Developing Strategic Management and Leadership Skills –
A Study Focuses on Banking Sector

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Introduction

Strategic management and leadership both are closely interrelated with each other. The both have some slight differences.

Strategic management is focused on long term goals achievement. But, a good leadership is helping the strategic management for the success.

If the people in an organization will have a clear understanding about the management & leadership concepts, it will be very likely that most of the problems, challenges will be found answers, if the expectation of the managers, leaders and employees in synch.

The management has plan and strategies. They aim on the execution of strategies, while a good leadership maintains human resources, employees direction, coordination & motivation to execute the strategies with their best performance.

Especially in the banking industry, Strategic management and leadership both are simultaneously needed for the effective operations.

A good leadership will only satisfy the short term. Therefore, the combination of the both is must be needed for the organizational long term success.

Link between strategic management and leadership

Before to understand the link between strategic management and leadership, we should have some clear understandings about these two broader terms.

Strategic Management

Strategic management is the combination of strategy & the management.

Strategy is the overall plan for deploying resources towards establishes a favorable position over the long term. It means, how can be used the resources to achieve a favorable position.

Ex : High profit, Higher market share

Strategic management defined as ‘full set of decisions & actions resulting in the formulation & implementation of
strategies designed to achieve the organizational objectives.

Strategic management is the full set of decisions, commitments & actions required for a business to create value and earn above average return.

Simply, it is the process of establishing, maintaining good strategies towards the achievement of an organizational goals & objectives.

Good strategies making is not enough to the success of a business. We have to plan & implement the strategies in a most appropriate manner.

An effective strategic management is a vital for getting business opportunities and to handle the challenges successfully.

**Leadership**

Leadership is refers the Procedures by which individuals and group performances are subjective towards the common organizational goals & objectives.

Leadership is influencing & inspiring the peoples to achieve the demanding goals.

According to (kotter,1990), Management does not accept any changes rather they believe in stability. But leadership is supposed to bring changes & innovations. The leader has strategy & vision while a manager has plans and execution of the plans.

Responsibility of the management is to deploying resources and people in a unit according to the values, rules while the leadership is setting a proper direction for people in group.

A good leadership is a bridge between strategic management and the organization attain its predetermined targets.

Effective strategic management & good leadership both are always a key success factor to any business organization.

If an organization goals & objectives achieved according to the plan and strategies, the particular leadership performance will influence the entire organization to become more profitable, aggressive, competent and higher market share.

An effective management is not a matter without a good leadership. Likewise, without an effective management, a good leadership will not be a success for an organization in the long run.

The perfect combination of the strategic management and leadership we can set a correct direction and to allocate resources in the way we want to achieve.

Overall, the perfect combination of strategic management & leadership is ensures the long term sustainability and growth of an organization.

**Link between strategic management & leadership**

Ex :
The ‘X’ Bank achievement in 2015 was made an excellent record through the unified efforts of the employees, management guided by the clearly defined vision, mission and the effective strategic leadership as well as the oversight of the board.

The bank also enhances the managerial competencies of all level of officers based on the identified leadership competencies.

Last year the bank rolled out the leadership competencies for senior officers of chief manager’s grade and above, covering the members of the corporate management and also well under the guidance of the committee.

The bank chairman is the responsibility to provide leadership, effectively manage the board while preserving the order, facilitate the board functions, ensuring the effective participation of all directors and maintain open line of communication as well.

The effective corporate management & employees from the different backgrounds such as accounting, management, marketing, human resources, technology and their leadership skills, direction and controls ensures the achievement of the overall objectives of the bank set out in the corporate plan which is focused to satisfy the expectations of the stakeholder.

Impact of Management and Leadership styles on the strategic decisions

According to the Richard L.H & C.B Katherine (2005), there are some different kinds of management and leadership styles that a leader can have in an organization.

These styles can influence everyone in an organization from the top management to the newly required staffs. People in an organization should have proper leadership styles to face the changing business environment successfully.

Those leadership styles are,

- Charismatic leadership
- Autocratic leadership
- Democratic leadership
- Bureaucratic leadership
- Laisse-faire leadership

- Charismatic leadership – The leaders motivate and influence the followers by their excellent personality or character.

