

Transformational leadership behaviors in a Central and Eastern European bank:

An investigation of leadership behaviors and their potential influence on sales performance

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ABSTRACT

The value of transformational leadership behavior over other leadership behaviors in predicting performance has been demonstrated across numerous studies of leadership in a diversity of organizational settings. However, very little research has been completed between transformational, transactional and laissez-faire leadership and sales performance in financial institutions, even less so in the European context. The primary motive of this study is to work within this gap. This study investigates leadership behavior from the perspective of transformational, transactional and laissez-faire leadership behaviors to explore potential relationships between such leadership constructs and the sales performance of branches in a major Central Eastern European Bank (the CEE Bank). The purpose of this quantitative descriptive correlational study was to evaluate potential relationships between the leadership behaviors of 119 branch managers and the branch staff's perception of the branch managers' leadership behaviors. To do so, the transformational, transactional and laissez-faire leadership constructs were studied through the Multifactor Leadership Questionnaire (MLQ – 5X). This well established questionnaire measures the independent variable – leadership behavior. The study hypothesized those branch managers who exhibited transformational leadership behavior would be correlated to higher levels of branch sales performance. The results of the study confirmed that both, transformational and transactional leadership behaviors have positive correlation to branch sales performance, although transformational leadership behavior is more positively correlated to branch sales performance than transactional leadership behaviours. The study also found that all transformational subcomponents were positively correlated to branch sales performance, although Intellectual Stimulation and Inspirational Motivation were found to have the strongest correlations, whereas only one subcomponent of transactional leadership, Contingent Reward, had an overall positive correlation to branch sales performance. The findings of this study hold several implications for practitioners, mainly for HR departments or managers who are participating in recruiting employees. Particular attention should be paid to educational programs that would enhance their managers' leadership behavior. It would also be advisable to focus on the ways those branch managers, who are exhibiting more transformational leadership behavior are leading their followers to identify the best practices and share them with other branch managers exhibiting transactional leadership behavior.

Key words: transformational, transactional, laissez-faire leadership behavior, the Multifactor Leadership Questionnaire (MLQ), branch sales performance, Intellectual Stimulation, Inspirational Motivation