ROLE OF LEADERS IN EMPLOYEE RETENTION – A PRAGMATIC STUDY WITH REFERENCE TO PRIVATE SECTOR BANK EMPLOYEES

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Abstract

The research caters the grandness of leadership and provides a brief explanation on how leadership styles affect employee retention in an organisation. The paper also describes the need and importance to retain the valuable human resources with relevant leadership concepts and styles. Employee retention is considered as one of the burning issue in the present corporate world. To ameliorate growth, business organisation need to adopt methods for attracting efficient people and should take necessary steps to retain them. The research was channelled with an intention of making out the leadership styles influencing the employee retention in Indian banking sector. First hand information was collected by the researcher from the bank employees with a well structured questionnaire. Random sampling method was absorbed by the researcher and the sample size is 100 private sector bank employees from Chennai region has been taken for the study. The perception of the employees relating to leadership factors on employee retention has been analysed with a multivariate statistical technique called factor analysis, one way analysis of variance and multiple regression apart from general descriptive statistics. Hence analytical method is used for processing and interpreting the data. In simple terms it could be stated that if best workers are not retained within the concern, an organisation can be negatively influenced from the bank operations to the strategic level.

Keywords: Leadership, employee retention, leadership styles, banking sector.

1.0 Introduction

In the present corporate world Leadership styles and retention have become an area of concern. Inscribing the right talent may be challenging but holding back the existing talent has increasingly become even more challenging. Leadership is one of the focal topics in employee retention in the human resource industry today. In the words of Harvard Business Essentials (2002), “The retention of good employees matters for three valid bottom line reasons; 1) the growing importance of intellectual capital 2) a causal link between employee tenure and customer satisfaction 3) the high cost of employment turnover continuity of competitive goods and services is assured”. In the current belligerent environment the leaders have to manoeuvre their organisations in the competitive business environment. They will weather the challenge if they value employees as assets and as the ones to give their organisations the competitive advantage. This competitive advantage will be guaranteed if the core employees are retained for as long as possible so that continuity of competitive goods and services is assured (Michael 2008).

1.1 Employee Retention the conceptual Background

The concept Employee retention adverts the ability of an organization to retain or hold back its employees. Employee retention can be represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organization kept 80% of its employees in a
given period). However, many consider employee retention as relating to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome (Allen. D.G 2008). The retention could be classified as functional and dysfunctional (Johnson, Griefeth & Griffin 2000).

Harvard Business essentials (2002) defined retention as the opposite of turnover. Whereas turnover is defined as the total number of intentional and unintentional separations between employees and their employers. Furthermore Waldman and Arora (2004) claimed on the other hand that retention is not just the opposite of turnover: rather, it is also utilised to determine what is wanted rather than what is not wanted.

**Figure 1: Role of a Leader in Retention**

**Role of a Leader in Retention**

**Group Task Roles**

1. Initiator / Contributor
2. Information Seeker
3. Opinion Seeker
4. Information Giver
5. Opinion Giver
6. Elaborator
7. Co. Ordinator
8. Orientor
9. Evaluator-Critic
10. Energiser
11. Procedural Technician
12. Recorder

**Group Building and Maintenance Role**

1. Encourager
2. Harmoniser
3. Compromiser
4. Gatekeeper
5. Standard setter / Ego Ideal
6. Group observer
7. Commentator
8. Follower

**Individual Roles**

1. Aggressor
2. Blocker
3. Recognition Seeker
4. Self confessor
5. Playboyt
6. Dominator
7. Help seeker
8. Special help Pledger

### 1.2 Intention and social system of the study

Leadership is the most important aspect of the management. It is the trust and faith leaders should have in the employees to build the air of harmony and peace for smooth business operations. The studies reveal that employees who are committed and dedicated to the organization are likely to perform according to the standards and demands of the job. They are stronger in dealing with the ups and downs of the business have polished stress handling skills (Hartline and Witt, 2004). The concept of leadership has been one of man’s major concerns since the days of antiquity (Small, J. 2006). Whereas in biblical days, the children of Israel needed someone to guide them out of their bondage and Moses stepped...
forward to lead. The objective of this research paper is to ascertain how leadership styles are capable of showing individualised consideration and how it is mainly responsible for employee retention within an organisation.

