

Examining the lack of application of path goal theories of leadership in corporat...



Since 1903, after Panama's independence from Colombia, corporations have played a vital role in the country. It was after the establishment of the first banks (Citibank & Chase Manhattan Bank in 1904) that the Panamanian society experienced the hassles and huddles that come with corporate management. Since then, the Panamanian corporations have tried to deal with these problems facing managers across the country. However, the development of corporate culture and philosophy regarding leadership has been overlooked, to say the least.

Even today, in Panama, there are no formal studies regarding the behavior of leaders in corporations in the country. This paper analyses the Leadership Path Goal Theory, and the Leader Member Exchange theory in contrast with their application in Panama's Banking Industry. Also, includes a discussion of the deficiencies managers at Towerbank (a local bank private bank) faced during the application, execution, and pursue of a goal.

At the end, we present an introspective view of the of the leadership concepts learned, adapted to our lives, and the possible changes they will make in our daily business lives. The first Leadership Theory that we will discuss is The Path Goal Theory (PGT). As we have analyzed in class and our findings, we can state that Leadership theories, seen from the perspective of motivation, and Goal Pursuance within a group, is susceptible to constant changes, development, and radical evolution.

Having said that, Path Goal Theory can be described as the constant evolution of the Expectancy Theory which translates into the ability of the leader to inject motivation into his/her subordinates based on the ability to

create a picture clear image of the Goal at hand, validation on the subordinates capabilities to perform the tasks at hand, and the rewards to be obtain once the Goals are met. Before we can continue dissecting the Path Goal Theory, it is important to note that evolution has taken its token on the Path Goal Theory.

Recent studies have derived a latter theory called the Hope Theory (HT) which is also based on Positive Psychology. Positive Psychology is interested in the study of the drivers that has made individuals, societies, and civilizations to prosper and Flourish (Helland & Winston, 2005). The interrelation of the Positive Psychology, the Hope Theory, and the Path Goal Theory is a very symbiotic one. On one hand the PGT is based on a broader scope of action, mainly because PGT is concerned with the interaction of three major factors: Leader behavior, Subordinate Characteristics, and Task Characteristics.

Instead of defining each one of them, we will say that PGT has to do with the interaction and assessment of the best combination of the three possibilities in order to achieve the best possible outcome. These interactions among the realms of possible courses of action all have HT at the back bone of them, regardless of the situation. PGT is not a locked down theory that makes Leaders walk a thin line. Instead, it permits leaders to move, given them lost of wiggle room to adjust to different situations, and different subordinates' characteristics.

The PGT recognizes 3 different types of leaders' behaviors. The Directive Leadership Behavior can be compared to a dictatorial regime in which the

leader gives clear instructions to the subordinates in order to accomplish a specific task. By this, the leader sets standards of best practices within the organization for the subordinates to follow. This type of approach is best used when there is an ambiguous task, or just the rules are too unclear and complicated for the subordinates to see the big picture.

However, the characteristics of the subordinates play a role in the path the leader undertakes. It is said that directive leadership style works better for subordinates with a dogmatic and authoritarian background. Their need to have rules set out before hand forces the leader to take the directive approach. The supportive leadership style is characterized by the nurturing like process, in which the leader needs to support his/ her people in order to obtain the wanted results.

For this type of approach to be successful, there is the need for two conditions to be met: on one hand, the subordinates need to feel unsatisfied, need of human touch (to perceive their leader as a human capable of understanding personal, and work related problems). The second condition needed for the usage of this venue is the task characteristics. The task characteristics necessary for the use of the supportive leadership style are unchallenging, mundane, and overly mechanical work.

When subordinates are faced against repetitive work, their morale tends to go down dramatically fast. This type of work, for example, can be perceived frequently among back office personnel at any local bank. It is a very challenging job for the managers to maintain high morale in people is those types of jobs. Therefore, the manager needs to take a paternal type of

attitude, which in some way alleviates part of burden the subordinate is feeling.

When the task at hand is ambiguous, unclear, or understructure, and the subordinates are autonomous, need control of their actions, the participative approach is the best way to go. The biggest difference between the directive and the participative is in the subordinates' attitudes. For this type of approach to be effective the subordinates need to be autonomous enough to want to be able to participate and contribute to the greater good of the group.

Last, the Achievement Oriented Approach which consists of giving the subordinates high expectations on their assigned tasks. For this type of approach you need to KNOW YOUR PERSONNEL well enough to identify their ambitions, since a high degree of expected personal achievement is always present. At the same time, the task they need to perform need to be very demanding, ambitious and very complex. Despite the easy way to explain the PGT, in real life, its implementation can be more than problematic.

