The Role of Strategic Leadership in Banking Profitability

Joseph O. Witts 1,* and Kevin J. Davies 2
1 WITTS Consulting Inc., Musoma, Tanzania
2 ExecEd Connect, LLC, Contributing Faculty, Walden University, Minneapolis, USA
Email: joseph_witts@yahoo.com (J.O.W.); kevin.davies@waldenu.edu (K.J.D.)
*Corresponding author

Abstract—A study on corporate leadership failure in America has shown that the failure rate of business leadership in meeting profitability targets is as high as 60%. Most organizations fail to attain profitability targets due to limited experience and exposure to strategic leadership. This single case study design aimed to explore the role of strategic leadership in banking profitability. Twelve purposively selected senior bankers and members of the board of directors with over 10 years of experience in banking and profitability and 3 years in the top management team participated in the study in western Tanzania. The resource-based view framed the discussion regarding strategic leadership skills needed to enhance banking profitability. Data were collected through semistructured interviews using open-ended questions to elicit in-depth responses from the participants. Other data sources included social media, company websites, and annual reports. The modified van Kaam approach was used in the data analysis. Meaningful statements were grouped into larger units to form themes. Findings confirmed that strategic leadership skills development had an important influence on banking profitability. Five themes emerged from the study results including strategic leadership and organization performance, planning, risk management, training and skills development, and the unique resources. Findings may also help to improve banking profitability, create employment, and contribute to social change in the poor and unbanked communities in Tanzania.

Keywords—strategic leadership, organization performance, RBV conceptual framework and porter’s competitive strategy

I. INTRODUCTION

Strategic leadership is the ability of the leaders to envision and direct the actions of the organization toward the successful attainment of the objectives of the organization (Carter & Greer, 2013). Most organizations fail to attain profitability targets due to limited experience and exposure to strategic leadership (Carmeli et al., 2011). Knowledge of strategic leadership is essential because the demands from shareholders and stakeholders on the top management teams have increased in both intensity and complexity (Carter & Greer, 2013). Some top leaders of banks embark on the work of strategic leadership without sufficient training and experience in the work of strategic leadership. Limited strategic leadership experience may cause a decline in profitability. A lack of orientation to the work of strategic leadership may jeopardize organizational competitiveness, performance, and sustainability (Bansal & Desjardine, 2014). The conceptual framework in this study was the RBV. RBV theory is a strategic management approach that helps organizations create competitive advantage and enhance profitability (Barney, 2001). The synchronized use of unique internal resources can significantly influence organizational performance, create competitive advantage, and enhance profitability (Birger, 1995). I focused the study of strategic leadership on the value creation through competitive advantage and improved performance. Strategic leadership in banks plays a pivotal role in the economic development and social stability of the country (Lartey et al., 2013). However, some top leaders in banks lack the strategic leadership experience to enhance banking profitability. I used the qualitative case study to explore the experiences of the participants in banking profitability. Understanding the experiences of the participants may curtail organization failures, create employment, and contribute to positive social change (Carmeli et al., 2011).

A. Research Question

The central question in this study was the following: What strategic leadership skills do senior bank officials and members of the board need to enhance banking profitability? I conducted personal, in-depth interviews with 12 senior bank officials, including members of the board from one medium-sized commercial bank in Tanzania.

B. Interview Questions

The primary objective was to understand the participants’ experiences with the phenomenon of strategic leadership in banking profitability. I used
personal, in-depth interviews and 8 open-ended questions to elicit testimony of participants’ experiences with the phenomenon. In recognition of the different roles that the top management team and the board of directors perform for an organization, I developed two sets of questions for the top management team and the board of directors. The 8 open-ended questions for the senior bank officials were as follows:

1. What role does strategic leadership play in your organization?
2. What strategic leadership skills do you need to enhance banking profitability?
3. What are the unique resources that make your organization competitive?
4. How do you plan for strategic leadership training and skills development in your organization?
5. How does the board of directors influence the banks’ competitiveness and profitability?
6. How do you increase profitability while managing risks?
7. How effective are these strategic leadership initiatives, particularly in terms of increasing banking profitability?
8. What additional information would you like to share about the subject?