They lead the people with the examples and followers will highly motivated and will have high level of confidence under this approach.

Charismatic leaders are very efficient & skilled enough to influence the followers / employees.

- Democratic leadership – The leader uses this style to promote the trust level within the organization. Followers are highly trusted & inspired by the leaders.

It provides the opportunity to the employees to participate in the business
activities & decision making. It will increase the employee’s motivation, trust and confidence towards effective performance.

This style emphasizes the management to guide the team while accepting the ideas from the followers as well. Leaders reserve the right to make final decisions.

Overall, it will improve the productivity, employee’s satisfaction & loyalty.

- **Autocratic leadership**–Leader uses the supreme power to the business operations & decision making. Leader is the only decision maker and having unique power to run the business activities.

  The leaders make decisions, orders to do the tasks and they don’t allow the employees contribution in the decision making process.

  This style is best when quick decisions are needed to the organization.

- **Bureaucratic leadership** – Leaders follow the leadership theories, systems, policies & procedures very strictly. It ensures the organizational sustainability in the short term.

  This leadership is applicable in factories where machineries are used in the production process.

  The Bureaucratic leadership is ensures the high level of safety and accuracy in the works.

- **Laisse-faire leadership**–Leaders gives the opportunity / authority to the employees to make decisions as business their own.

  This style applicable to very skilled, capable & good experience people’s in the business activities.

  Employees or followers will plan & work independently to perform the tasks. It will increase the creativity & problem solving skills among the team members.

  Generally, the banking industry mostly leaders are power driven and they will want to see the competitive engagement by which others must follow.

  The ‘X’bank is a good example for the charismatic leadership.

  The leadership style can impact the strategic decisions, because the right leadership is needed while making a good strategic decision.

**How leadership skills can be adapted to different situations**

This is a more competitive and often changing business environment. Organizations need to use best management & leadership skills & practices in their business activities as well as in the decision making processes towards the achievement of the organizational goals & objectives.

Therefore, there may be opportunity/ challenges/ treats, we have to act according to the changes/ situations.
So, managers & leaders have to adopt different styles for different situations.

It enables leader to cope up with the changing business environment & situation effectively. A skilled leader can easily & effectively adapt different leadership styles depending on the existing situation.

- **Democratic / Participative leadership** – Where a leader want to gather all team members in the decision making process and to keep away from the conflicts, the leader should adopt this leadership style.

If the leader want to increase the personal interaction of the employees and encourage others by employee involvement, this style is appropriate.

It will help to increase the employee job satisfaction and productivity.

- **Autocratic leadership** – A leader can adapt this style to ascertain the achievement of the strategic goals & objectives.

When there is a urgent situation or quick decisions needed, this style can be adopt.

If the employees who are new/ incompetent/ average/ poor, the autocratic leadership is best to increase the employee performance to do the tasks effectively.

- **Charismatic leaders** – When the bank wants to introduce new technology for the banking operations, the leader should adapt charismatic leadership.

They lead the people with the examples and followers will highly motivated and will have high level of confidence under this approach. It will help to achieve long term profitability & sustainability.

- **Transactional leadership** – If the leaders want to complete the day to day task, they should use transactional leadership style.

It will help to get works done by the employees effectively.

- The ‘X’ bank has several departments to perform its banking services effectively such as, Personal Banking, Finance, HR, Marketing, Compliance, Risk management, Credit, Technology, Inspection, Treasury, security, Audit, Economic & Research development department as etc.
The each department provides different services / functions. Therefore each department must have appropriate leadership to perform the tasks effectively.

\[ \text{Ex :} \]

1. **Personal Banking Department** – It focused on providing day to day banking services to the individual clients. Therefore, this department need quick decision to do the everyday banking operations effectively and also to deal with the front line workers. So, Autocratic leadership is suitable to this department.

2. **Human Resource Department** – HR department of the ‘X’bank should perform democratic leadership. Because, the employees are the valuable asset of the bank. HR department deals with the people & their welfare. Leader in the HR department should encourage, motivate their employees towards achieve a certain targets. Therefore, democratic leadership style should be followed.

