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TRANSACTIONAL LEADER IN ROMANIAN PRIVATE BANKING SYSTEM

Empirical study

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M10, M11, M12

Abstract

From a managerial point of view, all the media means of professional communication, socialization and interaction emphasize entrepreneurial success stories. One of the modern concerns of all current researchers is to underline the place and role of leaders in the institutional framework.

The leadership is perceived as a support pillar in maintaining any business. The analysis of this phenomenon is extremely extensive, starting with the culture of a company, the purpose of its existence and comprises aspects concerning the employees motivation and the degree of identifying themselves with the organizational objective. A constant concern in analyzing this phenomenon is retaining the employees and encouraging them to bring added value to the organization where they perform their daily activities.

Nevertheless, the Romanian banking system in Timişoara seems to display a strong resistance towards change. The leadership of this industry is comprised of people with great managerial abilities. The transactional method, manifested by the leader in the Romanian private banking system in Timişoara, seems to be the main phenomenon at the basis of their daily activity.

The manager – leader hypothesis is slowly taking shape. Due to the resistance to change, generated by the educational model, from a managerial point of view, the balance is strongly tilting towards the managerial traits at the expense of the leadership ones. We are still at the stage where the tolerance towards liberty, uncertainty, are some of the traits of the leader in the Romanian private banking system in Timişoara, which are poorly identified at the management level of this very important segment of activity.

General Framework

The research subject chosen is of present interest due to the novelty of the aforementioned organizational issue – the generational difference in the Romanian banking system, as well as the novelty of the effects of this phenomenon and the perspectives defined by the organizations, regarding the human capital as one of the strategic resources.

As a result, the purpose of the present paper is to identify the main types of leaders from the Romanian private banking system.

The main objective of the paper is focusing on the idea of identifying the prevalent traits of junior and middle leaders in the Romanian private banking system, in Timişoara.

The contribution of this paper is linked to the identification of the dominant leadership style in the Romanian private banking system, in Timişoara.

The transactional management theory was developed by Burns, 1978; Bass, 1985; House, 1988; Steers, 1991. In practice, it is based on a direct exchange relationship between superior and subordinate, which consists of rewarding the latter. The theory postulated the so called psychological contract, based on which, in the situation where the organization does not provide the motivation and work satisfaction to employees, then the leader, through their behavior, will compensate this need.

Transactional leaders are the ones that ensure the interdependence between performance and work, and define very clearly the expectations they have from the subordinates. They are the ones that resort to promises in exchange of support, negotiate their resources and conclude mutually beneficial agreements.

This leadership typology is distinctive by formulating clear and detailed tasks and objectives. Their purpose is to obtain immediate results. To achieve these objectives in the short term, they are the ones who closely and actively monitor the activity of colleagues and resort to coercive measures when things don't go as planned.

"Transactional leaders are the ones who ask: What should be done?

☞ They ask: What is right and correct for the company?

☞ They compile action plans.

☞ They take responsibility for the decisions they make.

☞ They take responsibility for communication." (Hellriegel, Slocum , 2007). In addition to the short term advantages, the transactional leadership has also a few disadvantages. The biggest shortcoming of this leadership style is the lack of vision in the long term. Also, it can inhibit creativity and invention in the company. Following the premises that long term thinking and vision are elements specific to leadership, and the strategies and short term thinking are management competencies, we intend to identify which is the proportion of this leadership style in the Romanian banking system.

Research method – short presentation

The research tool used is Leader Behavior Description Questionnaire – Form XII. (LBDQXII). Considering the importance of the conclusion, we have chosen an already calibrated tool. (Stogdil, 2014) Moreover, LBDQXII is one of the most popular leadership measuring tools from the employee's perspective (Bass, 1990).

LBDQXII follows 12 leadership features: representation, reconciliation, tolerance to uncertainty, persuasion, structuring, tolerance to freedom, responsibility, consideration, production, prediction, integration and influence.