I also developed an additional three questions appearing as Interview Questions 1, 7, and 8 to solicit the board of directors’ perspectives on the role of strategic leadership in banking profitability. The nine open-ended questions for the board of directors were as follows:

1. What is the role of the board of directors in creating sound corporate governance practices in the bank?
2. What strategic leadership skills do you need to enhance banking profitability?
3. What are the unique resources that make your organization competitive?
4. How do you plan for strategic leadership training and skills development in your organization?
5. How does the board of directors influence the bank’s competitiveness and profitability?
6. How do you increase profitability while managing risks?
7. What is the role of the board of directors in the banks’ strategic planning?
8. How does the board of directors ensure the implementation of approved business strategy?
9. What additional information would you like to share about the subject?

C. Conceptual Framework

The conceptual framework is a visual or written output that elucidates essential features of a topic (Berman, 2013; Miles & Huberman, 1994; Yin, 2014). In this study, I used the RBV conceptual framework to focus and tie the study together. The RBV is a strategic management approach to organizational competitiveness and performance improvement. Birger (1995) invented the RBV theory in 1984 and argued that the theory can significantly contribute to organizational competitiveness and profitability. The top management teams can use the RBV to create a competitive advantage and enhance profitability (Barney, 2001).

The constructs of the RBV include the following tenets: First, an organization’s competitive advantage depends on the distinctive characteristics of the internal resources that are difficult to duplicate (Barney, 2001). Second, there is a direct relationship between competitive advantage and organizational performance (Barney, 2001). Third, competitive advantage is the benefit that an organization acquires through the provision of superior products or services above rivals at a low-cost or premium price (Barney et al., 2001). Barney et al. (2001) argued that a synchronized deployment of organizational resources plays a significant role in the incremental value creation and sustainable competitiveness.

II. A Review of the Professional and Academic Literature

The study aims to explore the role of strategic leadership in banking profitability. The central research question was as follows: What strategic leadership skills do senior bank officials and members of the board need to enhance banking profitability? I conducted a detailed review of the academic literature to improve the understanding of the phenomenon of banking profitability and to identify gaps in the 14 literature. The focus of the literature review was on strategic leadership in business organizations and organizational performance, including the effects of a CEO and entrepreneurial skills on organizational performance. Other areas of focus included organizational competitiveness, attributes of effective leadership, and organizational change and transformation. I also reviewed the literature on the role of strategic leadership in technology and innovation, change agents, and transformational leadership including organizational sustainability.

A. Resource-Based View

The RBV is a critical element of strategic leadership, competitiveness, sustainability, and performance that helps top leaders optimize internal resources (Barney, 2001). Birger (1995) invented the RBV theory in 1984 and argued that the theory has a significant influence on the profitability, sustainability, and competitiveness of an organization. Competitive advantage is the firm’s ability to create superior value (Costa, Cool, & Dierickx, 2013). Hence, competitive advantage is a manifestation of the organization’s ability to synchronize the use of resources, including optimal exploitation of business opportunities (Chien, 2014).

The conceptual framework is a significant element of research design that provides qualitative researchers with a lens for viewing the probable causes of a business problem (Cunningham, 2014). I used the RBV conceptual framework to describe how the top management teams in banks can manipulate the use of available resources to achieve and maintain profitability, sustainability, and competitive advantage. Top leaders in banks can use the RBV conceptual framework to optimize resource utilization and develop superior business strategies. The constructs of the RBV conceptual framework include the
following propositions: First, a firm’s competitiveness is dependent upon a myriad of important, exceptional, and unmatched resources (Barney, 2001). Second, there is a direct relationship between competitive advantage and profitability. Third, competitive advantage is the benefit that an organization acquires through the provision of superior products or services above the competition at a premium or low cost (Barney et al., 2001). Integration of the RBV with the strategic and entrepreneurial orientation may result in improved banking profitability. In addition, top management teams can use the RBV to describe how they can employ strategic leadership skills to enhance banking profitability.

An organization’s competitive advantage comes from the strategic, heterogeneous, and organization-specific resources that are difficult to imitate (Costa et al., 2013). Bank leaders use the uniqueness of resources to describe the differences between the performances of different organizations. Thus, the uniqueness of resources has a significant influence on the profitability, efficiency, sustainability, and competitiveness of the organization. Birger (1995) made an important contribution to the areas of international business, marketing, entrepreneurship, economics, and science, including human resource management (Barney et al., 2001). A positive relationship exists between the RBV theory, strategic leadership, and organization profitability (Barney et al., 2001). The RBV formed the basis of the study and helped to synchronize the role of strategic leadership in banking profitability.

