bank</th>
<th>LMX coefficient/degree of leader-follower exchange</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>“A”</td>
<td>74.80 / high</td>
<td>3.8</td>
<td>94.2</td>
</tr>
<tr>
<td>“B”</td>
<td>68.00 / moderate</td>
<td>1.1</td>
<td>26.2</td>
</tr>
<tr>
<td>“C”</td>
<td>91.55 / very high</td>
<td>3.6</td>
<td>71.3</td>
</tr>
<tr>
<td>“D”</td>
<td>87.83 / very high</td>
<td>5.3</td>
<td>78.3</td>
</tr>
<tr>
<td>“E”</td>
<td>71.30 / high</td>
<td>2.9</td>
<td>64.4</td>
</tr>
<tr>
<td>“F”</td>
<td>78.60 / high</td>
<td>3.7</td>
<td>59.9</td>
</tr>
<tr>
<td>“G”</td>
<td>52.00 / low</td>
<td>2.4</td>
<td>47.1</td>
</tr>
<tr>
<td>“H”</td>
<td>66.80 / moderate</td>
<td>1.9</td>
<td>52.8</td>
</tr>
<tr>
<td>“I”</td>
<td>67.60 / moderate</td>
<td>1.0</td>
<td>-27.1</td>
</tr>
<tr>
<td>“J”</td>
<td>48.80 / low</td>
<td>0.4</td>
<td>8.3</td>
</tr>
</tbody>
</table>
When it comes to the connection between the LMX coefficient and the degree of success against different plans (presented in Table 3), Pearson’s correlation confirmed the statistically significant relationship between the LMX coefficient and the parameter of the realization of the business-SME deposit plan. This is evident based on strong correlation of $r=0.691$, with probability of $p<0.027$.

We can also recognize a very strong correlation between the LMX coefficient and the realization of a personal loan plan, with $r=0.854$ ($p<0.002$). However, the results do not show a strong relationship between LMX and the realization of a personal deposit plan ($r=-0.044$, $p<0.903$), or between LMX and the realization of a business-SME loan plan ($r=0.541$, $p<0.106$).

These results demonstrate that there is a significant correlation between the degree of exchange between the leader and the follower on the one hand, and the business re-

### Table 2: Financial results and LMX coefficient

<table>
<thead>
<tr>
<th>Branches of the specific Bank</th>
<th>LMX coefficient/degree of leader-follower exchange</th>
<th>Financial results</th>
</tr>
</thead>
<tbody>
<tr>
<td>“A”</td>
<td>74.80 / high</td>
<td>2,161,261</td>
</tr>
<tr>
<td>“B”</td>
<td>68.00 / moderate</td>
<td>104,639</td>
</tr>
<tr>
<td>“C”</td>
<td>91.55 / very high</td>
<td>243,991</td>
</tr>
<tr>
<td>“D”</td>
<td>87.83 / very high</td>
<td>311,455</td>
</tr>
<tr>
<td>“E”</td>
<td>71.30 / high</td>
<td>471,394</td>
</tr>
<tr>
<td>“F”</td>
<td>78.60 / high</td>
<td>465,963</td>
</tr>
<tr>
<td>“G”</td>
<td>52.00 / low</td>
<td>779,898</td>
</tr>
<tr>
<td>“H”</td>
<td>66.80 / moderate</td>
<td>207,929</td>
</tr>
<tr>
<td>“I”</td>
<td>67.60 / moderate</td>
<td>-44,966</td>
</tr>
<tr>
<td>“J”</td>
<td>48.80 / low</td>
<td>26,982</td>
</tr>
</tbody>
</table>