1.3 Leadership and Leadership styles a conceptual view

In the words of Haimann, it is the process by which an executive or manager imaginatively directs, guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organisation in such a manner that both will obtain the maximum satisfaction. Furthermore leadership is something very important for any organisation or a group of people, in addition leadership has three important roles to play with, a) Leadership is accomplishing task through others b) Leadership means dominating power over the people c) leadership is directed to change to a better journey

![Figure 2: Leadership Styles](image)

1.4 Contextual Perspective

In the present global scenario, India is one of the most important countries of the world which has developed its own economic system and can be proud of the economic progress made by the nation. India became an independent nation in the year 1947 and the period from 1947 till date has been a period of great progress and development for the nation. Indian Banking Sector plays a predominant role in the development of the nation and the employees’ acts as a backbone for the development of the nation. The few studies available locally (Bakanova, A 2007) indicate that employee retention is a pertinent issue which has been made worse in the recent times. In light of the employee retention issues and the challenge of leadership, the objective of this paper was to establish the influence of leadership style on employee retention.

1.5 Statement of the Problem

In the words of Coyle McCabe, Feiock, Clingermayer and Stream(2008), poor employee retention have profound effects on management programs, corporate policies, procurements, budgets. Effective leaders can claim credit for their economic successes
and as well as blamed for its economic woes. This study examines the impact of leadership on employee retention in Indian banking sector, exploring the importance of leadership in employee retention. The targeted population is (N=100) from private sector bank employees solicited within Chennai region. The study explores the results by extracting data from surveys using Likert Scale research method.

2.0 Literature Review

According to Northouse (2010) some researchers gestate leadership from the trait aspect; which means a leader has a set of certain characteristics which make him/her a leader; whereas for others, it is the demeanour of the leader which enables him/her to achieve the goals of the organisation. Furthermore he argues that for some theorists, leadership is a relationship between the leader and followers in terms of power; whereas some theorists view leadership from the leader’s perspective with respect to the skill and knowledge aspect.

In the words of Adler (1991) in classical era there are certain inborn qualities such as intelligence, courage, initiative and hulour, which collectively pre destine a man to be a leader, where the essential pattern is given at birth. Whereas Krygier(2005) states that great man theory is described by individuals who tried to explain history by the impact of great man or heroes who are highly influential individuals, either from personal charisma, genius intellects, or their strong political impact. During historical upshots such as world war II are bonded directly to “great men theory” because of their decisions and orders. Adler(1991) also added that, not that everyone who has leadership traits will be a leader.

Whereas Mcmahon & Romano (2002) posited that the trait theory concentrates on factors such as height, weight, appearance, intelligence and disposition of the individual. This theory focuses on individual characteristics of a leader. Zagorsek, Dimovski and Skelavadj(2009) exposes that transformational leadership has an impact on the organisational learning process. The most demanding character for a transformational leader is an individual leader must learn to satisfy the motives of his or her internal and external stakeholders. The transformational leader’s acts as strong role models communicate high expectations and inspire followers.

According to the exponents of this situational leadership theory leadership is always specific and always relative to the particular situation in which it occurs (Rogers and Rolf 1999). In other words leadership is the product of a situation in a particular group. It is assumed that the traits and skills which characterise a good leader will vary from group to group and situation to situation. Research states that a leader in one situation is not necessarily a leader in another situation, even in the same group, various situations call for different leadership responses. Furthermore Rensis Likert and his associates at the institute for social science research institute for social science at the university of Michigan have conducted studies of leadership in industry, hospitals and government covering thousands of employees. The reason behind the study was to locate a variety of characteristics that are bound with each other and to provide indices of leadership effectiveness. After extensive analysis, the researchers study indices that the leaders studies were classified as job centred or employee centred. In their research study it is expressed that the employee centred leader was described as a general supervisor and the job centred manager as a close supervisor.
2.1 Importance of Leadership styles in Employee Retention – A Purview

According to Caldwell and Dixon (2010), trust, support and forgiveness are critical values used by leaders. The individual in leadership roles within an organisation who treat employees with respect and dignity can improve the work performance of the employees. The study on leadership continues to grow germinating in to more managed disciplines in the present business environment (Early and Davenport 2010).

