Visionary Leadership and Its Relationship to Corporate Social Performance

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Abstract: Leaders that focus on visions or mission, inspire and empower their followers experience a change in organizational function and growth. Microfinance banks (MFBs) serve as vehicles for economic growth and development in both developed and emerging markets. This study examines visionary leadership and its relationship to corporate social performance in selected microfinance banks in Nigeria. A purposive sample of 75 senior employees of microfinance banks who the authors believe can provide the best information to achieve the research objectives participated in this study. All 75 questionnaires were returned but only 68 were properly completed by the respondents and therefore used for the analysis. A twenty-one item questionnaire was used to measure the constructs of visionary leadership and corporate social performance. 7 items were used to measure visionary leadership and 14 items were used for measuring corporate social performance. A Five-point Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree" was used to collect data. In analyzing our data, Pearson correlation and multiple regression techniques were used. SPSS 17 statistical software was employed in different analyses conducted. The results shows that an insignificant weak positive relationship exists between corporate social performance, employee satisfaction, environment and visionary leadership. In the same direction, customer satisfaction and community have an insignificant weak positive relationship with visionary leadership. The authors, therefore, recommend that managers and executives should focus more on other factors that have a positive impact on corporate social performance since visionary leadership account for only 5% impact on corporate social performance.

Keywords: employee satisfaction, vision, leadership, social performance, customer satisfaction

JEL classification: M10, L10

Introduction
The role of leaders in meeting the demand of various stakeholders can not be underestimated. Corporate vision forms the basis for setting and achieving firm objectives. Thus, firms need leaders that can drive its vision in other to achieve and sustain competitive advantage. Kirkpatrick, (2004) pointed out that visionary leaders can be found in religious organizations, business, government, community groups, social change movements, or sports teams. Dhammika (2016) asserts that visionary leadership focuses on creating and communicating an inspiring vision among subordinates to achieve and sustain superior performance. According to DuBrin (1998), visionary leadership has a positive impact on commitment to the leader, trust in the leader, levels of performance among followers, and organizational performance. Prior studies view visionary leadership as an emergent leadership paradigms (e.g. Nanus, 1992; Kotter, 1996; Bass, 1985; Burns, 1978; Collins & Porras, 1994); enhance corporate sustainability and sustainable performance (e.g. Kantabutra, 2006; Avery, 2004; Avery & Bergsteiner, 2010, 2011; Collins & Porras, 1994); positively related to follower motivations, organisational commitment and performance (Bass, 1985); team performance (Schaubroeck et al., 2007). Taylor et al. (2013) opine that leaders inspire others to focus on group or organisational interest rather than on their self-interests. Some studies suggest that leadership paradigms would have an impact on customer
satisfaction, employee satisfaction and financial performance (Jing & Avery, 2008). The concept of stakeholder proposed by Freeman (1984), subsequently found in the corporate social performance literature refer to an individual or a group, has been extended to society and the environment (Irwin, 2002; Carroll & Buchholtz, 2000). Effective leadership is important for enhancing management development and sustained competitive advantage (Avolio, 1999; Rowe, 2001). Similarly, Zhu et al. (2005) opine that effective leadership is one of the important driving forces for improving a firm’s performance. Otero (1999) pointed out that microfinance banks (MFBs) provide financial services to low-income earners and very poor self-employed people. The financial services offered by MFBs include savings, current, loans to individuals and small business in rural and urban areas of the country. Small and medium enterprises constitute a large proportion of the business sectors in Nigeria. MFBs provide services to these small businesses to ensure their growth. Akangbe et al. (2012), pointed out that financial empowerment of rural areas is important for achieving sustainable economic growth and development. MFBs serve as vehicles for economic growth and development in developing countries. Some scholars suggest that future studies need to done on the leadership-performance relationship (Ogbonna & Harris, 2000; Yukl, 1999) and these studies should focus on other leadership paradigms, such as visionary and organic leadership (Jing & Avery, 2008). The understanding of leadership and corporate social performance remains under developed. In an attempt to contribute to a better understanding in this area of research, this study expands the current literature by examining the relationship between visionary leadership and corporate social performance. This study adopt employees (Moore, 2009; Barnett & Salomon, 2006); customers (Galema et al., 2008; Ruf et al., 2001); the community (Brammer & Millington, 2008; Goll & Rasheed, 2004); the environment (Schnietz & Epstein, 2005) for measuring corporate social performance. In Nigeria, however, there is a research gap in this area, especially on microfinance banks. No study to best of the authors knowledge has empirically examined visionary leadership and corporate social performance in Microfinance banks in Nigeria, hence this study attempts to fill this gap by exploring the relationships between visionary leadership and corporate social performance in MFBs in Nigeria.

