ABOUT SOME IMPLICATIONS OF THE AGENCY THEORY FOR LEADERSHIP IN THE BANKING SECTOR

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Abstract

Background. The agency theory is the starting point in this work to incorporate the achievements of leadership and related theory of power into the economic enterprise theory, in particular regarding credit institutions.

Research aims. The goal is to propose a model of leadership based on values and institutions and to link it with the agency theory, creating a broader perspective on the perception of reality of credit institutions in the light of the modern management concepts.

Methodology. The non-parametric Data Envelopment Analysis (DEA) method was used to assess the effectiveness of leadership in credit institutions, which helped to identify the most effective units among banks providing intermediary services in Poland. The analysis was carried out with focus on effects.

Key findings. Powszechna Kasa Oszczędności Bank Polski was assessed as the best in terms of incurred inputs to the achieved effects. Relatively low effects at high inputs were, in turn, achieved by Bank BGŻ BNP Paribas and Plus Bank. Significant differences are noted when comparing the banks’ performance in relation to the averages (the entire sector and the most important competitors). Skilful combination of good leadership with the expectations of the principals is the need of our time.

Keywords: agency theory, credit institutions, values, institutions

JEL Codes: G32, D21

INTRODUCTION

Analysing the issue of leadership from the perspective of the agency theory, the conflict of interest between the principal and the agent,
a clear leadership problem has been identified. It also made evident the subprime crisis that took place a decade ago and whose effects are still experienced today. Is it not a paradox, then, that in the period of dynamic development of numerous concepts of leadership stemming from the discipline of management sciences and development of many subdisciplines, we experience a shortage of real leadership for the 21st century? As pointed out by many researchers the leadership crisis results partly from a lack of an adequate institution. It was assumed that institutions fall into the pattern of new institutional economics in the behavioural and anthropogenic as well as cognitive dimension. As presented by North (1990), institutions as certain “rules of the game in a society” can have a formal or informal character. Formal institutions can be recognized as: a system of ownership rights (broadly understood as resulting from both statutory law as well as tradition, culture, etc. rights to private appropriation of benefits resulting from having certain selected goods and resources); law (statutory, normative); regulations (public, social, concerning the real area and financial sector). Whereas informal institutions will include: culture; values (axiological system); commonly accepted patterns of behaviour; religion and beliefs; social trust; “mental models”, i.e., the ways of thinking and reasoning prevailing in a given society or in individual groups of economic and political entities. Creation of a relevant leadership model from the perspective of agency theory, which meets the expectations of principals, is possible if relying on good institutions and unique values. The research aim is therefore to present an effective leadership model incorporating two basic components – values and institutions. Since the concept of an effective leadership model is new in literature, this study provides preliminary findings. Further research will enable to define desired common values of effective leader and institutions. Common values for principal and agent imply similar behaviour favouring productivity and profitability. The study analyses therefore the agency theory, which describes the conflict of interest between the principal and the agent, in the context of values and institutions. Both institutions and values form grounds for leadership.

* Institutions are treated in this article as a part of the new institutional economics and presented in a broader sense, i.e. economic, legal or sociological context. However, in the management sciences, “institutions” are typically defined as entities, and therefore they are understood as a synonym for “organizations”.
The above reflections about the issue of leadership in the context of corporate governance, especially the issue of effective leadership in credit institutions, inspired the search for answers to the following questions:

- How to construct an effective leadership model encouraging agents to maximize the objective function of the principals?
- How can the principals effectively optimize the actions of agents to achieve the expected results?
- What institutions should be created for an effective leadership model?
- What unique values are needed for effective leadership?

Many researchers and business practitioners deal with the issues of corporate governance and effective leadership because they seem equally vital and difficult to solve. As noted by Bennis (2003, p. 27), “we know for certain that an increasingly less secure, stable and predictable world makes the need for leadership in every organization stronger than ever in any institution”. In this context, a general thesis has been formulated that the effectiveness and efficiency of leadership depends on two basic components – institution and values. The results obtained for credit institutions indicate good or poor leadership.

Over the last few decades, the activity of credit institutions has become such a complex process that it cannot be considered solely based on tools and experience from the economy. To understand the phenomenon of leadership in credit institutions, it was necessary to reach for the achievements of other scientific disciplines. In connection with the above, this study, embedded in economics, and in particular referring to the microeconomic producer theory, draws on the achievements of other scientific disciplines, with special emphasis on sociology, psychology and management sciences.