**Porter’s competitive strategy and the RBV frameworks.** The divergent conceptual framework of the RBV is Porter’s competitive strategy (Spanos & Lioukas, 2001). In Porter’s competitive strategy framework, an organization is a collection of strategic actions geared at adjusting to industry conditions to create a competitive advantage in the marketplace (Spanos & Lioukas, 2001). In contrast, the author of the RBV framework views competitiveness as an outcome of the unique resources and management competencies that are difficult for competition to copy (Barney et al., 2001). The divergent perspectives between the two conceptual frameworks arise from the disagreement on the standard measure of organizational competitiveness between industry conditions and the unique resources and capabilities. Spanos and Lioukas (2001) contended that both organizational-specific resources and competencies, including industry conditions, play a significant role in influencing the performance of an organization.

Birger (1995) stated that an organization is a collection of unique resources to create a competitive advantage. Spanos and Lioukas (2001) argued that the performance of an organization is somewhat independent of the management decisions and conditions of the industry. However, this argument is only valid on the premise that the industry is not exogenous from the organization and that the focus in performance measurement is on the organization instead of the industry. The choice of top leaders between a low-cost or differentiation strategy may influence the performance either way. Porter countered that strategy, industry, and organization complement each other and are likely to influence organizational performance (Spanos & Lioukas, 2001). In addition, Spanos and Lioukas (2001) stated that Porter underscored the significant influence of industry conditions on organizational performance.

**B. Strategic Leadership Training and Skills Development**

Leadership development is a daunting task for most organizational leaders who need to enhance the leadership skills and capabilities of their employees (Capobianco et al., 2013). Capobianco et al. (2013) described the effectiveness of experiential learning techniques in the development of leadership skills and capabilities. Capobianco et al. argued that employees can improve leadership expertise and capacities by practicing different leadership approaches to the job without attending formal training on leadership. They use simulations and gaming methods, systematic reviews, and experiential learning theory to conduct the study. Capobianco et al. (2013) found that the use of computer games in simulating leadership development requires further development. Despite the significant achievement of computer games in leadership development, computer simulation is a mere instrument that cannot provide leadership without the intervention of a human leader. Experiential learning may help organizations in the development of leadership skills and capabilities (Cannon, 2011). The development of leadership skills plays a significant role in the creation of organizational competitiveness and performance improvement (Edwards et al., 2013).

**C. Strategic Leadership in Business Organizations**

Strategic leadership is the ability to envision the future of the organization (Abudho-Riwo et al., 2012). Strategic leadership also encompasses the capacity to communicate the vision of the organization and to motivate followers toward the implementation of the strategic goals. The role of strategic leadership in the creation of enabling organizational values and culture is essential to the success of the organization (Mauri & Romero, 2013). Leadership values, psychological processes, and innovation can influence organizational culture and performance (Carter & Greer, 2013). Strategic leadership extends to the entire scope of the functions performed and the decisions made by individuals or a group of individuals at the top of the organization (Carter & Greer, 2013). Leaders should be strategic planners who set the course for attaining the goals towards which they are leading followers. The expanding role of strategic leadership arouses the stakeholder’s desire to understand the impact of the top management team on the performance of the organization (Carter & Greer, 2013). Leaders and leadership have a direct impact on many performance indicators and the overall performance of the organization (Hiller et al., 2011).

**D. Strategic Leadership and Organizational Performance**

There is a direct relationship between competitive advantage and organizational performance (Birger, 1995). The RBV theory is dependent on the optimal aggregation
and utilization of unique internal resources and capabilities for improved organizational performance (Barney, 2001). Banks play a critical role in the development of the country’s economy. To be sustainable, banks must grow the business and make profits. Profitability is among the key performance indicators in the banking business (Cavelaars & Passenier, 2012). The key drivers of banking profitability are interest, trading, and fee income (Cavelaars & Passenier, 2012).

E. The Effect of a CEO on the Organizational Performance

The CEO’s transformational leadership has a distinctive influence on the effectiveness of top management teams and organizations’ performance (Irshad & Hashmi, 2014; Zhang et al., 2013). Transformational leadership tends to influence group behaviors toward positive followership and high interpersonal relationships. Little information is available on the influence of individual top-management team members on group behavior (Zhang et al., 2013). Zhang et al. (2013) discussed the significant role of the relationship between the CEO and influential members of the executive management team in improving organizations’ performance. Organizations’ performance is dependent upon the interpersonal relationship between members of the executive management committee (Zhang et al., 2013). The individual performance of the top management team has an insignificant influence on the organization’s performance. However, Zhang et al. (2013) did not discuss the effect of the CEO’s educational background and tenure on organizations’ performance.