Theoretical Foundation
Stakeholder theory
Combs and Gilley (2005), noted that one of the most used definition of stakeholder in the literature is that proposed by Freeman (1984) in which he defined stakeholder as any individual or group that may affect the achievement of the organization goals or that is affected by the process of searching for these objectives. According to Evan and Freeman (1993), the purpose of a firm is to serve as a vehicle to coordinate the interests of the stakeholders. Santos & Brito (2012) contend that the stakeholder theory focuses on the social perspective to the objectives of the firm which conflicts with value maximization. The use of stakeholders’ satisfaction as firm performance measure was also adopted by a large number of different authors (Santos & Brito 2012; Clarkson, 1995; Kaplan & Norton, 1992; Richard et al., 2009). Santos & Brito (2012) assert that stakeholder theory offers a comprehensive approach to measuring performance, and allows one to resolve the issue of differentiating between performance antecedents and outcomes. The Leader-Member Exchange theory (LMX), focus on the dyadic relationship between leaders and followers in the leadership process (Northouse, P., 1997, p. 109). Leaders are expected to build and maintain effective working relationship with each follower to ensure optimal performance from high-quality leader-member exchanges. Northouse (1997, p. 117) pointed out that leaders must get used to diverse personalities, communicate effectively and give attention to working relationships for optimal results. Arguably, the connection between firm vision, the dyadic relationship between leaders and followers is important to meet various stakeholders expectations.

Visionary Leadership
Waldman et al. (2001) argue that effective communication is used by visionary leaders to change subordinates attitudes and outputs which lead to organisational transformations. Arguably, effective communication is extremely important for a visionary leader to get and sustain the support of their followers. Lack of clearly communicated vision makes people unresponsive to the vision and objectives of the organisation (Heath & Heath, 2010). Dharmika (2016), found that visionary leadership behavior of leaders improves the organisational citizenship of employees. Different studies confirm that the leaders who focus on firm vision are more successful (Çınar & Kaban, 2012). Similarly, Breevaart et al. (2014) confirm that different studies suggest that visionary leaders play a great role in improving the profit of their organisations. Huang et al. (2010) opine that empowering followers by involving them in decision making process results in commitment to the vision and the organization. Visionary leadership focuses on creating and articulating clear visions, providing meaning and purpose to the
work of an organization (Nanus, 1992; Sashkin, 1992). Hater & Bass (1988) noted that visionary leadership has been reported to have a positive relationship with employee perceptions of leadership effectiveness, organisational effectiveness or employee satisfaction. Kantabutra & Avery (2011) suggest that a leader motivates, and engage employees to be committed to their work and vision of the organisation. Researchers have investigated visionary leaders who have impacted positively to the growth and success of their organizations (Bass, 1985; Luhrmann & Eberl, 2007; Bennis & Nanus, 1985). These studies confirm that leaders that articulate visions or mission, inspire and empower their followers experience a change in organizational function and growth. Zhu et al. (2005) assert that visionary leadership creates high levels of cohesion, trust, motivation, commitment, and enhanced performance in the new organisations. Studying 22 restaurants in Faisalabad Pakistan, Cheema et al. (2015) found that employee engagement and visionary leadership both have a positive relationship with performance measures of customer satisfaction and employee satisfaction. Hogan and Kaiser (2005), suggest that leader’s effectiveness can be used to measure organisational effectiveness. Breevaart et al. (2014) contend that visionary leadership is considered as a type of transformational leadership because it can be used to quickly achieve the task to meet the company standards. Çınar and Kaban (2012), pointed out that visionary leaders main focus is on the future mission and on the ongoing process to stay at its best in the business. Arguably, visionary leadership will have a positive impact on corporate social performance.

**Corporative Social Performance Measures**

Different approaches have been adopted to operationalise the construct of performance in empirical studies. Combs et al. (2005) found that most studies use financial performance to measure the construct of firm performance with accounting measures of profitability being the most common choice. Other researchers (Zammuto, 1984; Connolly et al., 1980; Hitt, 1988) try to clarify performance outcomes and antecedents. With the regard to measuring corporate social performance, scholars have consequently sought to evaluate meeting the demands of various stakeholders, such as the following: employees (Barnett & Salomon, 2006; Moore, 2009); customers (Ruf et al., 2001; Golema et al., 2008); the community (Brammer & Millington, 2008; Goll & Rasheed, 2004); suppliers (Surroca & Tribó, 2008; Fauzi et al., 2007); the environment (Surroca et al., 2010; Schnietz & Epstein, 2005); and diversity (Shropshire & Hillman, 2007; Chih et al., 2010). Turcotte et al. (2007) argue that environmental matters are of interest to several stakeholders, such as customers, investors, non-governmental organisations, and the government, hence the justification for its inclusion. Prior studies confirms that leadership have impact on organisational sustainability (Doppelt, 2003); organisational performance (e.g. Carmeli & Schaubroeck, 2006; Vecchio et al., 2010); innovation and organisational adaptability (Mumford et al., 2002; Raelin, 2005); job satisfaction and job performance (Arnold et al., 2000; Kirkman & Rosen, 1999), and team performance (Bass et al., 2003; Carson et al., 2007; Ensley et al., 2006). Santos & Brito (2012) suggest using growth, profitability, and market value in operationalising the construct of firm performance to represent financial performance and customers' employees'satisfaction., social and environmental performance to represent strategic performance. Customer satisfaction has been found to improve performance in various organisations (Bird, 1995; Gates, 2000). Similarly, employee satisfaction has been found to enhance performance and profitability (Babin & Boles, 1996; Anderson, 1984; Tompkins, 1992; Yeung & Berman, 1997; Van Dyck, 1996). Authors adopt customer satisfaction, employee satisfaction, environment and community as corporate social performance measures in this study.