**THEORETICAL BACKGROUND**

The agency theory, which is one of the most important economic concepts, is the starting point in this work to incorporate the achievements of leadership and related theory of power into the economic enterprise theory, in particular regarding credit institutions. This is due to the fact that the agency theory concerns the universal phenomenon of the agency relationship, which is based on the mutual
dependence of the parties (principal and agent) and as such cannot be thoroughly analysed and fully understood without referring to the concepts of leadership and power. Also, the analysis of current achievements indicates that the agency theory works as a theoretical basis in interdisciplinary research projects. The agency theory arouses great interest among both economists and researchers of management sciences. It is focused on getting to know the structure of the agency relationship and on analysing the actual actions taken by its parties. Jensen (1983) postulates the need to apply appropriate weight to the institutional factors shaping relations between principals and agents. A positive agency theory, which will be presented later in this work, is treated as part of the new institutional economics (Furubotn & Richter, 1997). The agency theory, although it continues and develops the mainstream of economics, is open to an interdisciplinary approach and can be used to include the achievements of other domains (including leadership) into the enterprise theory. An interdisciplinary approach to the subject was based, for instance, on the assumptions of Blaug (1995), a British methodologist of economics, who drew attention to the duality of economics as a theoretical and practical science, which is why the author of the paper has decided on theoretical and normative presentation of the subject. Kuciński (2010, p. 206) indicates that value systems and valuation are the domain of the management science methodology, which results from their subject, i.e. diagnosing the situation requiring a management decision, preparing the decision, its making, implementation and evaluation of its effectiveness. In order to understand the motivations of economic behaviour and ways of achieving goals by the principals of credit institutions, one should refer to the systems of values they use.

As regards the agency theory, a work of two researchers, Jensen and Meckling (1976), deserves attention. “Theory of the firm: Managerial behavior, agency costs and ownership structure”, which had a significant impact on subsequent considerations on the application of agency theory in economics, finance and strategic management. They define the theory of the agency as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent (Jensen, 1983). In their work they emphasized that if both parties maximize the usefulness of the contract, there is a risk that the agent may not always act in the best interest
of the employer/customer. The Principal is able to protect himself against this situation by deciding to set up some incentive measures for the agent, or by defining the scope of responsibility for the achieved results and in the case of costs – to demand compensation. Hatch (2002), presenting various concepts of the definition of agency theory, notes that in the agency theory the control problem in the organization is perceived from the point of view of its owners (investors) and stakeholders from outside the organization (e.g. guarantors, lenders and potential investors).

In the innovative leadership model, using the achievements of the agency theory, it was assumed that the agent uses institutions and values to exercise effective leadership. These are the unique components of the model to maximize the utility achieved from the fulfilment of duties entrusted to the agent by the principal. The agency relationship so far has caused the optimization problem, therefore the assumption of the model is to indicate those components of leadership, which will maximize the value for the owners. Diagnosed problems of an economic, legal, sociological, psychological nature, etc. should be a reference point for determining optimal leadership in credit institutions operating in Poland as joint-stock companies. Knowing from the work of Eisenhardt (1989) entitled “Agency theory: An assessment and review” the main assumptions and problems of the agency theory, an attempt was made to construct a leadership model for the future. As noted earlier, the problem of leadership from the perspective of agency theory results from many reasons, including conflict of interests of shareholders and managers, asymmetry of information, different attitude of shareholders and managers to risk, and perhaps, above all, the crisis of values and institutions. Windsor (2015) writes that instead of caring for the personal development of leaders, they are thought agency theory and technicalities of neoclassical economics, and the values are limited to utilitarianism, and then leaders use their own values. As pointed out by Daneke and Sager (2015), business schools are still teaching the same, yet managers in power and acting in a manner consistent with the agency theory and neoclassical economics have led to the financialisation of society, which indirectly caused the global financial crisis. At this point, what should be referred to is the study by Bernacchio (2015) pointing to the relation of practical reason (phronesis) to the relation “measures-objectives” in connection with
the relations of facts and values, suggesting the existence of corporate power based on stakeholder dialogue.