F. Entrepreneurial Leadership and Organizational Performance

Strategic entrepreneurship leadership characterizes opportunity and advantage-seeking leadership that encompasses the ability to make timely decisions and to build the flexibility to accommodate market-led changes (Gibbs, 2009). There are two types of entrepreneurial leadership namely; entrepreneurs in leadership positions and entrepreneurial leaders. The ability to operate with limited resources is a typical characteristic of the family enterprise and entrepreneurial leadership (Wang, Tee, & Ahmed, 2012; Lisak & Erez, 2015). Strategic entrepreneurship leadership is independent of one’s position in the organizational hierarchy (Lisak & Erez, 2015). Effective resource management, hard work, multitasking, and the ability to lead people individually and in teams are a few elements of entrepreneurial leadership. Strategic entrepreneurship leadership and diversity have a significant influence on the relationship between top management teams (Boerner, Linkohr, & Kiefer, 2011).

G. Strategic Leadership and Organization Competitiveness

Organizations must integrate innovation, creativity, and marketing in strategic planning to sustain competitiveness (Palsner, 2014). Other factors such as the high number of experienced staff and supply chain of internal and external knowledgebase have a significant role in creating organizational competitiveness (Palsner, 2014). The most important element in the management of the technology is the speed in providing solutions to the business needs. The creation of profit-making capacity in the long term is the primary focus of resource optimization and strategic leadership (Barney, 2001). The top management team needs strategic renewal capacity and a sustainable innovation strategy to create competitiveness (Strand, 2014; Le, Kroll, & Walters, 2014).

H. Attributes of Effective Strategic Leadership

Competence in public speaking is one of the many factors that the leadership uses to garner acceptance and followership (Heracleous & Klaering, 2014). Thin relationships exist between the ability in public speaking and charismatic leadership. Charismatic leaders are consistent and persistent in portraying competence in speech-making and situational leadership behaviors. Other characteristics of charismatic leaders include the ability to relate well to multiple audiences and the demonstration of emotional intelligence. Zaccaro (2007) discussed trait-based perspectives of leadership. Trait-based leadership is the dominant approach to the initial scientific research in leadership. Individual leader traits and attributes have no significant role in leadership effectiveness. Leadership encompasses a complex set of behaviors besides characteristics and attributes (Kerr & Robinson, 2011).

I. The Role of Leadership in Organizational Change and Transformation

Stakeholder analysis and the practical implementation of stakeholders’ analysis are imperative for improved organizational performance (Jepsen & Eskerod, 2008). From the project management perspective, stakeholders are individuals who can exert influence on the project and vice versa. The project manager needs to conduct a stakeholder analysis to understand the dynamics of the relationship between the company and stakeholders on an ongoing basis (Jepsen & Eskerod, 2008). Stakeholder analysis challenges include the lack of the appropriate guidelines for identification, categorization, and the right strategy to elicit stakeholder support (Nixon, Harrington, & Parker, 2012).

J. The Role of Leadership in Technology and Innovation

The concept of innovation is an all-encompassing phenomenon (Damanpour, 2014; Hoch, 2012). There are non-technology innovations such as organizational development changes and transformations that have a significant influence in creating organizational competitiveness. Other non-technology performance drivers include process improvement and sustainability strategy (Mirchandani & Ikerd, 2008). Damanpour underscored the significant role of research in the discovery of new knowledge that could help organizations to modernize processes. There is a need for theory development that could guide future studies in the field of management innovation for improved organizational performance (Damanpour, 2014).

Organizations’ ability to adapt to new technology,
availability of quality human resources, and operational efficiency have a mediating effect on organizational performance (Mahsud et al., 2011). The purpose of the study was to explore the influence of operational efficiency, human capital, and inventiveness on organizations’ sustainability and competitiveness.

K. Organizational Learning and Performance

Organizational learning is a continuous process that may take time to embed in the day-to-day organizational processes (Lengnick-Hall & Inocencio-Gray, 2013). It is important to differentiate unplanned learning from planned organizational learning programs that aim at developing a pool of intellect for organizations’ long-term sustainability. However, failure to institutionalize organizational learning can have devastating effects on the performance of the organization (Schweitzer, 2013). Organizations’ competitive advantage could increase with a large pool of knowledgeable employees (Lengnick-Hall & Inocencio-Gray, 2013). The institutionalization of strategic renewal coupled with flexibility in the work process could influence the entire processes and performance of the organization (Hopkins, Mallete & Hopkins, 2013). Unfortunately, the organizational learning frameworks are mainly applicable to large corporations. Therefore, there is a need for a framework for small and medium-sized enterprises.