**Conceptual Model**

Prior studies suggest that a link exists between leadership, organisational effectiveness and individual performance (Wang & Howell, 2010; Judge & Piccolo, 2004). The proposed conceptual model to explore the link between visionary leadership and corporate social performance is presented in Figure 1 below.
The following hypotheses are formulated and tested:

**H1**: Visionary leadership is positively related to corporate social performance.

**H2**: Visionary leadership has a positive significant association with employee satisfaction.

**H3**: Visionary leadership have a significant positive relationship with customer satisfaction.

**Methodology**

Authors adopt a survey correlational research design for this study. The measurement scale proposed by Fatma et al. (2014), was adapted and modified for measuring the constructs of corporate social performance (employee, customer, society, and environment) to suit the purpose of this study. A twenty-one item questionnaire was used to measure the constructs of visionary leadership and social performance. 7 items were used to measure visionary leadership and 14 items were used for measuring corporate social performance constructs (customer satisfaction 6 items, employee satisfaction 4 items, environment 2 items and community 2 items). A Five-point Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree" was used to collect data from senior employees of microfinance banks in Nigeria. Leedy and Ormrod (2005), suggest that purposive sampling is meant for a particular purpose, where people are chosen who are relevant to the research topic and who the researcher believes can provide the best information to achieve the objectives of the study. A purposive sample of 75 senior employees of microfinance banks who the authors believe can provide the best information to achieve the research objectives participated in this study. All 75 questionnaires were returned but only 68 were properly completed by the respondents and therefore used for the analysis. Drawing on Cooper and Schindler (2008), that a Cronbach’s alpha coefficient of 0.7 is adequate to confirm the reliability of research instruments. The computed reliability test results of overall Cronbach’s alpha coefficient of 0.85, indicates that the study questionnaire is reliable and adequate for this study. Regression and Pearson correlation matrix could reveal the strength of association and relationship among the variables. Hence, the adoption of Pearson correlation and regression techniques for testing the relationships and hypotheses in this study. SPSS 17 statistical software was employed in different analyses conducted.

**Results and Discussion**

The overall model regression results presented in table 1 show an $R^2 = .050$, which indicates that visionary leadership accounts for only 5% of the variation in corporate social performance. In other words, visionary leadership has 5% impact on social performance (employee satisfaction, customer satisfaction, environment, and community) of MFBs in Nigeria. It, therefore, means that other variables that were not considered in this study account for 95% variation in corporate social performance. Furthermore, an insignificant weak positive association ($r=.225$) exists between visionary leadership and corporate social performance. The relationship is not statistically significant at 5% significance level because the $p$-value of .065 is greater than the significance level of .05. From these results, the authors conclude that the first hypothesis, Visionary leadership is positively related to corporate social performance is not supported. The Durbin-Watson value of 2.319 suggests the absence of autocorrelation in our model. The finding from this study is not consistent with (Doppelt, 2003) that leadership have an impact on organisational sustainability, and the works of (e.g. Carmeli & Schaubroeck, 2006; Vecchio et al., 2010) that leadership have an impact on organisational performance. The correlation results presented in table 2 show a weak positive
relationship between visionary leadership \((r=.198)\) and employee satisfaction. The relationship is not statistically significant at 5\% significance level because the p-value of .105 is greater than the significance level of .05. From this result, the authors conclude that the second hypothesis, Visionary leadership has a positive significant association with employee satisfaction is not supported. The finding from this study negates Cheema et al. (2015), that visionary leadership has a significant positive relationship with employee satisfaction and Hater & Bass (1988) that visionary leadership have a significant positive relationship with employee perceptions of leadership effectiveness, organizational effectiveness or employee satisfaction. The positive impact of employee satisfaction on firm performance is well documented in the literature. In vision formulation, firms should consider employee satisfaction as part of its vision. More importantly, visionary leaders should focus on implementing robust human resource practices such as competitive compensation and reward system, training and development, objective employee performance management system etc as these could improve employee satisfaction and enhance performance. In the same direction, visionary leadership has an insignificant weak positive relationship with customer satisfaction \((r=.153)\). The relationship is not statistically significant at 5\% because the p-value of (.214) is greater than the significance level of 0.05. Therefore the third hypothesis, Visionary leadership have a significant positive relationship with customer satisfaction is not supported. Arguably, the use of customer satisfaction as a performance measure is well documented in the literature (Gates, 2000; Cheema et al., 2015). This result is consistent with Cheema et al. (2015), that visionary leadership have an insignificant positive relationship with customer satisfaction. The importance of customers satisfaction on firm survival and growth can not be overemphasized. Visionary leadership has an insignificant weak positive association with environmental performance \((r = .208)\). The relationship between visionary leadership and environmental performance \(P\)-value \(=.089\) is not statistically significant at 5\% significance level. It, therefore, means that MFBs in Nigeria visions and leaders do not focus on providing products and services that are environmentally friendly and improves the general well-being of the society. An insignificant weak positive relationship exists between the host community \((r=0.022)\), and visionary leadership. The association is insignificant because the \(P\)-value of (.859) is greater than 0.05 significance level. We infer that the vision and the leadership of MFBs pay less attention to their employee's engagement in social commitment. Furthermore, MFBs give less attention to philanthropy by not contributing to education and social services in host communities. We argue that firms should formulate visions and develop leaders that focus on achieving and sustaining superior performance for various stakeholders. In this dynamic environment, firms that want to achieve sustainable competitive advantage must develop visionary leaders.