Numerous researchers and creators of the leadership concept list various aspects in their considerations that they consider to be key for leadership. Most often they indicate that leaders should have specific characteristics, serve others, using their own charisma and creating thrilling visions. They also point to the importance of taking into account meanings and symbols in leadership, as well as authenticity and ethics. The variety of concepts and definitions makes the issue of leadership differently presented in literature. The multiplicity of definitions and concepts of leadership generates a certain cognitive dissonance, which is why summarizing the perception of leadership was limited to recalling the basic paradigms on which most theories related to the discussed issue are based (Avery, 2009; Ciuk, 2016), namely:

1. classic paradigm,
2. transactional (dependency) paradigm,
3. visionary (transformational, charismatic) paradigm,
4. organic (distributed) paradigm.

At this point what should be quoted are considerations by Hartman (2015) who writes that a good organization is an institution whose essence is not buying easements of managers towards stockholders for high wages and bonuses as various motivators. An efficient organization is an institution whose organizational culture is based on common values of stakeholders, necessary for its proper functioning and being effective.

The agency theory introduces also the concept of first-best outcome, meaning cooperation between an agent and principal, which would only be possible in an unreal world of free information. The essence of shaping the agency relationship is to obtain a second-best outcome, i.e., a result as close to the first-best outcome as possible. Thus, the agency theory focuses on searching for ways to minimize agency costs, which are all the greater, the more the principal’s and agent’s interests and values differ. In this context, Sosenko’s reflections (1998, p. 103) are important as he indicates the necessity for researchers to take into values other than only economic values, since otherwise there is a risk that the economy may disrupt the complex system of living conditions, both in the natural and cultural spheres.
Therefore, when analysing the problem of leadership, one cannot overlook the cultural determinants of the behaviour of *homo oeconomicus* who, while creating material values in an organization, is influenced by systems of values and ethical systems. Therefore, when making a synthesis of the conclusions drawn from the description and analysis of the economic phenomena studied, the humanistic sphere covering the value systems of people creating and studying the economy and management cannot be overlooked (Krysiak, 2010, p. 179). The combination of the economic, institutional and ethical dimension is also reflected in the paradigm covering three groups of values (Grudzewski et al., 2010, p. 156):

- value from the perspective of praxeology and financial analysis,
- value perceived by the customer,
- values from the perspective of ethics.

The shape of the leadership of the future in the normative approach in credit institutions will probably be influenced by the increased need for internal self-fulfilment, autonomy and authentic communication. They constitute diagnostic and design tools of science for practice and progress in this area of knowledge about leadership and management in credit institutions, because the goal of modern management sciences is to support the practice in its widest scope.

The essence of the second part of this point is the statement that institutions that are the second most important component of the normative leadership model are the key to identifying the motives of action. Based on the assumptions of the new institutional economics, formal and informal institutions as well as institutional governance structures stand out in their analysis. Then, their impact is indicated, taking into account the interaction between formal and informal institutions and values, on the effectiveness of leadership in credit institutions. Each organization has a set of interrelated institutions that shape the economic and non-economic behaviour of individuals and groups. Institutions are associated with specific conditions of human activities and their worldviews stemming from culture, the material environment and the past (Gardocka, 2005). There is no doubt that institutions create a system that is a relatively coherent whole. Institutions are a comprehensive set of norms, principles and rules operating at various levels of human activity. Despite the lack of homogeneity, they are a functional whole. It is the result of continuous operation of social rules and principles, which is a continuum of the past to the future.
The system of institutions evolves along with the material conditions, the activity of leaders and their beliefs. The search for leadership based on values and institutions should not rely on analysis of the achieved results, i.e., on finding a way to measure the level of matching of elements of the institutional system. Institution-based leadership is a space in which diverse institutions, implying various incentives, lead to the achievement of acceptable benefits from the activities of principals and agents.

As follows from the considerations, the institutions reflect the value and a sufficient period is needed for them to bring the expected results of each party. Mismatching between formal and informal institutions causes contradictory incentives that do not favour dynamic development of credit institutions. Introduction of new solutions should cause gradual adaptation changes in informal institutions and then, over time, informal institutions become reinforcements for the formal ones. However, in the face of inefficient formal institutions, there may occur undesirable changes in informal institutions (non-compliance with the law and its omission, opportunistic attitudes), used by individuals and groups for their own purposes. In the face of such erosion, construction or creation of leadership becomes impossible due to the crisis of trust. When leaders are ethical and there is mutual trust, when values and behavioural patterns beneficial from the point of view of principals and agents are widely accepted, then the pursuit of having effective or socially and economically effective institutions can occur. It can be indicated that the motivation will not be the desire to reduce the scope of opportunistic behaviour, but rather to reduce transaction costs. Confidence and similar values, such as loyalty or truthfulness, have real, practical and economic value, they increase efficiency of the system, facilitate the production of more goods or any other values that we value highly (Iwanek & Wilkin, 1998, p. 17).