L. Strategic Leadership, Sustainability, and Organization Performance

The clarity of vision and mission statements is a strategic imperative that has a significant influence on helping leaders focus on organizational performance (Hiller et al., 2011). In the wake of dynamic innovations and attempts to catch up with growing competition, most leaders have lost focus on the basics of business strategies (Leavy, 2013). The lack of unique strategic positioning could negatively affect the performance of the organization. The performance of an organization rests on the unique value proposition that an organization can offer to its customers. Leavy contended that fundamentals that could influence performance include the effectiveness of the CEO in the role of guardian of the mission and vision of the organization. Others include a sharp focus on the core business and viability of the industry. Leaders help to position an organization whereas strategy contributes to creating and maintaining differentiation, competitiveness, and sustainability (Leavy, 2013). The function of leadership is important for positioning an organization.

III. FINDINGS AND DISCUSSIONS

The overarching research question used in this study was the following: What strategic leadership skills do senior bank officials and members of the board need to enhance banking profitability? I conducted personal, in-depth face-to-face interviews with 12 purposeful selected senior bank officials and members of the board of the chosen bank with over 10 years of work experience and 3 years of strategic leadership responsibilities. I interviewed eight male and four female participants and used information from the bank’s annual reports and websites, social media, and advertising materials to supplement findings from in-depth interviews. To protect the participant’s identity, I replaced the actual names with alphanumerical values such as P1, P2 to P12 and kept the key to the names in a locked cabinet. A review of the refereed journal articles helped to tie together the overarching research question and the conceptual framework. I used the resource-based view conceptual framework to guide the framing of interview questions.

A. Identification of Themes

Theme 1: Strategic leadership and organization performance. Strategic leadership helps organizational leaders formulate ways that could help the organization towards the achievement of business objectives. There are many leadership skills, but effective communication is one of the most important strategic leadership skills. A top management team with strategic leadership skills sets the direction and evaluates the performance of the organization. The development of sustainability strategy, creation, and effective communication of vision and mission statements are the essential strategic leadership skills that senior bank officials and board of directors need to enhance banking profitability. The use of external resource persons for in-house staff training, attachment of employees to other banks or system vendors, and job rotations are strategic leadership skills that help to improve employees’ and banks’ performance. Bank leaders can also enhance profitability through cost and risk management processes. Innovations, creativity, and sustainable growth are strategic leadership initiatives that leaders can use to enhance performance.

However, having the ability to develop a vision is the most important strategic leadership skill. The first interview question was as follows: What role does strategic leadership play in your organization? The objective of this question was to assess if the participants comprehended the concept of strategic leadership and the influence it has on the performance of the bank. Nine out of 12 respondents (75%) demonstrated an understanding of the concept of strategic leadership. The participants stated that the central role of strategic leadership was the creation of a vision and mission for the organization. The remaining three participants (25%) did not understand the role of strategic leadership in the bank.

Theme 1 was in line with responses to Interview Question 5: How does the board of directors influence the banks’ competitiveness and profitability? The aim of this question was to establish if management understood the influence that the board of directors has on the banks’ competitiveness and profitability. Eight participants (67%) said the most significant influence the board of directors has on the banks’ competitiveness and profitability is in the creation of the vision and mission statements of the bank, setting of the performance targets, sustainability strategy, and corporate governance systems, including risk management framework. Other approaches that the board can use to influence the banks’ competitiveness and profitability include the involvement of management in the decision-making process and developing
organizational culture and values that cherish creativity and innovation. However, the remaining four out of 12 participants (33%) demonstrated limited knowledge of the influence that the board has on the banks’ competitiveness and profitability.

Theme 1 was also in line with responses to Question 7: How effective are these strategic leadership initiatives, particularly in terms of increasing banking profitability? The aim was to establish senior management awareness of the strategic leadership initiatives. Seven participants (58%) who responded to Question 7 said that strategic initiatives such as the development of clear vision and mission statements, effective communication skills, and risk management skills were effective in increasing banking profitability. The same respondents also said that strategic leadership initiatives such as strategic leadership development programs, creativity, and innovativeness, including modern information technology, are effective in creating competitiveness and enhancing banking profitability. However, five respondents (42%) demonstrated limited knowledge of the effectiveness of strategic leadership initiatives.

