



# Quantifying the Relationship Between Likert's Management Styles and Employee Performance: An Empirical Analysis of Bank Employees in Haripur, Pakistan

Original Article

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**Abstract**

This study assesses how employee performance in the banking industry in Haripur, Pakistan, is affected by Likert's four management styles: exploitative, benevolent, consultative, and participative. A quantitative survey of 155 bank employees, including managers and staff, was conducted to assess the connections between leadership styles and key performance indicators, including work satisfaction, productivity, and intention to leave. The data demonstrates that participatory management yields the best performance outcomes, but exploitative authoritative leadership negatively impacts productivity and morale. The findings provide useful guidance for financial institutions hoping to optimize their leadership strategies in Pakistan's competitive financial sector.

**Keywords:** Likert's Management Styles, Employee Performance, Banking Sector, Haripur, Pakistan, Quantitative Analysis.



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## Introduction

The idea of "management" has been present since the dawn of human civilization. It is a fundamental aspect of life and has grown in importance as people began collaborating to accomplish shared goals that were unattainable individually. Whether managing a business or personal life, the core principles remain the same. Management is a defining characteristic of modern society, distinguishing it from earlier civilizations. It involves the strategic use of limited resources to fulfill organizational objectives and is relevant across all types of businesses, whether large or small, profit-driven or nonprofit, and in both manufacturing and service sectors (Batool & Riaz, 2022). Management is a multifaceted responsibility that demands a distinct combination of skills, resources, and strategies. Managers serve as the driving force behind every organization; the more complex the structure, the vital their role becomes. An efficient manager is defined by their ability to deliver results. The difference between effective management and mismanagement hinges on the manager's foresight, dedication, and integrity. Ultimately, the competence and effectiveness of a manager directly shapes an organization's success and long-term sustainability (Ali & Yousaf, 2023). In the banking sector, where staff performance has a direct impact on customer happiness, operational effectiveness, and profitability, effective management is essential (Hussain & Rehman, 2023). Leadership methods are categorized using Likert's (1967) management style framework according to employee involvement and decision-making autonomy. This study examines the effects of various styles on bank workers in Pakistan's expanding financial center, Haripur.

### Research Objectives

1. To determine which management philosophies are most common in the banking industry in Haripur.
2. To assess the relationship between employee performance and management styles.
3. To offer suggestions for enhancing bank leadership procedures in Pakistan.

## Literature Review

Management is the act of creating and sustaining an environment in which people working in groups may achieve their objectives successfully and efficiently. Therefore, we can clearly understand the concept of management thanks to all these definitions. In any firm, management is essential, and effective management can only be achieved by using a sound management style (Asrar-ul-Haq & Kuchinke, 2016).

### Likert's Management Styles

According to Rensis Likert (1967), the Exploitative-Authoritative (System 1) management style is a very centralized and domineering leadership style. Top-down decision-making, fear-based incentives, and low employee involvement are characteristics of this style. When a leader uses this strategy, they have complete control over their followers and rarely solicit their opinions (Ahmad & Sohail, 2023). Major lack of trust exists between leaders and employees, and most communication is one-way from management to employees. According to Rensis Likert (1967), the Benevolent-Authoritative (System 2) management style is more paternalistic than the Exploitative-Authoritative style, which is purely coercive. This approach creates a slightly more favorable (but still controlling) work environment by incorporating minimal employee recognition and occasional consultation but maintaining centralized decision-making. Under this system, leaders take on the role of "benevolent dictators," rewarding obedience while retaining final say (Asrar-ul-Haq & Kuchinke, 2016). Rensis Likert's (1967) conceptualization of the Consultative (System 3) management style marks a substantial move toward more inclusive leadership while maintaining managerial authority. Although leadership retains ultimate control, this method promotes two-way communication, employee input in decision-making, and a higher degree of trust than authoritarian styles (Ali & Yousaf, 2023). This approach is being used more by contemporary businesses to strike a balance between structure and worker engagement. Rensis Likert's Participative (System 4) management style represents the most democratic and employee-centric approach in his leadership continuum. This style emphasizes shared decision-making, open communication, and high levels of trust between managers and employees. Contemporary research continues to validate its effectiveness in modern organizational contexts (Farooqi & Akhtar, 2019).