Assuming like some researchers that leadership is not only an innate trait, using the agency theory to evaluate a model based on values and institutions, we maximize the utility of the leadership model in such a way that the value for the principals is also maximized. It should be emphasised that leadership based on values and institutions has a stable foundation and is long-term. Leading and managing by values, including institutions, is not based on economic coercion (contract); the leader is followed because of common values. Many researchers determine this kind of leadership as the real leadership,
as the subordinates identify with the leader. The leader, who prefers his system of values, proceeds according to them, without applying the values and principles contained in the written and unwritten contracts between the principal and the agent. World research shows that in the case of common values between the leader, group members and the principal, the companies are more efficient. Conflict of values causes dissonance of interests, and such relations are not effective. A necessary condition for real and effective leadership are, therefore, shared values and good institutions. In conditions of weakness of formal institutions, especially when it is impossible to effectively and privately enforce the benefits resulting from property rights, informal institutions play a huge role as determinants of opportunistic behaviour, including dishonesty, deceit and lies, which always leads to an increase in transaction costs in credit institutions. The lack of universal internalization of value systems and behaviour patterns consistent with the idea and objectives of leadership at the level of individual entities will lead not only to the dissemination of opportunistic activities, but also it will result in cognitive dissonance. This in turn will have a negative impact on such important informal institutions as trust and empathy (social capital resource). The reason for high transaction costs and opportunistic behaviour in credit institutions is often a lack of transparency of formal institutions, their low enforceability, understood as difficulties in forcing actions compliant with the existing legal and regulatory system, and rapid volatility. These phenomena are particularly unfavourable in the context of not yet formed informal institutions, appropriate for entities characterized by high organizational culture.

In the light of the already extensive achievements of the behavioural trend, especially in economics and psychological finance, as well as in experimental economics, it is reasonable to make assumptions about the multidimensional character of decisions made by leaders, about complex interactions and feedback between purely economic (resulting from the traditional understanding of optimization calculus), psychological, cultural and other premises of these decisions. The institutional perspective in the search for effective leadership is imperative primarily because it draws attention to the importance of formal and informal institutions in the process of creating and developing leadership, the impact of interactions between these institutions, on
the possibility of implementing the strategic and operational objectives of credit institutions.

In view of the presented discussion, the further goal is to propose a model of leadership based on values and institutions and to link it with the agency theory, creating a broader perspective on the perception of reality of credit institutions in the light of the modern management concepts. The location of values and institutions as superior to other components in the model of effective leadership of the future in the banking sector, indicates the interdependence between ethical and economic values that permeate each other in each organization.

**Figure 1.** Model of effective leadership of the future in the banking sector

Source: author’s own elaboration.

According to Figure 1, the behavioural pattern of a socio-economic leader is the result of the cooperation between seven elements. The values and institutions where the person (the leader) is rooted have an and superior character towards him. Institutional rules and patterns affect individual choices of an entity made on the basis of available information. When making choices, “mental models” are helpful, i.e., cognitive interpretations of the environment that are internal, while the behaviour of individuals is the real actions and experiences of the leader. An institutionally located leadership model can be useful
in the process of developing a microeconomic theory of an enterprise (financial institutions) relying on interdisciplinary leadership concepts.

Normative leadership model in the banking sector including seven components, containing both hard elements (strategy; structure of credit institutions; systems) as well as soft elements (shared values and institutions; styles of management; knowledge, social skills and competences; intellectual capital (people) – staff), has the most important impact on increasing the usefulness of leadership and achieving the goals of stakeholders. The idea behind the simplified model is to show that the effectiveness of a financial institution requires consistency between all elements of the model. Values and institutions form a kind of “DNA” of the model and influence the behaviour of agents in credit institutions and set the directions of activities, making them imperative to seek and apply unique strategies, which in turn is an important element of competitiveness of credit institutions. The concept combining leadership with values and institutions is part of the concept of management by values (MBV). Dolan, Garcia and Richley (2006) define management by values as a management philosophy and practice focused on simultaneously maintaining unique values and linking them with strategic goals. This concept may, at the same time, form grounds for the construction of the future leadership model in credit institutions (Dolan, Garcia, & Richley, 2006, pp. 5–6, 24). The problem of leadership by values and institutions and the links between values and institutions with strategic goals raised by Dolan, Garcia, Richley (2006) is still valid and noted by researchers. Bratnicki and Kordel (1999, p. 17) also claim that this concept is the carrier of the effectiveness of the modern enterprises.