3. **Economic & Research Development** - if the employees are highly skilled, experienced people, Laisse-faire leadership the style is suitable. Because, this leadership style allows the subordinates to work, make decisions independently. It will increase the creativity & problem solving skills among the team members.

4. **Marketing department** - Leader in the marketing department should motivate and influence the followers. Better communication with the subordinates & their participation is must needed to provide superior quality and to achieve the predetermined targets of the bank. Therefore, Democratic leadership is favorable.

- Thus, Effective delivery of banking services of the ‘X’bank heavily depends on various supporting departments across the bank. The each department does different supporting services. Therefore, each department needed different kind of management & leadership to perform effectively in the competitive market place.

## Impact of selected theories of Management and Leadership

There are varieties of theories available to understand the concept of management & leadership.

I have selected some well popular theories, to explain the impact of those theories in the ‘X’Bank strategies.

1. **Transactional leadership** – Transactional theory is based on rewards & punishments. This theory states, the leader can be used to achieve the organizational objectives by giving the
direction/ task to the followers on the basis of rewards / punishments according to their performance.

Followers are not allowed to provide their opinion and solutions other direction of the leader. Where the problems are clearly defined, the followers would be asked to find the solution for that.

It requires less creative ideas from their followers & their work environment is stable & standardized. Because, they have certain rules, regulations & procedures.

Therefore, it will not promote employee participation in the decision making process. This approach expects responsibility from the employees for their own tasks.

According to the hartzell (2015), A transactional leader who uses passive management by exception, monitor the employees performance and interfere only when an employee is not meeting the predetermined standards.

However, this approach tries to promote a reasonable motivation level among the employees to work persistently. The transactional leader uses active management to take corrective actions and to prevent mistakes.

Transformational leadership theory – This theory states, the leadership that must accompany with a good management.

Transformational leadership goes beyond the exchange between leaders and followers. The leader motivates followers / employees to perform well. Which increase the employee turnover and increase the employee satisfaction and productivity as well.

Thus, this leadership can affect the organization strategy significantly.

Contingency Leadership – Contingency leadership theory states, there is no single leadership style that works for all employees. There are situational contingent factors that affect the leader’s ability to lead the employees.

Some leaders put efforts to get to know about their followers. Some are focusing only to finish the work / task done. The organization requires adaptable and situational solution in order to overcome the challenges/ problems, issues.

Fielders contingency theory explains, why some leaders behave differently than others. According to this, effectiveness of the employees depends on how great a match between the leadership style and the demand of the situation. This results in leadership style and situational control.

Contingency or situational factors involve changes in the demand, changes in the environment, changes in government policy and so on.

This also states, the leaders are either task oriented or relationship oriented. An effective leadership requires the ability to adept different leadership styles at the different circumstances.

Once they understand their leadership style than they can match it to situations in
which style is most effective to achieve the organizational predetermined targets & objectives.

- **Participative theory**– This theory states the importance of the participation of the employees in the decision making process. The leader should lead the employees to perform the task and motivate them for complete the tasks effectively.

It will help to increase the employee motivation, job satisfaction and the overall productivity of the organization

**Leadership strategy to support organizational direction**

Strategies are all about making plans to reach a favorable position over a long term. It considers the completion along with the internal & external environment.

Especially in the banking context, increased competition is a booming factor day to day. Therefore, effective management and good leadership is must needed to the ‘X’Bank to reach its goals and objectives.

As I mentioned earlier, the bank follows different kinds of leadership styles according to the needs of the different departments as well as the leadership strategies also vary from department to department.

Here, I recommend following leadership strategies.

- **Technological Leadership** – Nowadays, the banking sector faces tight competition locally and internationally. The new modern technology will pave the way to innovation and creativity. It will help to the bank to attain competitive advantage in the banking industry and also to the long term sustainability.

- **Talent management**– Increase the behavioral competencies of the all level of employees, managers. It will help to the employees to show their talents, skill & etc.

  It is a good strategy to encourage & motivate the employees as well as to increase the loyalty and overall productivity of the bank.

- **Technical knowledge & training** – Presently, the bank depends on modern technology. Therefore it is necessary to develop the technical skills, knowledge of the employees to perform the task effectively.

- **Human resources development**– Enhance the managerial competencies of every executive officers based on the identified leadership competencies.