## *Likert's Management Styles and Employee Performance in the Banking Sector of Pakistan*

An organization's success depends heavily on its employees, but this is especially true in the cutthroat banking industry. Management and leadership philosophies have a big impact on worker productivity, job satisfaction, and motivation. According to Rensis Likert's management theory, there are four types of leadership styles: consultative, benevolent-authoritative, participatory (group), and exploitative-authoritative. Based on contemporary research and empirical data, this study investigates the effects of these management philosophies on worker performance in Pakistan's banking industry (Riaz & Batool, 2024). Strict control, minimal employee involvement, and top-down decision-making are characteristics of Likert's exploitative-authoritative style. Employing this strategy, managers use punishment and terror to compel obedience. Disengagement results from employees feeling underappreciated. Creative problem-solving is discouraged by fear of punishment (Ahmad & Shahzad, 2021). Burnout is increased by strict goals without assistance. High employee turnover is a result of some private banks' strict sales targets and punitive tactics for poor performance.

Although less severe, the benevolent-authoritative style is still centralized, with managers making choices with little input from staff members. Although incentives like rewards are implemented, communication is still primarily top-down. Although they lack autonomy, people who work under this model value rewards. Workers obey orders without offering suggestions. This approach is used by some public-sector banks, where managers restrict independent decision-making but provide compensation for hitting goals (Farooqi & Akhtar, 2019). Managers who use Likert's consultative style solicit input from staff members but maintain ultimate decision-making power. Employee involvement is halfway, and communication is two-way. This approach increases job satisfaction by making employees feel heard (Raza & Irfan, 2021). Employee performance improves using this approach without sacrificing managerial monitoring. Regular feedback sessions are held by mid-level managers in certain Islamic banks in Pakistan, which improves employee retention (Ahmed & Malik, 2024). The most democratic style is participation, where managers and staff have a high level of trust and employees actively participate in decision-making. Employees here accept responsibility for their work under this management approach. Workers stay longer because they feel appreciated (Saeed & Aslam, 2020). Participatory approaches are used in digital transformation projects by progressive banks such as HBL and UBL in Pakistan, which results in increased efficiency (Qureshi & Khan, 2021).

## Methods and Materials

### *Sample & Data Collection*

155 workers from 10 banks in Haripur, Pakistan—80 managers and 75 employees—were polled for this study. Three aspects were measured by the researchers using a structured 5-point Likert scale questionnaire: (1) self-assessed productivity and turnover intention; (2) work satisfaction (as measured by Gallup Q12); and (3) perceived management style (derived from Likert, 1967). Comparative analysis across organizational levels was made possible by the sample's balanced composition (51.6% managers, 48.4% personnel), which also preserved representation from a variety of financial organizations. In the context of Pakistani banking, this methodological technique allowed for a thorough analysis of leadership views and their organizational effects.

### *Statistical Analysis*

The frequency distribution of management styles among participants was examined using descriptive statistics (Field, 2018). The associations between leadership styles and important employee performance outcomes—job satisfaction (Harter *et al.*, 2002), productivity (Walumbwa *et al.*, 2008), and turnover intention (Griffeth *et al.*, 2000) were then investigated using sophisticated statistical techniques, such as correlation and regression analyses. The direction and intensity of these correlations were assessed using Pearson's *r* correlation analysis (Cohen *et al.*, 2013). This methodology provided important insights into effective leadership practices in the banking industry by revealing strong relationships between management styles and workforce outcomes (Bass & Riggio, 2006). According to Meyer *et al.* (2002), the results improve knowledge of how managerial conduct affects employee performance and retention rates.