The normative and holistic model of effective leadership of the future does not mean that microeconomic foundations for building an optimal leadership model should not be used. The typically understood concept of homo oeconomicus and the hypothesis of utility maximization strictly connected with it, are insufficient to create effective leadership. The rich theoretical and empirical achievements of the new institutional economics prove that the existing system of incentives in banks, i.e. “rewards” for effective and/or efficient actions or “penalties” for the lack of such actions, thus, relative inefficiency, depends to a decisive extent on institutional capital, on the quality of formal and informal institutions dominating at a given time and place, as well as on institutional management structures.
METHOD AND RESULTS

The effectiveness of credit institutions is considered as one of the basic criteria for assessing the effectiveness of leadership. In the banking sector, the dominant approach to the analysis and assessment of credit institutions is the accounting approach, in which the assessment of the bank’s operations is made by assessing its economic results. Assessment of the efficiency of leadership requires a broader research perspective and consideration of those areas of the bank’s operations that are of interest to the principals.

From the point of view of the subject taken, an analysis and assessment of the operations of credit institutions was made:

- at the background of operations of other banks,
- with regard to the bank’s position in the sector of commercial banks operating in the form of joint-stock companies.

In this context, 24 commercial banks operating in Poland in the form of joint-stock companies were subject to analysis of their effectiveness. The analysis and assessment covered the following data and ratios: balance sheet total (total assets); number of shares of the major shareholder (%); employment; market value of the major shareholder; market value of financial institutions operating in Poland; number of branches; net profit; ROA and ROE. Therefore, the empirical basis of this study is statistical data, research results of other authors and studies on credit institutions (Table 1).

Interbank comparisons are a vital supplement to the financial analysis and assessment of the bank’s operations. Developing an adequate method of analysis and assessment gives the bank authorities a valuable tool that can be used in the strategic management process while identifying strategies and controlling its implementation. This study treated analysis and assessment of banks in a much narrower sense due to publication restrictions. In addition to the quantitative analysis, obtained by various methods, the analysis and assessment of leadership must include qualitative elements (then it covers such aspects as: competitiveness of credit institutions, strategic position, productivity, economies of scale, etc.).

