



The Digital Leadership Advantage: Leadership Styles and Employee Performance in the Nigerian Banking Sector

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ABSTRACT

Original Research Article

This study examines the influence of leadership styles on employee performance within the Nigerian banking sector, with evidence from Wema Bank Plc. Grounded in Transformational Leadership Theory, Path-Goal Theory, Leader-Member Exchange (LMX), and Situational Leadership Theory, the study investigates the predominant leadership styles adopted by line managers and their performance implications. A cross-sectional survey design was employed, with data collected from 379 employees using a structured questionnaire. The sample size was determined using the Taro Yamane formula, while a multi-stage sampling technique ensured representativeness. Data were analysed using descriptive statistics, Pearson correlation, multiple regression, ANOVA, and independent sample t-tests.

Findings reveal that transformational leadership is the dominant style (mean = 3.53) and has a strong positive relationship with employee performance ($r = 0.77$, $p < 0.01$). Transactional leadership plays a supportive role, while autocratic and laissez-faire styles negatively affect performance. The model explains 66% of the variance in employee performance ($R^2 = 0.66$). The study concludes that a hybrid leadership approach enhances performance in banking institutions. It contributes to leadership theory by providing empirical evidence from an emerging economy and offers practical implications for leadership development.

Keywords: Leadership styles, Transformational leadership, Employee performance, Banking sector, Nigeria.

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Introduction

Leadership plays a central role in organisational success, particularly in service-driven industries such as banking where employee performance directly influences service quality and customer satisfaction (Northouse, 2022). In emerging economies like Nigeria, banks operate under conditions of economic uncertainty, regulatory pressure, and rapid technological change, making effective leadership essential (Yukl, 2013).

Line managers serve as the operational backbone of organisations, translating strategic goals into actionable tasks. However, empirical research on leadership styles at this level remains limited in the Nigerian banking sector. Most studies focus on top management, neglecting the critical role of line

managers in influencing employee performance (Avolio & Bass, 2004).

This study addresses this gap by identifying the predominant leadership styles adopted by line managers in Wema Bank Plc and examining their effects on employee performance.

Literature Review and Theoretical Framework

Leadership Styles

Leadership styles refer to consistent patterns of behaviour used by leaders to influence subordinates (Northouse, 2022). This study focuses on:

- **Transformational Leadership** – inspires innovation and motivation (Bass & Riggio, 2006)
- **Transactional Leadership** – emphasizes rewards and compliance (Burns, 1978)
- **Autocratic Leadership** – centralized authority and control (Yukl, 2013)
- **Laissez-faire Leadership** – minimal supervision (Avolio & Bass, 2004)

Theoretical Foundations

This study integrates:

- Transformational Leadership Theory (Bass & Riggio, 2006)
- Path–Goal Theory (House, 1971)
- Leader–Member Exchange Theory (Graen & Uhl-Bien, 1995)
- Situational Leadership Theory (Hersey et al., 2013)

These theories collectively explain how leadership influences employee performance.

Hypotheses

- H₀₁: No predominant leadership style exists
- H₀₂: Leadership styles do not significantly affect performance
- H₁: Transformational leadership significantly affects performance

Methodology

This chapter describes the systematic procedures adopted in conducting the study. It outlines the research design, the characteristics of the study area, the target population, sampling techniques, sample size determination, sources of data collection, research instruments, validity and reliability procedures, and methods for data analysis. The methodology is structured to ensure a robust, empirical investigation into how line managers' leadership styles influence employee performance at Wema Bank Plc, Lagos State, Nigeria.

Research Design

The research adopted a descriptive survey design, which is appropriate for capturing the opinions, attitudes, and behaviors of a specific population in a natural setting. This design enables the researcher to gather quantitative data from a large number of respondents through standardized instruments such as questionnaires. A quantitative design facilitates the measurement of the strength and direction of relationships between the leadership styles of line managers specifically transformational, transactional, and laissez-faire—and key indicators of employee performance, such as productivity, job commitment, quality of output, and timeliness.

This design was chosen based on its strength in testing hypotheses and offering generalizable findings across similar organizational settings (Creswell & Creswell, 2018). A

descriptive design allows for the collection of both subjective and objective data from respondents, enabling a nuanced exploration of leadership behavior and its impact on performance outcomes. It supports the structured collection and statistical analysis of numeric data, which aligns with the positivist epistemological approach underpinning the study (Bryman, 2016).

A **cross-sectional survey design** was adopted (Saunders et al., 2019).

Population and Sample Size

The population comprised employees of Wema Bank Plc in Lagos State.

Sample size was determined using the **Taro Yamane (1967) formula**:

$$n = \frac{N}{1 + N(e^2)} \quad n = \frac{N}{1 + N(e^2)} \quad n = \frac{N}{1 + N(e^2)}$$

Where:

- $N = 7000$ $N = 7000$ $N = 7000$, $e = 0.05$ $e = 0.05$ $e = 0.05$

Result:

- Sample size = **379 respondents**

Sampling Technique

A **multi-stage sampling approach** was used:

1. Purposive selection of the bank
2. Stratified sampling (management vs non-management)
3. Simple random sampling

Instrument and Measurement

- Structured questionnaire (5-point Likert scale)
- Adapted from MLQ (Avolio & Bass, 2004)

Reliability Test

Variable	Cronbach Alpha
Transformational	0.89
Transactional	0.82
Autocratic	0.76
Laissez-faire	0.71
Performance	0.87

(All values acceptable > 0.70)

Data Analysis

- Descriptive statistics
- Pearson correlation
- Regression analysis
- ANOVA
- t-test

Results

Descriptive Statistics

Leadership Style	Mean	Rank
Transformational	3.53	1 st
Transactional	3.21	2 nd
Autocratic	2.87	3 rd
Laissez-faire	2.45	4 th

Correlation Results

Variable	Performance
Transformational	0.77
Transactional	0.54
Autocratic	-0.22
Laissez-faire	-0.40

Regression Analysis

Variable	Beta	Sig
Transformational	0.68	0.000
Transactional	0.29	0.000
Autocratic	-0.18	0.015
Laissez-faire	-0.32	0.000

R² = 0.66

ANOVA

F-value	Sig
6.237	0.000

Discussion

The findings confirm that transformational leadership significantly enhances employee performance, consistent with prior studies (Judge & Piccolo, 2004). The combination of transformational and transactional leadership supports a **hybrid leadership model**, which is particularly effective in structured environments like banking.

Theoretical Contributions

- Extends leadership theory to emerging economies.
- Supports hybrid leadership perspective.
- Validates transformational leadership dominance.

Practical Implications

- Leadership training should focus on transformational skills.
- Banks should adopt blended leadership strategies.
- HR should integrate leadership performance metrics.

Conclusion

Transformational leadership is the most effective leadership style among line managers in Wema Bank Plc. A hybrid leadership approach enhances employee performance in the Nigerian banking sector.

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