### Table 1 Regression results for the relationship between visionary leadership and corporate social performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Sig. F</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.225(^a)</td>
<td>.050</td>
<td>.036</td>
<td>.41108</td>
<td>.065</td>
<td>2.319</td>
</tr>
</tbody>
</table>

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a. Predictors: (Constant), leadership

b. Dependent Variable: social_performance

### Table 2 Correlation coefficient for employee satisfaction, customer satisfaction, environment and community

<table>
<thead>
<tr>
<th>Visionary Leadership</th>
<th>Employee satisfaction</th>
<th>Customer satisfaction</th>
<th>Environment</th>
<th>community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.198</td>
<td>.153</td>
<td>.208</td>
<td>.022</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.105</td>
<td>.214</td>
<td>.089</td>
<td>.859</td>
</tr>
<tr>
<td>N</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
</tr>
</tbody>
</table>

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Conclusions and Recommendations

The study investigated the relationship between visionary leadership and corporate social performance of selected microfinance banks in Nigeria. A purposive sample of 75 senior employees of selected MFBs in Nigeria was used for this study. Out of 75 questionnaires that were returned 7 questionnaires were not properly completed and were not used for the analysis conducted. Multiple regression and Pearson correlation techniques were employed in different analyses conducted. The results suggest that corporate social performance has an insignificant positive relationship with visionary leadership. In the same direction employee satisfaction, customer satisfaction, environmental performance, and community have an insignificant weak positive association with visionary leadership. This study contributes to the existing knowledge in the field of strategic management and organisational behaviour by exploring the connection between visionary leadership and corporate social performance with specific reference to microfinance banks in an emerging market. Literature confirms that leaders that articulate visions or mission, inspire and empower their followers experience a change in organizational function and growth. More importantly, the findings from this study will benefit policymakers, managers, and entrepreneurs by providing better insight on developing visions and leaders that focus on creating and enhancing divergent stakeholders value. In addition, managers and policy makers can use the finding of this study as a guide to make and implement policies that will benefit various stakeholders and enhance their competitive advantage. The limitations of this study are identified so that the findings can be interpreted correctly within the context of the study. The limitation of the study covers areas such as the population, sample, methodology and data. The study used a purposive sample of 75 senior employees of selected microfinance banks in Nigeria. Despite the limitations described above, the applicability of this study adds to the literature as it relates to visionary leadership and corporate social performance from both theoretical and practical point of view. This study could be further developed by increasing the sample size as this could give a better representation of the MFBs in Nigeria. In addition, the study could be extended to other sectors of the economy such as banking, insurance, and manufacturing. Furthermore, researchers can compare the relationship between visionary leadership and corporate social performance in different sectors and countries. The authors, therefore, recommend that firms should develop visionary leaders that focus on satisfying employees, customers and improve the general well-being of the society by providing environmentally friendly products and services. In the same spirit, firms should develop visionary leaders that encourage employee social commitment and philanthropy such as educating and providing social services to host community. Finally, managers and executives should focus more on other factors that have a positive impact on corporate social performance since visionary leadership has only 5% impact on corporate social performance.

References


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