  Establish cross functional teams to develop high potential employees at all level of the bank.
It will help to increase the job performance, employee involvement, job satisfaction. Overall, it will lead to increase the productivity & employee retention.

**AC 3.1 – Methods to review the current leadership requirements**

There are some certain methods for review the current leadership requirement in an organization.

![MBO Process Cycle](image)

As I mentioned earlier, the bank has various kind of departments and functions. Therefore, every department must work effectively.

This is a best method to review the leadership requirement of the bank according to the objectives of the each respective departments / functions.

a. **Management by objective (MBO)** - This approach relating the organization goals to individual performance and develop through the involvement of all level of management.

It provides the opportunity to the followers to accept greater responsibility and to make better performance.

b. **360 degree feedback** –

It is an appraisal and feedback from different groups of people within the departments/ work situations/ subordinates/ from the customers.
It’s significant

- To develop leaders
- To manage change & culture
- To improve existing appraisal process
- To manage performance & development

c. **Blake & Moutons Managerial Grid Method**
   According to this method, all management and leadership styles are reviewed on the basis of two conditions such as Concern for people and Concern for results

- Concern for people – Importance given to the employees and their needs. It will be represented along the vertical axis of the grid.
- Concern for Results – Importance given to the completion of a work. The leader uses all their energy to accomplish a task in a given time. It will be represented along with the horizontal axis of the grid.
The numbers inside the grid indicate the degree of managers' concern.

Ex – The numbers with the rating of (9,1) practice autocratic leadership style. Because, they show less concern about their employees.

The rating of (1,9) indicates the democratic leadership. Because, they show higher concern about their employees.

According to my findings, the ‘X’ Bank comes under the Team manager category. Because, the bank concern about their employees well and also to accomplish their operations well in the current competitive banking industry.

AC 3.2 – Plan for development of future situations requiring leadership

A good leadership should always be ready for any kind of challenges/situations/issues. The leader should act quickly & effectively according to the situations.

Emerging modern technology is significantly impact the banking sector.

The banking sector mainly depends on the modern technology and its performance. Usage of the modern technology is very important towards facing tight competition, innovation and creativity in the banking sector.

Sometimes, the employees don’t like to change the systems, procedures. Because, usually they like to work in the old fashion which familiar. Therefore the leadership is required for any changes to face the competitiveness, challenges, issues and so on.

Here, I have listed out some development for future situations requiring leadership.

- **Political conditions** – As a developing country in Srilanka, the political factors have significant affect the decisions & operations of the financial institutions.

According to the changes in the government or government rules & regulations the leader should lead the team members.

- **Natural disaster** – Natural disaster is an important factor that requires a good leadership. Recently also our island faced many natural disaster such as flood, landslides and etc. It may be happen any time & it is unpredictable.

If there is any natural disasters, organizations and employees will be in a state of vagueness. So, they may be unable to perform well in that situation.

Therefore, a proper leadership is required to overcome from the difficulties,
challenges and to rebuild the confidence and capabilities of the employees or followers.

- **Economic down turns / Upwards**
  Nowadays, many of countries are facing economic instability. If there is a recession, there must be a strong leader with a clear policy to accept and overcome from the challenges.

  Likewise, if there is an economic upward situation, the leader should lead the team to get opportunities towards a favorable position in the market.

  It is a good factor to test the requirement of the true leadership.

- **Conflict resolution** – Conflict between individuals and organization may arise anytime or any situations. Sometimes, conflict is useful to the organization and many times conflict may unfavorable.

  If there is conflict, there are opportunities to generate new ideas, innovation and creativity. Likewise, conflict will pave the way to bring some other negative affects to the organization.

  Therefore, a true leader should have the capabilities to resolve the conflict situations smoothly at the time.

### Development of leadership skills for a specific requirement and Usefulness of methods used to plan the development of leadership skills

A true leader should possess certain leadership skills. Some of those skills in their genes and some of skills should be adopted during the course of life.

- A leader must be able to develop these skills and to apply them according to the situations.

- Leaders must have excellent communication skills. He/she should be able to communicate effectively and clearly with the followers. Because, a leader should deal with different kinds of people from different countries, they should be able to communicate the policies, regulations of the organization to their followers. Therefore, communication skills must be needed.