Leaders strive to improve its operation by streamlining their organisation processes, procedures, structures, and strengthening the values of the employees to obtain better results of production. Whereas in Taylor (2004) view, organizations can no longer yield to leave the responsibility for keeping well performing employees in the hands of the HR Department.

Responsibility and accountability for retaining talent need to move out to the front lines and into the hands of leaders. Leaders and their skill in building a climate of retention, a culture that speaks to employees in a way that encourages them to stay, will be an organization’s best defence against unwanted turnover. Leaders are therefore the secret weapon in keeping valued talent longer. A two way communication is regarded as a core management competency and a key management responsibility. Leaders should adopt a style that would establish and confirm their leadership authority by means of appearing competent and trustworthy.

Employees are more likely to stay with an organization when they strongly feel that their immediate boss shows interest and concern for them, if they know what is expected of them, if they are given a role that fits their capabilities and if they receive regular positive feedback and recognition. The quality of relationship an employee has with his or her immediate managers elongates employee stay in an organization (Ferreira, 2007 cited in Michael, 2008).

3.0 Data Analysis

The data is based on primary data. The required primary data were collected from the private sector bank employees at Chennai region. Analytical method is used for processing and interpreting the data. The data was analysed using SPSS 16.0 version. Descriptive analysis using percentages and Simple regression analysis was used for analysis of the data. Statistical significance was determined based upon a significance level of 0.05.

3.1 Statistical Tools used for analysis of Data

The perception of the employees relating to leadership on employee retention in private sector banks has been analysed with a multivariate statistical technique called “factor analysis”, one way analysis of variance and multiple regression apart from general descriptive statistics like mean and standard deviation.

Table 4.0: Results of Factor Analysis showing the Underlying Structures of Leadership on Employee Retention

<table>
<thead>
<tr>
<th>Item No</th>
<th>Factors Pertaining to Leadership on Employee Retention</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fair and Effective Leaders have positive effect on employee retention and company performance</td>
<td>0.61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>To prevent the talent migration an</td>
<td>0.75</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
organisation need to create the exit barriers which reflect a positive bias

3 Congeniallity at workplace and a work life balance are important aspect of employee retention strategy 0.75

4 Rewards and recognition do play a role in employee retention strategy 0.75

5 My leader/Supervisor is flexible in recognising, understanding and adapting to individual needs and views 0.87

6 One of the main factor why people stay in an organisation is its good leader/Supervisor 0.58

7 My organisation views talent retention as an activity that’s integral to our long term survival 0.64

8 Management have made talent retention as part of our banking core business strategy 0.53

9 Employees involving cross functional activities to get various talent exposure 0.84

10 Leaders are standing up for the team when they are facing with critical situation 0.70

11 Job is secured in my company 0.66

<table>
<thead>
<tr>
<th>Explained Variance</th>
<th>Proportion of Total Variance(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Primary Data</td>
<td>1.93 1.98 1.39 1.45</td>
</tr>
<tr>
<td></td>
<td>17.53 17.96 12.62 13.17</td>
</tr>
</tbody>
</table>

It can be observed from table 4.0 that there have been four underlying factors relating to leadership on employee retention that could explain maximum of the variance in the original data set. The results show that all the four factors together account for 61.27 per cent of the variance in the original data set. That is 61.27 per cent of the essence (characteristics) of actual data have been distributed across four factors. The variance explained by factors 1,2,3 and 4 in the actual data is 17.53 per cent, 17.95 per cent, 12.62 per cent and 13.17 per cent respectively. It can be further observed from the table that factor 1 is highly loaded with items 1,2 and 3, factor 2 with items 7,8,9,10, factor 4 is highly loaded with items 5 and 11. Based on the degree of factor loadings of items with each factors, the factor one is named as “leaders positive effect on employee retention”, factor 2 as “Optimistic leaders”, factor 3 as “leaders unity with subordinates”, and factor 4 as “leader’s internal characters”. Hence, it is found that leadership has major impact on employee retention. It has major four important dimensions leaders have a positive effect on employee retention, leaders acts as one of the main factor to make the employee stay within the organisation, leaders standing up for the team, leaders are very flexible in recognising employee needs.
### Table 4.1: Difference in Mean Perception among the Respondents groups with different Hierarchical Level in respect of leader’s role on employee retention