LBDQXII was applied in Timiş County between 01.06.2015- 31.08.2015. The subjects came from 6 banks representing 19.35% from the total number of banks from Timişoara, 31 – according to the ANAF communication number 202630/09.12.2015. In the total number of banks were included also the 9 branches of foreign banks in Romania. Considering the research subject is the private Romanian banking system, the Romanian National Bank B.N.R. was not included, as well as the two Credit Unions. In addition to B.N.R., Begacoop and CreitCoop, the banking system in Timişoara is comprised of 34 banks, according to the same document issued by ANAF through the Public Finance County Administration – Timiş.

The sphere of activity of all participants is the banking-finance. The target group is comprised of 77 subjects, of a total number of employees in the private Romanian banking system of 1612 in Timiş County – ANAF communication ANAF 202630 / 09.23.2015. The sample represents 4.78% from the total number of employees from this activity field. However, based on the reasoning described in the previous paragraph, the statistic population is of 1536 employees. The difference comes from the 52 employees of the Romanian National Bank, 20 employees of BegaCoop and 4 employees of CreditCoop. Therefore, the research sample represents 5.01% of the total number of employees. Considering the confidentiality agreement established when obtaining the data, we will not use the names of the participating banking institutions, but rather we will use the generic denomination bank 1, 2, 3, 4, 5, 6. The confidentiality of the bank's name is one of the limitations of this paper, the data being obtained with the permission of the middle managers and not by an official written agreement of the institution where the participants belong. The lack of the official agreement was, in most cases, verbally attributed to the restructuring process the private banking entities are going through, as well

as on the risk that the content of this paper could be used directly in the restructuring process.

Analysing the results by identifying the three most relevant and the three least relevant features.

Bank 1 is the smallest of the total number of banks analysed. Bank 1 had 3 participants and the results concerning each point of the research model are detailed in the following paragraphs. Bank 1 had 3 participants and the results concerning each point of the research model are detailed in the following paragraphs, as shown in image 1, annex 1. Here participants showed the highest deviation from the average on the *integration* feature. This result was easily predictable, because, being a very small group, the ability of a leader to maintain the team's unity and to mediate unpremeditated conflicts is relatively high. The premise is that the leader created the team. From a different point of view, the smaller the team, the easier it is to solve unpremeditated conflicts.

Structuring is the feature with the second highest deviation from the average, as it is a consequence of integration. Once the leader has recruited their team with people that share his/her views, the leader's position within the group is imposed "de facto", and the expectations were communicated with the occasion of the first interaction.

Representation and persuasion are the features from the third place from the point of view of the deviation from the average. Both have the same score. Once the team is formed based on the leader's criteria, it is normal that he is perceived as the group's representative. Being a small group, the argumentative dialogue enables the leader to transmit his/her ideas, to ensure their place and role within the group, to inform the group what are his/her expectations.

The smallest deviations from the average of the system were detected by the tolerance to uncertainty, consideration and tolerance to freedom. These three features of leadership are at the opposite end. The leader from the smallest bank analysed seems to not give his/her subordinates the freedom to think and act as they consider fit, and does not accept delays or deviations from the guidelines established. These two aspects generate a lack of self-motivation.

As the Millennial generation is dominant, where acknowledgment is one of the main features sought after, it's interesting to see why this feature diminishes. One possible explanation could be that, as time goes by, takes place an adjustment of priorities, self-esteem decreasing in intensity in favour of other priorities.

Bank 2 had 8 participants and the results concerning each point of the research model are detailed in the following paragraphs.

Bank 2 is the fourth from a size point of view from the total of 6 banks analysed. Representation, reconciliation and integration are the leadership features with the highest deviation from the average.

The representation feature has a major deviation from the average also in the case of the second bank, which leads to the idea of a manager in permanent awareness of his/her activities. The ability to solve conflicts and reduce their impact is the second feature that greatly deviates from the average. In case of this institution as well, one of the main features is given by the leader's ability to cultivate and ensure the team's cohesion.

It's interesting to analyse the three features with the least deviation from the average, tolerance towards uncertainty, consideration and production. Tolerance towards uncertainty and consideration are leadership features that are found also in the case of the second bank. Is outlined the premise based on which, at the system level, the leadership features are poorly defined. The production feature corroborates this statement and is slightly above average. The focus is on achieving the objectives, but the pressure instituted is at the same level as in other banks. By the same level we mean a linear level, with a low score, relatively similar from one banking institution to another.