In addition, Theme 1 was also in line with responses to Question 2: What strategic leadership skills do you need to enhance banking profitability? Ten out of 12 participants (83%) demonstrated awareness of the fundamental strategic leadership skills to enhance banking profitability. The participants stated that strategic leadership skills that senior bank officials and the board of directors need to enhance banking profitability include effective communication skills, creativity and innovativeness, planning and monitoring, and risk management skills. They also said that coaching, experience in banking, and motivation skills have a significant influence on banking profitability. Two out of 12 participants (17%) demonstrated little awareness of the fundamental strategic leadership skills to enhance banking profitability.

Theme 2: Strategic leadership and planning. One of the essential strategic leadership skills in an organization is strategic planning. Strategic leadership skills help leaders to set short, medium, and long-term strategic plans for the bank including the setting of vision and mission statements. Strategic leadership is all about establishing the long-term view, sustainability, competitiveness, planning, and monitoring, including the ability to influence others to achieve common goals. Some aspects of strategic planning include directing, motivating, and working towards the achievement of performance targets. Moreover, succession planning helps senior managers to prepare middle managers for senior leadership positions. Senior bank officials and the board of directors use a management development program to promote middle managers to senior leadership positions. Leaders must stay focused on the strategic plans and refrain from digressing from the vision and mission of the organization. The ability to set plans for the organization is one of the vital leadership skills that leaders need to succeed. Quarterly reviews of the strategic plans help the board of directors to focus management’s attention and work as a team with management to improve the growth of the company.

The board of directors is always there to support management in the implementation of the strategic plans. Regularly, the board receives a comprehensive management report on the implementation of the annual plans; management also indicates areas of focus in the subsequent year. The annual review of strategic plans helps the board to understand the challenges facing the organization and strategic issues that they must incorporate into the subsequent strategic plan. The board uses analysis of strengths and weaknesses as a strategic planning tool that helps them to guide senior bank officials to plan for future improvements. The board of directors plays a significant role in the planning and monitoring of the implementation of the strategic plan. Hence, the board of directors must ensure that it is on top of the implementation of the annual strategic plan.

Theme 2 was also in line with the responses to Question 9: What is the role of the board of directors in the banks’ strategic planning? Question 9 was specifically tailored for members of the board of directors. Six out of six participants (100%) demonstrated reasonable awareness of the role of the board of directors in strategic planning.

Theme 2 was also in line with answers to Question 10: How does the board of directors ensure the implementation of approved business strategy? Question 10 was specific to members of the board of directors. This question aimed to establish the effectiveness of the board of directors in monitoring the implementation of the approved business strategy. Six out of six participants (100%) demonstrated reasonable awareness of the effectiveness of the board of directors in the implementation of the approved business strategy.

Theme 3: Strategic leadership and risk management. Senior bank officials and board of directors manage business risks by setting acceptable risk parameters for the bank and identifying sectors in which they can or cannot do business. The board has established internal audit and risk management departments in the bank to ensure effective risk management. There is the risk management committee of the board that meets quarterly to evaluate actual risks against approved risk targets. Management of the bank sets risk and profitability targets concurrently and uses a risk management framework to ensure that the organization is within the approved risk parameters. The ability to identify and measure business risks helps senior bank officials mitigate the impact of potential risks on the business and enhances the chances of making profits.

Top leaders of banks need risk management skills to evaluate potential risks in the banking business to enhance profitability. Leaders can manage operational costs and lending risks through a Management Information System (MIS). More than 50% of bank risks are in the lending business. Hence, mismanagement of the lending business may significantly jeopardize the profitability of an organization. Senior bank officials and the board of directors are always on the lookout for new risks in all areas of the business to minimize risks and increase profitability. The board of directors helps management in the development of an enterprise-wide risk management
framework and in the setting of the risk parameters, which management must observe at all times.

Theme 3 was in line with the responses to interview Questions 6 and 8. How does your organization increase profitability without increasing risks substantially, and what is the role of the board of directors in creating sound governance practices for the bank? Seven participants (58%) who responded to Question 6 said the board has developed a risk management framework to manage systemic and non-systemic risks. The remaining five respondents out of 12 (42%) had little knowledge of the risk management practices in the bank and the contribution of risk management to banking profitability.