<table>
<thead>
<tr>
<th>Role of Leaders on Employee Retention</th>
<th>Hierarchical Level</th>
<th>F Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Middle</td>
</tr>
<tr>
<td>Leaders/Supervisors tries to build a conducive environment</td>
<td>3.99</td>
<td>3.94</td>
</tr>
<tr>
<td></td>
<td>(0.25)</td>
<td>(0.31)</td>
</tr>
<tr>
<td>Leaders standing up for the team</td>
<td>4.05</td>
<td>3.91</td>
</tr>
<tr>
<td></td>
<td>(0.29)</td>
<td>(0.56)</td>
</tr>
<tr>
<td>Leaders have positive effect on employee retention and organisational performance</td>
<td>3.72</td>
<td>3.41</td>
</tr>
<tr>
<td></td>
<td>(0.45)</td>
<td>(0.73)</td>
</tr>
<tr>
<td>Leaders are flexible in recognising, understanding and adapting to individual needs and views</td>
<td>3.94</td>
<td>3.83</td>
</tr>
<tr>
<td></td>
<td>(0.42)</td>
<td>(0.60)</td>
</tr>
</tbody>
</table>

**Source: Primary Data**

*Significant at 10% Level

Figures in Parentheses indicate Standard Deviation

Observation of the table 4.1 reveals that the respondents at all levels (low, middle and top) have agreed that leaders play a very dominant role in retaining the employees within the concern. This is statistically proved that the mean scores are in the ‘agree’ range and they are varying from 3.94 to 4.02 for the factor that the leaders/supervisors tries to build a conducive environment where the F value = 1.08 and it is insignificant and varying from 3.83 to 3.94 for “Leaders are flexible in recognising, understanding and adapting to individual needs and views” (F Value = 0.64, insignificant). With regard to “Leaders have positive effect on employee retention and organisational performance”, the mean scores are above 3.50 (that is leading towards 4, the value for agree) for the respondents groups at low and top levels whereas it has been at 3.41 (below 3.50, within ‘no opinion range) for middle level. Also, the obtained F value of 2.63 is significant at 10 per cent level, indicating that there is a significant relationship between hierarchical level of the respondents and their perception about “Leaders have positive effect on employee retention and organisational performance” leading to conclude that leadership skills do play a vital role in retaining the workforce are strongly endorsed by the respondents.

Hence, it is found that the respondents at low, middle and top management level have expressed similar opinion about leadership skills on employee retention, and agreed that leaders acts as a major role in retaining the employees and to reach the establish goals and
objectives of the management. It is further found from the results that the respondents at middle management level could not either agree or disagree with the notion that leaders play a role in employee retention and differ significantly in their opinion from that of the other two groups.

H0: There is no significant difference in respondent’s opinion groups with different hierarchical Level in respect of leader’s role on employee retention

The null hypotheses H0 is disproved as the obtained F value 2.63 is significant at 10 per cent level indicating that there is a significant relationship between hierarchical level of the respondents and their perception. Hence, H1 stands true, “there is significant difference in respondents opinion regarding leader’s role on employee retention”.