A conclusion that can be drawn is that at the moment, in the banking system, there is a relatively equal tolerance towards uncertainty, as well as an almost identical level of pressure to achieve objectives. The main feature of the leader of a banking institution is representation and the ability to lead the team and to ensure its proper functioning is a defining feature.

Bank 3 is the fifth from a size point of view from the six banks analysed and had a total number of 7 participants. The results concerning each point of the research model are detailed in the following paragraphs.

Representation, persuasion and structuring are the most important features in a banking institution. Representation is the characteristic which at the moment is repeatedly included in the top most important features of a leader. Persuasion is present for the second time in the analysis of the three banks, with one of the highest levels of deviation, highlighting the presence of leaders who resort to understanding by logic, but also buy using very strong personal beliefs. An important aspect to take into consideration is if these personal beliefs are directly applicable at the moment, considering the constant period of change the banking system has been through and is still going through. This idea is sustained by the third feature identified, structuring. In this organisation the leader communicates very clearly his objective and what are the tasks each subordinate has to perform.

From the point of view of the lowest scores, the tolerance to uncertainty is the first feature. As in the case of the previous two banks, at this moment,

even if the role and place of each employee is well established, uncertainty seems to be tolerated. A possible explanation could be the lack of a long term strategy, the existence within the system of a strategy adapted to the market conditions. However, a short term strategy, frequently changed from one quarter/semester/year to another, is in contradiction with the existential purpose of a bank. Another possible cause could be the impossibility to ensure the role of a universal bank, as many of the private Romanian banks intend to be.

The above analysis is supported by the third feature with the lowest score, prediction. The leader analysed is not perceived as a person who can accurately anticipate. Not knowing with accuracy what will happen next, he/she concentrates on what they know better. The short term strategy seems to be the key for this institution.

Concluding the results of the analysis of the third bank, we remain in the pure management sphere where the leader establishes the guidelines and details, and make sure they are followed. Uncertainty is a tolerated feature, due to a short term vision.

Team 4, the third team from a size point of view of the banks analysed, had a number of 11 participants, and the results concerning each point of the research model are detailed in the following paragraphs.

Representation, integration and structuring are, in descending order, the features with the highest deviation from the average. Representation was present as one of the most important for four out of four banks analysed, integration for three out of four, and structuring for three out of four. For the fourth bank, from the most relevant features of the leader point of view, we remain in the pure management sphere.

From the point of view of the lowest level of deviation, tolerance towards uncertainty has the lowest score, followed by integration and tolerance to freedom. Tolerance towards uncertainty is the feature with the lowest level of deviation from the average, present in all the four banks analysed. Consideration, the next feature from a score point of view, is present in the analysis of all four banks. Tolerance to freedom is present in the analysis of two out of four cases.

Bank 4 follows the general management draft identified in the previously analysed banks.

Bank 5, the second bank from a size point of view from the ones analysed, totalled a number of 19 participants, and the results concerning each point of the research model are detailed in the following paragraphs.

Bank 5 has a diversified flowchart, on a local plan having junior leaders as well as middle leaders. The image renders the perception of employees towards junior leaders as well as towards the middle ones.

Representation, structuring and integration are the main features of the leader in this bank. At the moment, representation was present in five out of five banks, and structuring and integration in four out of five cases.

From the point of view of the lowest level of deviation, tolerance towards uncertainty and consideration, in an ascending and identical order, was present in five out of five banks, and production, the third deviation, is present for the third time.

In this institution, small deviations are relevant, with a difference of 0.01 between production, prediction and influence.

In this banking institution the management picture is very clearly defined. The leader is the one that represents the bank, establishes his/her expectations and ensures they are implemented. They have a low tolerance towards uncertainty, most probably because of the short term objectives. Their execution strategy is outlined by him/her, through personal value reasoning. The leader does not have the ability to anticipate and they do not have any influence over their superiors. Pressure is a way to accomplish objectives, but it's similar to the pressure in the other organisations.

The leader of this organisation is a manager who imposes their own methods and does not reward employees as they expect.

Bank 6, the largest bank among the ones analysed, totalled a number of 29 participants, and the results concerning each point of the research model are detailed in the following paragraphs.