Equally, in responding to Question 8 what is the role of the board of directors in creating sound governance practices for the bank? The objective was to establish if the board of directors understands the concept and the importance of corporate governance. Question 8 was specifically tailored for the board of directors. Six out of six participants (100%) said the bank has a corporate governance policy including boards’ governance and human resource committee that works to ensure adherence to best governance and human resource practices for sustainability of the bank.

Theme 4: Strategic leadership training and skills development. The bank has developed in-house training and attachment programs to other banks in the country for its key staff to learn leadership skills and exposure to the best industry practices. Strategic leadership training and skills development can take different forms, such as attachment of employees to other banks or vendors, and inviting resource persons from outside to train on specific strategic leadership skills. Other types of training include job rotation to different departments of the bank to improve their abilities.

The bank has developed an internal training program for all levels of staff such as leadership development programs for junior, middle, and senior management. They also have mentorship programs at all levels to facilitate succession planning in the organization. Most of the time employees undergo in-house training, and occasionally they attach them to other leading banks to learn best practices. Strategic leadership skills development takes two forms namely; externally organized leadership development programs and on-the-job training and mentorship. The bank has internally organized short-medium-, and long-term leadership development programs that cut across the entire organization.

Theme 4 was in line with the responses to interview Question 4 that was how do you plan for the strategic leadership training and skills development in your organization? The purpose of this question was to assess the effectiveness of leadership training and development programs within the bank. Eight participants (67%) responded that the bank has a talent management and development program to ensure the availability of different skills and capabilities in employees. According to the participants, the bank has established leadership development programs such as in-house leadership development training; other training programs include attachments of key staff to other banks. Furthermore, the bank has succession planning, job rotation, executive coaching, and mentorship programs that have helped to ensure competitiveness and business continuity. However, four participants out of 12 (33%) demonstrated little knowledge of strategic leadership training and skills development in the organization.

Theme 5: Strategic leadership and the unique resources. Reliable technology and experienced staff are some of the unique resources at the bank. The bank has the right human resources that can interpret the vision and mission statements and make it competitive in the market. Other unique resources include experienced senior bank officials and board of directors who have been in the banking industry for a long time. The bank has a large pool of professional and well-trained staff that the board believes can take the bank to the next level. Other unique resources are the customer-centric culture; tailor-made products, services, and customer service skills.

Theme 5 was in line with interview Question 3 what are the unique resources that make your organization competitive? Seven out of 12 participants (58%) stated that the unique resources comprise superior information technology, experienced workforce, and customer service including products and services that were difficult to copy by competitors. Though the respondents did not mention the RBV conceptual framework, they supported their arguments using the concepts of the RBV conceptual framework. Five respondents (42%) demonstrated little understanding of the unique resources that make their organization competitive.

IV. Assumptions and Limitations

Assumptions are the realities that a researcher cannot support with tangible evidence (Yin, 2014). Limitations are factors that are outside the control of a researcher that may impede the validity of a study (Staller, 2014). Hence, delimitations are boundaries that researchers impose on the research project to minimize the scope of a study.

A. Assumptions

Yin (2014) argued that assumptions are realities that a researcher cannot support with tangible evidence. Assumptions included in this study augmented a better understanding of the phenomenon. Researchers must incorporate certain assumptions before they can perform the qualitative study (Yin, 2014). The first assumption was that the participants would respond openly and honestly. Second, the earmarked interview participants would still be in employment holding their current positions until the date of the interview, and would respond candidly. Third, I assumed that the data collected during the interview represented a fair view of the participant’s experiences with the phenomenon of the role of strategic leadership in banking profitability. Fourth, strategic leadership practices were the same across the industry, and the views of the 12 interviewees were a good representation of the views of the banking industry.
B. Limitations

Steller (2014) posited that limitations are factors that are outside the control of a researcher that may impede the validity of a study. Several factors may have restrained the achievement of the expected results of the qualitative study. The first limitation was that I collected data only from 12 senior bankers, including board members involved in the work of strategic leadership. Hence, the findings depended on responses from 12 respondents. Second, the sample size may not have been a good representation of the banking fraternity in Tanzania. Third, a few participants may have refrained from responding to some questions on the grounds of not being the bank’s spokespersons. Fourth, in the unlikely event that a significant number of participants failed to appear, I may not have been able to find their equivalent replacement on short notice. Fifth, inadequate time allocated for interviews and limited geographical coverage may have impaired the quality of responses by the participants. Sixth, the experience of selected interviewees with the media may have also affected the quality of responses. Seventh, the participants may have provided misleading responses that might have jeopardized the validity and reliability of the study. Eighth, answers to the in-depth interviews may have lacked substance and failed to address the role of strategic leadership in banking profitability. Ninth, a researcher cannot generalize the results of the study to a larger population.