<table>
<thead>
<tr>
<th>Independent Variable Factors Pertaining to Leadership on Employee Retention</th>
<th>Full Model</th>
<th>Subset Model 1</th>
<th>Subset Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders have positive effect on employee retention and organisational performance</td>
<td>0.2080** (2.23)</td>
<td>0.2080** (2.24)</td>
<td>0.2080** (2.21)</td>
</tr>
<tr>
<td>Leaders are flexible in recognising, understanding and adapting to individual needs and views</td>
<td>0.32134*** (3.36)</td>
<td>0.32134*** (3.37)</td>
<td>0.32134*** (3.33)</td>
</tr>
<tr>
<td>Leaders/Supervisors tries to build a conducive environment</td>
<td>-0.0219 (0.23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leaders standing up for the team</td>
<td>0.1718* (1.84)</td>
<td>0.1718* (1.85)</td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.1715</td>
<td>0.1710</td>
<td>0.1415</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>0.1366</td>
<td>0.1451</td>
<td>0.1238</td>
</tr>
<tr>
<td>F Value</td>
<td>4.92***</td>
<td>6.60***</td>
<td>7.99***</td>
</tr>
<tr>
<td>Degrees of Freedom</td>
<td>4.65</td>
<td>3.96</td>
<td>2.97</td>
</tr>
</tbody>
</table>

*significant at 10% Level
** Significant at 5% Level
*** Significant at 1% Level. Figures in Parentheses indicate ‘t’ values

It is observed from table 4.2 that all the three regression models on various factors pertaining to leadership on employee retention in banking sector are fitted significantly. The F values are 4.92, 6.60 and 7.99 of the full model, subset model 1 and subset 2 are significantly at 1 per cent level. However the subset model 1 is the best fitted model with the three explanatory variables as the adjusted R2 value 0.1451 is greater than that of the other two. Hence, based on the model (model 1), it is concluded that leaders positive effect on employee retention, leaders flexibility in understanding employee needs, building conducive environment, leaders standing up for the team have significant unique contribution in employee retention strategy.

H0: The leaders/Supervisors do not have significant influence on retaining the employees within the organisation.

The H0 is rejected and it is concluded that the F values, 4.92, 6.60 and 7.99 of the full model, subset model 1 and 2 are statistically significant at 1 per cent level. Hence, based on the model (model 1), it is concluded that the various factors such as, Leaders have positive effect on employee retention and organisational performance, Leaders are flexible in recognising,
understanding and adapting to individual needs and views, Leaders/Supervisors tries to build a conducive environment, Leaders standing up for the team have significant unique contribution in retaining the employees at workforce. Hence, H1 stands true, “The leaders/Supervisors do have significant influence on retaining the employees within the organisation”

5. Conclusion

The study presents a clear strategic path that leadership influences employee retention. The findings of the study clearly show that leadership style influences employee retention in private banks in Indian banking industry. There exists a diametric relationship amongst leadership style and intention to leave. The intention of the employees to depart is the cadence commonly used in research to appraise turnover and retention. When the practicing leadership style is felt as unfavourable by the workforce intention to leave increases and when it is palpated as favourable intention to leave decreases, hence heightens employee retention within the organisation. This research study also concluded that the leadership style practiced by most of the leaders in the selected private sector banks was well-disposed for employee retention. The statistical results clearly signal employees opinion that the leaders/immediate heads are very conciliatory and accommodating. In addition, the study concluded that the employees were adequately postulated in decision making and regular communication haps. Finally, the study also reasons out also employee’s issues were buttonholed right away.

6. Recommendations

The study brings to limelight the critical role of leadership and leadership style in employee retention of the employee’s in private sector banks in Chennai region, India. It is urged that the leadership style dramatised in the banking industry embrace favourable leadership practices to heighten employee retention in the banking industry. Subsequently leaders have an influence on profuseness of organizational factors which affect retention. A deterrent example is given to the banking management regarding, leadership style touches to the area of involvement of employees in decision making, communication and finally retaining the workforce. Offering more boulevards for engaging the employees in decision making and regular communication will modify the employees to give their inputs in policy framing and setting goals of the organization. The leaders should be antiphalon to employee’s issues since responding to employee’s issues promptly shows that the leader’s guardianship and this bring forth intention in the minds of the employees to stay longer in the organization. Employees in the banking sector should be spotted as a critical resource and worthful resource that can significantly conduce to the banking industry to compete locally and globally. In simple terms it could be stated that if best workers are not retained within the concern, an organisation can be negatively influenced from the bank operations to the strategic level.
References