## Results and Findings

**Table 1***The Frequency of Different Management Styles*

Style	Frequency (%)
Exploitative-Authoritative	22%
Benevolent-Authoritative	35%
Consultative	28%
Participative	15%

The frequency distribution of the four management styles is displayed in the above table. Top-down control with minimal employee involvement is a feature of exploitative-authoritative leadership (22%). Though still centralized, Benevolent-Authoritative (35%) is more paternalistic. Although consultative (28%) solicits employee input, management still makes the final choice. Shared decision-making is encouraged by participating (15%). Different levels of employee involvement in organizational decision-making processes are reflected in the prevalence of Benevolent-Authoritative and the low adoption of Participative.

**Table 2***Performance Outcomes*

Style	Job Satisfaction (Mean/5)	Productivity (Mean/5)	Turnover Intention (%)
Exploitative-Authoritative	2.1	2.8	42%
Benevolent-Authoritative	3.4	3.6	28%
Consultative	4.0	4.2	15%
Participative	4.7	4.8	8%

The results of the investigation showed a strong correlation between employee performance and management styles. Employee performance and exploitative-authoritative leadership were found to be strongly negatively correlated ( $r^* = -0.62$ ,  $p^* < 0.01$ ), indicating that this style degrades workplace results (Likert, 1967; Yukl, 2013). On the other hand, participative leadership demonstrated the largest positive correlation ( $r^* = 0.78$ ,  $p^* < 0.01$ ), which is consistent with research showing that teamwork improves output and job satisfaction (Gagne *et al.*, 2022). Participatory management's predictive power was reinforced by regression analysis, which showed that it predicted 32% of performance variance ( $R^2 = 0.32$ ) (Judge & Piccolo, 2004).

## Discussion

The findings reveal that 42% of employees in Pakistani banks exhibit turnover intention, a figure consistent with global workforce trends reported by Gallup (2023). This elevated turnover intention suggests widespread dissatisfaction, likely stemming from demotivation and disengagement—common outcomes in rigid, hierarchical work environments. The results indicate that traditional top-down management structures may be exacerbating employee attrition by stifling autonomy and participation.

As per Batool & Riaz (2022), Pakistani banks could benefit from adopting more decentralized decision-making processes. By empowering employees with greater involvement in operational and strategic choices, organizations may foster higher engagement, reduce turnover, and improve overall performance. Such a shift aligns with contemporary management practices that prioritize flexibility, employee voice, and participatory leadership—key drivers of retention in competitive financial sectors worldwide. Implementing these changes could help Pakistani banks not only retain talent but also enhance productivity and workplace morale in an evolving industry landscape (Ahmad & Sohail, 2023).

## Conclusion

In the context of Pakistani banking, this study offers empirical support for Likert's management systems theory, unequivocally showing that participative leadership produces better organizational results than authoritarian methods (Ali & Yousaf, 2023). According to the management and employee performance have a strong positive correlation ( $r = 0.78$ ), according to the analysis, and this leadership style accounts for 32% of performance variance ( $R^2 = 0.32$ ). This shows how important it is for Haripur's financial institutions in terms of productivity, job satisfaction, and employee retention. These results provide useful, culturally appropriate insights for Pakistan's unique organizational context in addition to being in line with international management best practices. In the future, researchers should look in several promising directions, such as examining hybrid leadership models that combine participative elements with other approaches, extending the geographic scope to include major financial centers in Pakistan, such as Karachi, Lahore, and Islamabad, to examine regional variations, examining how digital transformation supports participative practices in Pakistan's changing financial sector, and testing the framework's applicability to other industries outside banking. According to (Khan *et al.*, 2020). In addition to addressing Pakistan's varied organizational cultures and regional economic dynamics, such future research would greatly advance our understanding of leadership effectiveness and ultimately lead to more complex and contextually relevant management strategies for developing economies.

## Practical Implications

The findings of this study offer actionable insights for banks in Haripur seeking to enhance employee performance and retention. To foster a more productive and engaged workforce, financial institutions should consider the following strategic interventions:

**Leadership Development Programs** – Banks should invest in targeted training initiatives to equip managers with participative leadership techniques. Workshops emphasizing collaborative practices—such as team-based goal setting, open feedback mechanisms, and decentralized decision-making—can help shift leadership approaches from authoritarian to empowering styles (Shah & Jamil, 2022).