### Table 3: Realization of the plan and coefficient of LMX

<table>
<thead>
<tr>
<th>Branches of the specific Bank</th>
<th>LMX coefficient / degree of leader-follower exchange</th>
<th>Realization of personal deposit plan (in %)</th>
<th>Realization of business-SME deposit plan (in %)</th>
<th>Realization of personal loan plan (in %)</th>
<th>Realization of business-SME loan plan (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“A”</td>
<td>74.80 / high</td>
<td>104</td>
<td>105</td>
<td>101.5</td>
<td>93</td>
</tr>
<tr>
<td>“B”</td>
<td>68.00 / moderate</td>
<td>105</td>
<td>115</td>
<td>102.1</td>
<td>82</td>
</tr>
<tr>
<td>“C”</td>
<td>91.55 / very high</td>
<td>103</td>
<td>118</td>
<td>105.5</td>
<td>107</td>
</tr>
<tr>
<td>“D”</td>
<td>87.83 / very high</td>
<td>106</td>
<td>111</td>
<td>107.5</td>
<td>108</td>
</tr>
<tr>
<td>“E”</td>
<td>71.30 / high</td>
<td>100</td>
<td>73</td>
<td>95.9</td>
<td>107</td>
</tr>
<tr>
<td>“F”</td>
<td>78.60 / high</td>
<td>109</td>
<td>99</td>
<td>106.3</td>
<td>103</td>
</tr>
<tr>
<td>“G”</td>
<td>52.00 / low</td>
<td>108</td>
<td>77</td>
<td>96.0</td>
<td>94</td>
</tr>
<tr>
<td>“H”</td>
<td>66.80 / moderate</td>
<td>106</td>
<td>112</td>
<td>97.6</td>
<td>87</td>
</tr>
<tr>
<td>“I”</td>
<td>67.60 / moderate</td>
<td>127</td>
<td>93</td>
<td>94.2</td>
<td>78</td>
</tr>
<tr>
<td>“J”</td>
<td>48.80 / low</td>
<td>101</td>
<td>75</td>
<td>91.1</td>
<td>93</td>
</tr>
</tbody>
</table>
results on the other. Namely, the branches of the specific Bank in which a very high coefficient of the leader-follower exchange was established, achieved the realization of the personal and business-SMEs deposit plans above 100% and the realization of the personal and business-SME loan plans also exceeded 100%.

The results of the empirical research point out the possibility that the branch leaders (in the tendency to delegate power and assigned work roles) of the specific Bank exhibited the tendency to form vertical two-member relations, in which this process resulted in the development of different types of exchange relations between the leader and the followers. The first type of exchange, called “in-group exchange”, is more characteristic for the branches of the specific Bank (which is evident through the higher value of the LMX coefficient) where a higher level of profitability was achieved. In these branches, a stronger partnership between the leaders and the followers is developed, which is distinguished by reciprocal influence, mutual trust, respect and affection, and the sense of belonging to the Bank in which they work. This has resulted in the construction of quality interpersonal relationships, a positive social atmosphere, a higher level of motivation and job satisfaction, and therefore a better personal and organizational performance. In the branches of the specific Bank in which “out-group exchange” was established (which is reflected in the lower value of the LMX coefficient), the leaders showed a tendency to behave as supervisors who fail to create a sense of mutual trust, respect, and belonging to the organization, which ultimately resulted in poorer personal and organizational performance. Taking into consideration the results of the empirical research, it can be stated that the central research hypothesis has been proven.

6. CONCLUDING REMARKS AND RECOMMENDATIONS

The key task of the leader is to create and maintain an atmosphere in which employees/followers complete tasks in a way that attains the desired personal and organizational performance. Hence, it is of utmost importance that the leader should build quality cooperative relationships with subordinates, as suggested by LMX theory. Organizations characterized by a high degree of LMX have high-quality interpersonal relationships, which are manifested through emotional support and the exchange of valuable resources among members of the organization. Strong and lasting leader-follower relationships contribute to increased level of motivation and job satisfaction, resulting in the desired work performance as well as in building social capital in an organization, all of which ultimately has a positive impact on organizational performance.