As in the case of the previous banking institutions, bank 6 has a diversified flowchart, throughout Timiş County, with junior leaders as well as middle ones.

Representation and structuring complete the picture of the most representative features, identified as top characteristics for all the banks analysed. The third feature is reconciliation. From the point of view of the lowest level of deviation, the identified picture is maintained, tolerance towards uncertainty and consideration being the features with the lowest scores.

The analysis of banks 5 and 6 emphasize the fact that the image of the manager in the Romanian banking system in Timişoara does change from the perspective of junior leaders towards middle leaders.

Conclusion

The graphic representation of the top three most important and least obvious features is shown in annex 1, figure 1. In top three plus there are actually five features, while in top three less relevant are four. The difference is attributed to the fact that there were features that were not identified in all banks. Also, there were features that were not present in other banks, but in the case of the bank

analysed there were two features with the same score. For the graphic representation, the feature with the highest score was given three points, the second two points and the third point.

We can conclude that the banking leader in Timişoara is first of all a manager.

Representation is the main feature, the position of representing the group, which is conveyed by their status in the flowchart.

The second feature, structuring, also falls in the management sphere, emphasizing the fact that the organization follows rules very clearly set forth. The leader is a manager, makes his position known, and establishes the expectations from his/her subordinates.

Integration, the third feature, remains in the management sphere because the leader, once he/she establishes the objectives and the methods to be applied, makes sure these are followed through. Their role is to follow the status, as well as to solve any problem that may occur.

The features with the lowest score are tolerance towards uncertainty, consideration and tolerance towards freedom. These are also found directly in the management sphere. The manager in Timişoara follows concrete facts, most likely in terms agreed upon/imposed. Tolerance towards freedom has a low score, which implies that the individual actions of employees are not approved, but rather the subordinates should follow a previously established plan.

Consideration and self-esteem are features from the leadership sphere which are poorly developed. Consequently, there is no satisfaction for the employee in their activity, as they work in a rather uncomfortable environment.

A possible explanation could be that the strategy is established from the top down, the decision is made at a centralized level and the managerial model is implemented from the top down.

In addition, the lack of vision or the short term strategy established at a centralized level leads to a certain type of manager at a decentralized level.

Thus, the leader from the Romanian commercial banks in Timişoara is certainly a manager, respectively a transactional manager. The features of a leader are less developed.

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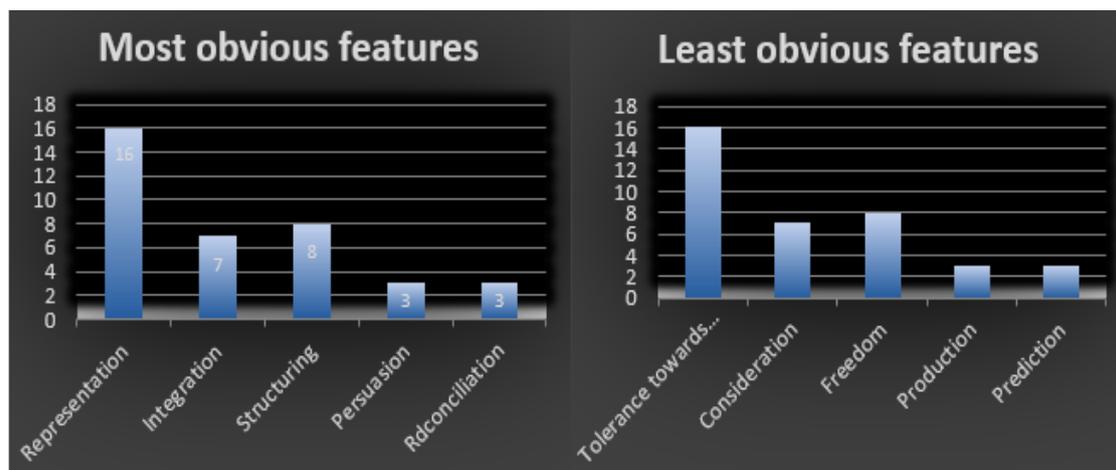
Annex

Image 1. Graphic representation of the most developed and least obvious features.