**Flattening Organizational Hierarchies** – Rigid, top-down structures often stifle employee voice and innovation. Banks should actively reduce hierarchical barriers by promoting open-door policies, cross-departmental collaboration, and digital communication platforms. Encouraging direct dialogue between staff and senior management can improve transparency, trust, and operational efficiency (Ahmad & Shahzad, 2021).

**Proactive Turnover Mitigation Strategies** – Branches identified with exploitative-authoritative leadership styles require immediate attention. HR teams should implement early warning systems—such as regular employee sentiment surveys and exit interviews—to detect dissatisfaction before it leads to attrition. According to Saeed & Aslam (2020). High-risk teams may benefit from leadership reassessments, mentorship programs, or job redesign to address demotivation drivers. Adopting these measures, Haripur's banks can align their management practices with global best practices, ultimately strengthening workforce stability and competitiveness in Pakistan's dynamic financial sector.

## Future Implications

In the future, researchers should look in several promising directions, such as examining hybrid leadership models that combine participative elements with other approaches, extending the geographic scope to include major financial centers in Pakistan, such as Karachi, Lahore, and Islamabad, to examine regional variations, examining how digital transformation supports participative practices in Pakistan's changing financial sector, and testing the framework's applicability to other industries outside banking. According to (Farooqi & Akhtar, 2019), varied organizational cultures and regional economic dynamics, such future research would greatly advance our understanding of leadership effectiveness and ultimately lead to more complex and contextually relevant management strategies for developing economies.

## Limitations and Future Directions

This study provides insightful information about how employee performance in Pakistan's banking industry is impacted by Likert's styles. The study's unique emphasis on Haripur's banking institutions limits its generalizability to other industries (like manufacturing or IT) or financial hubs (like Karachi or Lahore) (Hussain *et al.*, 2022). A bigger, more geographically diversified sample would more accurately reflect Pakistan's banking workforce, even though the sample of 155 participants (80 managers, 75 employees) offers a solid basis (Saunders *et al.*, 2019). To supplement self-reported survey data and lessen the possibility of response bias, future studies should include objective performance indicators (such as official turnover records and productivity KPIs) (Podsakoff *et al.*, 2003). In order to analyze performance changes over time, longitudinal studies are necessary, as the cross-sectional design restricts causal interpretations (Spector, 2019).

The study also did not thoroughly examine how Pakistan's distinct cultural context—particularly its high-power distance and collectivist values—might influence leadership effectiveness, even if Likert's framework provides a helpful theoretical perspective. The results might have been impacted by other outside variables that were not considered, such as the state of the economy and job security. Future research should use mixed method approaches that combine surveys, interviews, and archival data, broaden their scope to include multiple cities and sectors, and investigate hybrid leadership models that combine Likert's framework with other theories like situational or transformational leadership to overcome these limitations. To better understand causal links, research should also look at how cultural factors like power distance moderate leadership impacts in Pakistan and use longitudinal designs.

## Declarations

*Ethical Approval and Consent to Participate:* This study strictly adhered to the Declaration of Helsinki and relevant national and institutional ethical guidelines. Informed consent was not required, as secondary data available on websites was obtained for analysis. All procedures performed in this study were by the ethical standards of the Helsinki Declaration.

*Consent for Publication:* We, both authors, give our consent for publication.

### *Authors' Contributions*

Author 1 oversaw the study's conception, methodology, data analysis, and preliminary writing; Author 2 created the survey, gathered information, and helped with article edits; and Author 3 oversaw, obtained financing, and verified the results.

### *Funding and Conflicts of Interest*

The expenditures of this study were paid for by the authors' institution; no outside funding was obtained. No conflicts of interest are disclosed by the writers.

*Availability of Data and Materials:* Data will be made available upon request from the corresponding author.

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