Taking the above stated into consideration, it can be concluded that the value of LMX theory, in the context of a situational approach, is not in promoting a recipe for successful leadership, but rather in encouraging leaders to think about their relationship with employees and instructing them to assess the validity of particular styles in specific situations. Moreover, the results of the empirical research presented, interpreted, and discussed in this paper demonstrate that there is a significant correlation between the profitability of the Bank and the quality of the relationships between leaders and followers. This relationship was assessed based on factors such as: reciprocal influence, mutual trust, respect, and affection, as well as the sense of belonging to the Bank in which they work. The results have clearly indicated that the branches with stronger partnership between leaders and followers also achieved higher profitability, compared to the branch-
Certainly, the research carried out also had significant limitations, the most important of which are related to the sample and the basic research set. The research was carried out in one bank and the size of the sample is relatively small, which limits the generalization of research results and imposes the need for conducting more extensive research in this field. When discussing research limitations, we need to consider the fact that the leader-follower relationship is not the only determinant of the profitability of banks. Also, we need to keep in mind that LMX is a multi-step construction, influenced by numerous factors (at the individual, group and organizational levels). For example, these factors could cover elements such as characteristics of leaders and followers, organizational structure and culture, characteristics of subcultures in the organization, specifics of human resource management practices, etc. Despite the limitations, this paper points to the potential of leadership in the context of improving the profitability of banks that face complex challenges in a modern business environment.

Future work in this domain could also refer to the following: (a) leadership style, such as interactive leadership measured by LMX coefficient, is an overlapping theme having equal importance in the service sector overall, e.g. insurance companies; (b) further work is essential on (re)examining the various mediators and moderators that help explain how leadership influences targeted outcomes; (c) measurement variables such as age, gender, full-time and part-time status, managers and non-managers differences and their influence on research outcomes can be considered; (d) it would be interesting to extend the work on LMX construct across cultures, etc.

References


UTJECAJ STILA VOĐENJA NA PROFITABILNOST BANKE: STUDIJA SLUČAJA BOSANSKO-HERCEGOVACKE BANKE

Sažetak

Cilj ovog rada je ukazati na razinu, u kojoj kvaliteta odnosa između vođa i sljedbenika, izraženih koeficijentom LMX, utječe na profitabilnost banke. Banke, koje odlikuje visoka razina koeficijenta LMX, imaju uspješnu organizacijsku klimu i međuljudske odnose, što se iskazuje kroz emocionalnu podršku te spremnost za podjelu resursa, znanja i informacija među zaposlenicima. Ovakav odnos između vođa i sljedbenika doprinosi stvaranju povoljne organizacijske klime, koja značajno utječe na poslovne rezultate banke. Empirijsko istraživanje u ovom radu koristi modificiranu inačicu upitnika LMX-7, usredotučujući se na poslovnicu izabranu banke. Analiziraju se konkretni pokazatelji (kao što su neto profitna marža, ROA i ROE), kako bi se utvrdila povezanost između profitabilnost i razine razmjene komunikacija između vođa i sljedbenika (a što se mjeri koeficijentom LMX). Rezultati ukazuju da primijenjeni stil vođenja izravno utječe na profitabilnost promatrane banke, a što indicira da bi se dobiveni rezultati mogli primijeniti u menadžerskim sustavima sličnih financijskih institucija, kao i poticaj za daljnja istraživanja.

Ključne riječi: banke, vođenje, razmjena između vođa i sljedbenika, unutargrupna razmjena (komunikacija), međugrupna razmjena (komunikacija)

[1] The opposite is task-oriented leadership, in which leaders focus on the tasks that need to be performed in order to achieve certain goals, instead of focus on the satisfaction, motivation, and the general well-being of team members like in case of relationship-oriented leadership.

[2] Avolio, Walumbwa, and Weber (2009, pp. 421-449) examined work that has been done on substitutes for leadership, servant leadership, spirituality and leadership, cross-cultural leadership, and e-leadership.

[3] However, when it comes to banks, in the near future employee job satisfaction is predicted to be lower than satisfaction with supervision, due to absence of strong intrinsic motivation (Mardanov, Heischmidt & Henson, 2008, pp. 159-175). For more details about intrinsic and extrinsic motivation, or non-monetary and monetary incentives impact on job satisfaction of bank employees, see: (Delic, Kozarevic, Peric & Civic, 2014).