- The leader should have the capability to influence others because; a leader uses their influence on their followers to attain the predetermined results and also skills to inspire others. Inspiration will bring huge changes in an organization. So, a good leader must always try to enhance and develop its influence by empowering their employees/followers. These skills can be developed by the self-help by learning from the mistakes.
A leader should be adaptable to change. Because, this fast moving business environment facing different challenges, changes and new things every day. Therefore a true leader should be able to face these changes successfully to sustain in the competitive market.

A leader should encourage, motivate the followers to perform well.

The leader should be honest and punctual.

The leader should uses power to keep the organization in the correct path and also to rewarding for winning the heart of the followers or employees.

A good leader should possess better coordination skills to maintain the integrity between the different departments of the organization.

A leader should be able to be a good listener. Because, It will help to overcome from the weaknesses and to get some new ideas from the followers as well.

Here, some usefulness of methods for plan the development of the leadership skills in an organization.

- **Self-learning** – learning from the mistakes.
- **Workshops & Seminars** – It helps to access the skills needed to the leaders and followers to acknowledge the gap, work on them and to identify the potential leaders in the team.
- **Course work**– course work is a powerful comparison point. Different courses will lead to gain various knowledge from the different field.
- **Peer learning** – It concerns on the idea from others in different organizations and learning from the varied experiences. When a concept is introduced, then we discuss practice exercises for the learning groups to tackle. The group has the responsibility to report back.
- **Executive coaching** – As a leader, we want to invest in our team and carve out time for individual development in the form of coaching. It gives the opportunity to work together with the followers and objectively discuss what they feel, what they do, what they can do and to bring themselves to the next level of path.
- **Mentoring** – It is a good way to ensure the development, growth and retention of the leadership. The mentor will be an individual with wider experience in the role who can provide

True leaders possess some specific skills and qualities. However, the possession of those skills & qualities are not enough to face a specific requirement successfully.
advice, encourage and motivate the followers and so on.

- **Job rotation** – It is an effective tool for successful leadership strategy. It refers, setting employees at the right place where they can deliver the maximum outputs/results.

In today’s highly competitive banking industry, it is a best tool to find most suitable people & shifting them to take responsibilities.

It ensures, individuals to explore their interest, their hidden talents, identify their skills, knowledge, attitudes and align competencies with the requirements.

Cont……..

There are some methods available to plan the development of leadership skills.

360 degree feedback method is one of a best method to understand the exact situation / position of the organization. Another method is to getting closer with the followers. It will help to understand the follower’s feelings, their needs and expectations.

As I mentioned earlier, we can use different kind of methods for the development of the leadership skills such as, workshops & seminars, course work, meetings, executive coaching, mentoring, peer learning.

All of these methods are very essential to plan the development of leadership skills.

Workshops and seminars are very useful to understand the point of view of the followers directly.

Course work, training courses helps to understand the real world situations and to overcome from the challenges as well. They also help to create a new learning environment in an organization.

Meetings must be arranged regularly. It will useful to the leaders to develop their communication and coordination skills.

**Conclusion**

Strategic management and leadership play a vital role for the success of an organization.

Strategic management helps to how a business organization should operate its activities. Business organizations use different strategies and techniques to operate their business activities.

Leadership is an integrated part of the management. The effective leadership is prerequisite for successful business. Business organizations have to critically find out the best leadership style for their business.

Management should be knowledgeable to resolve the problems and the leadership should be skilled & qualified to handling any situations.

Therefore, every organization must give most priority to have effective strategic management and leadership position.

The ‘X’Bank should concentrate on the strategic management and leadership to
attain sustainable competitive advantage over other competitive financial institutions.

The bank leadership strategy must be clearly defined and understood by all the employees or followers.

New branded innovative banking services should be introduced as well as new operational & marketing strategies also must be developed.

Overall, there are need for different styles of management and leadership according to the situations. A good leader uses these styles to fulfill their vision. There are various ways to enhance the leadership skills for the current and future leadership requirements as well as, there must be a plan to develop those skills.

Everyone in the ‘X’ Bank must try to become a leader towards achieve the overall goals & objectives of the bank.

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