C. Recommendation for Action

Given the findings, I recommend that leadership scholars should incorporate the identified elements of strategic leadership skills in the school curricula to enhance leadership skills development. Strategic leadership practitioners should integrate the identified elements of strategic leadership skills in the short, medium, and long-term strategic leadership development programs of their respective organizations.

D. Recommendation for Further Research

In light of the analysis, I recommend further research on how banks can leverage information technology to increase profitability and the role of strategic leadership in knowledge base organizations. I also recommend further research on how banks can incorporate sustainability and business strategy to improve performance, and how a top management team can use Enterprise Risk Management (ERM) to enhance innovation and creativity in banks. Future researchers should consider the inclusion of leaders with a strong background in finance for studies involving banks and restrict the selection of the participants to those working and living in the local communities. A few responses to the in-depth interviews lacked substance and failed to address the role of strategic leadership in banking profitability. Researchers should use mixed methods to permeate the generalization of the results to a larger population to address the weaknesses of the single case study design in which researchers are unable to generalize the results of the study to a larger population.

V. FINDINGS AND CONCLUSION

The findings from this qualitative single case study show that strategic leadership is the role of top management teams and plays a significant role in banking profitability. Strategic leadership skills development is an essential element in the establishment of organizational competitiveness. The ability to envision the future of the organization, effective communication of the vision including strategic initiatives, and the creation of enabling organizational values and culture require strategic leadership skills. Leaders can enhance strategic leadership skills through formal and informal learning such as attending executive leadership development programs, on-the-job training, coaching, and mentoring.

The interviewees recommended that individuals with strategic leadership responsibilities should attend strategic leadership training to enhance the quality of their decision-making. Members of the board can improve strategic leadership development by sponsoring top management teams to executive leadership development programs. The results of the study may help top management teams to develop strategic leadership practices by future leaders with strategic leadership responsibilities and contribute to positive social change.

The findings also show that successful senior bankers and members of the board with the responsibility of strategic leadership have long experience, close interaction, and high-level job satisfaction. A large number of experienced staff including the internal and external chain of knowledgebase has a significant influence in creating organizational competitiveness. Banks can supplement their positioning strategy with appropriate technology, knowledgeable employees, and operational efficiency to enhance performance.

VI. CONCLUSION

The objective of this study was to explore the role of strategic leadership in banking profitability. I used the qualitative single case study to understand the phenomenon. Strategic leadership has emerged to be an essential element of the organizations’ profitability, competitiveness, and sustainability. The ability of the senior bank officials and board of directors to envision and direct the actions of the organization has a significant influence on the competitiveness of an organization. Most organizations fail to achieve the desired profitability due to limited experience and exposure to strategic leadership. The findings of the study show that the top management teams can use the resource RBV conceptual framework to enhance organizations’ performance. The efficient use of internal resources has a positive influence on the organizations’ competitiveness, profitability, and sustainability.

I developed interview questions to elicit responses from the participants on their experiences in banking profitability. The participants were purposefully selected from the senior bank officials and board of directors with the responsibility of strategic leadership and banking profitability. Out of 12 participants’ who responded to the
interview questions, demonstrated the expected level of experience and exposure to the work of strategic leadership. I coded the manuscripts of the participants’ responses to the interview questions including data from social media, company websites, and annual reports, and used Nvivo software to analyze the data. During the analysis, I grouped the significant statements and established five themes that provided insight into the strategic leadership skills that senior bank officials and members of the board of directors need to enhance banking profitability.

The outcome of the study as summarized by five themes has provided adequate answers to the problem. Stakeholders must understand the influence that strategic leadership skills have on the performance of the organizations.

CONFLICTS OF INTEREST

The authors declare no conflict of interest.

AUTHOR CONTRIBUTIONS

Joseph O. Witts conducted the research, collected, and analyzed the data, and wrote the research paper; Kevin Davis reviewed the research paper for quality, content and context; all authors had approved the final version.

REFERENCES


Lengnick-Hall, C. A., & Incenocio-Gray, J. L. 2013. Institutionalized


Copyright © 2024 by the authors. This is an open access article distributed under the Creative Commons Attribution License (CC BY-NC-ND 4.0), which permits use, distribution and reproduction in any medium, provided that the article is properly cited, the use is non-commercial and no modifications or adaptations are made.