As appeared in the Journal of Leadership and Organizational Studies, 2002 (Slocum, Cron & Brown) sometimes there tends to be an indirect influence due to Goal Conflict on Performance through its relationship with Goal Commitment. Goal Conflict was negatively associated with goal commitment when controlling the expectancy, self efficacy, and need for achievement. To conclude on the PGT, we can say that besides the strengths and weaknesses, PGT is one the best theories, not just because it allows you to maneuver among approaches, but it also consider motivation as its corner stone.

Having mentioned that, the PGT guides you on how to deal with different personalities, and task characteristics, for any given job, and allows you to be able to find balance. Although, it said that one of the biggest criticisms that can be singled out for the PGT is its complexity at the time of implementation (Meaning that so many characteristics are at stake, for which interpreting the implication of the theory can be confusing), we have noticed that this hurdle can be surmounted by time.

The more you Know Your Personnel, the better prepared you will be to jiggle, and keep in balance the different possibilities of application of the PGT. We also need to keep in mind that this theory, or any other for that matter, are just big guidelines of implementation, allowing you to adjust for any given situation you will face. The second theory we will discuss is the Leader Member Exchange Theory (LMX). The LMX is more of an organic theory, basically because it incorporates the idea of an active organism for the interaction between the leader and his/her subordinates.

With the ability to describe and differentiate those workers that go the extra mile and those that barely maintain their heads above water, provides a clear path for those in the Out Group to catch up and become a part of the In Group. Despite the fact that the book considers the LMX as an opportunity for leaders to be unfair as a criticism, personally, we have to say that such a statement is not totally accurate. To say the least, our own society is full of unfairness, to complain because a theory actually deals with this unfairness and helps us to go from that stand point and move to a fairer situation.

However, let's not get confused, the theory does not incorporate unfair treatment into our daily working lives, it just makes us acknowledge the fact that unfair treatment occurs. To be honest, on the contrary, we believe it is the biggest strength that LMX has to offer. The LMX establishes the concept of "IN- GROUPS & OUT GROUPS", the first ones are those workers who do an extra to obtain the results with more efficiency and effectiveness.

The most effective way to assess the implementation of the LMX is through direct questioning to subordinates and leaders on their relationships. The most important aspect of the application of the LMX is the ability to describe leadership and the ability to create leadership. As we will discuss later, for Banks the PGT is the best way to go. Before going deep in what are the direct benefits in applying the PGT in a local bank such as Towerbank International, Inc. (TB) we need to present a situational case for the Bank.

TB is a corporate, privately owned, bank with one sole proprietor (the Kardonski Family). TB was established in Panama's Colon Free Zone in the early 70's, with the main intention to finance the operations of the import-export businesses of the Group. After a couple of years the company decided to move the Head Quarters of the bank to Panama City, to be able to capture part of the flourishing corporate business in Panama. Today the Bank has over 90 people as its personnel divided in 1 branch in the Colon Free Zone, and HQ in Panama City.

Today 15% of the personnel occupy executive positions (divided among, Managers, and Front Office Officers), the rest of the personnel occupy back office positions. TB is organized as a vertical change of command, starting at

the Top with the Board of Directors (of which 4 out of 7 are members of the Kardonski family). Right after that, we have the General Manager, or CEO of the Bank, followed by 5 department managers for which there are 8 deputy managers in control of specific business units (Corporate, Private Banking, International Loans, Operations, and Branch operations).

The bank had for each one of those departments (with the exception of Operations) there is a front office (where business are conducted and where the officers and managers interact with the customers), and a Back Office (where the execution of the instructions are conducted and redirected to the operations department) in charge of the well functioning of the Bank. In TB the management has been unable to keep people motivated mainly because of the lack of understanding of the different types of characteristics people are and the different types of task characteristics.

First, TB may not seem as a very complicated organization, but if you look closer, there are just not in groups, and out groups. Within the In- group there is another subdivision of inner groups, and Less out groups. Lets try to represent TB's organization, taking into account the In groups and Out Groups, as mentioned before: After working for 3 years and being part of the inner Group as an international representative for the Bank for the markets of Brazil and Argentina, I find out that the lack of initiative from the head of each department to comprehend, those factors that make their personnel working with an underachieving philosophy.

On top of that, the lack inclusion that most of the personnel felt regarding being part of the decision making and everything being so vertical, made it

easy for the creation of the sub group of Less out Group. It was obvious that another factor of inequalities was the wages. Management, and prime officers were getting in average \$50, 000 p/y, and the less out Group and Out Group were in average getting around \$8, 000 p/y. Conclusion

The use of the theories of leadership can be excellent tools to manage and conduct through the right path the human resources we may have under our wing. However, we need, first and for most to understand that we are dealing with real people with different needs, expectations, wants, grieves, and special conditions. In other words, these tools should be seen as what they are, as Frames of possibilities; and by no means, their existence should not be confused as locks made to refrain us in our pursue of understanding our roles as decision makers.