The non-parametric Data Envelopment Analysis (DEA) method was used to assess the effectiveness of leadership in credit institutions, which helped to identify the most effective units among banks providing intermediary services in Poland. The analysis was carried out with
<table>
<thead>
<tr>
<th>Bank</th>
<th>Total assets (in PLN billion)</th>
<th>Number of shares of the major shareholder (%)</th>
<th>Employment</th>
<th>Market value of the major shareholder (in PLN billion)</th>
<th>Market value (in PLN billion)</th>
<th>Number of branches</th>
<th>Net profit</th>
<th>ROA</th>
<th>ROE</th>
<th>DEA results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Powszechna Kasa Oszczędności Bank Polski</td>
<td>286.00</td>
<td>29.43</td>
<td>25,900</td>
<td>–</td>
<td>35.2</td>
<td>1,238</td>
<td>2,875.0</td>
<td>1.00</td>
<td>9</td>
<td>1.00</td>
</tr>
<tr>
<td>2. Bank Polska Kasa Opieki</td>
<td>174.00</td>
<td>20.00</td>
<td>17,757</td>
<td>27</td>
<td>33</td>
<td>928</td>
<td>2,279.0</td>
<td>1.30</td>
<td>10</td>
<td>1.00</td>
</tr>
<tr>
<td>3. Bank Zachodni WBK (name change in September 2018 to Santander)</td>
<td>150.00</td>
<td>69.34</td>
<td>14,722</td>
<td>302</td>
<td>31.4</td>
<td>658</td>
<td>2,167.0</td>
<td>1.50</td>
<td>11</td>
<td>1.00</td>
</tr>
<tr>
<td>4. mBank</td>
<td>134.00</td>
<td>69.37</td>
<td>8,401</td>
<td>38</td>
<td>14.2</td>
<td>77</td>
<td>1,219.0</td>
<td>0.90</td>
<td>10</td>
<td>1.00</td>
</tr>
<tr>
<td>5. ING Bank Śląski</td>
<td>117.00</td>
<td>75.00</td>
<td>8,025</td>
<td>216</td>
<td>21</td>
<td>384</td>
<td>1,253.0</td>
<td>1.10</td>
<td>12</td>
<td>1.00</td>
</tr>
<tr>
<td>6. Bank BGŻ BNP Paribas</td>
<td>72.00</td>
<td>88.33</td>
<td>8,238</td>
<td>315</td>
<td>4.9</td>
<td>488</td>
<td>77.0</td>
<td>0.10</td>
<td>1</td>
<td>0.55</td>
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<tr>
<td>7. Bank Millenium</td>
<td>69.00</td>
<td>50.10</td>
<td>5,844</td>
<td>3</td>
<td>6.3</td>
<td>368</td>
<td>701.0</td>
<td>10</td>
<td>11</td>
<td>0.79</td>
</tr>
<tr>
<td>8. Getin Noble Bank</td>
<td>67.00</td>
<td>56.75</td>
<td>5,221</td>
<td>–</td>
<td>1.2</td>
<td>260</td>
<td>–42.0</td>
<td>–0.10</td>
<td>–1</td>
<td>0.80</td>
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<td>9. Alior Bank</td>
<td>61.00</td>
<td>32.19</td>
<td>10,245</td>
<td>27</td>
<td>7</td>
<td>324</td>
<td>618.0</td>
<td>1.20</td>
<td>13</td>
<td>0.54</td>
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<tr>
<td>10. Raiffeisen Bank Polska (soon to be taken over by BGŻ BNP Paribas)</td>
<td>53.00</td>
<td>100.00</td>
<td>4,948</td>
<td>22</td>
<td>–</td>
<td>228</td>
<td>162.0</td>
<td>0.30</td>
<td>3</td>
<td>–</td>
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<td>11. Bank Handlowy w Warszawie</td>
<td>45.00</td>
<td>75.00</td>
<td>3,640</td>
<td>696</td>
<td>10</td>
<td>28</td>
<td>602.0</td>
<td>1.30</td>
<td>9</td>
<td>1.00</td>
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<td>12. Deutsche Bank Polska</td>
<td>40.00</td>
<td>100.00</td>
<td>2,215</td>
<td>100</td>
<td>–</td>
<td>113</td>
<td>92.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>13. Idea Bank</td>
<td>22.00</td>
<td>54.43</td>
<td>1,884</td>
<td>1</td>
<td>1.8</td>
<td>75</td>
<td>441.0</td>
<td>2.00</td>
<td>18</td>
<td>1.00</td>
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<tr>
<td>Bank</td>
<td>Total assets (in PLN billion)</td>
<td>Number of shares of the major shareholder (%)</td>
<td>Employment</td>
<td>Market value of the major shareholder (in PLN billion)</td>
<td>ROA</td>
<td>ROE</td>
<td>DEA results</td>
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<tr>
<td>14. Bank Ochrony Środowiska</td>
<td>20.00</td>
<td>52.41</td>
<td>1,535</td>
<td>0.58</td>
<td>90</td>
<td>–60.0</td>
<td>–</td>
<td>–</td>
<td>0.82</td>
<td></td>
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<tr>
<td>15. Credit Agricole Bank Polska</td>
<td>20.00</td>
<td>75.00</td>
<td>5,227</td>
<td>140</td>
<td>413</td>
<td>125.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>16. Bank Polskiej Spółdzielczości (associating cooperative banks)</td>
<td>20.00</td>
<td>80.00</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>22.0</td>
<td>0.52</td>
<td>5</td>
<td></td>
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<tr>
<td>17. Santander Consumer Bank</td>
<td>17.00</td>
<td>100.00</td>
<td>2,510</td>
<td>302</td>
<td>163</td>
<td>451.0</td>
<td>2.70</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. SGB-Bank (bank associating cooperative banks)</td>
<td>17.00</td>
<td>100.00</td>
<td>899</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>29.0</td>
<td>0.19</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>19. Euro Bank</td>
<td>14.00</td>
<td>99.00</td>
<td>2,996</td>
<td>158</td>
<td>–</td>
<td>270</td>
<td>142.0</td>
<td>1.00</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>20. DNB Bank Polska</td>
<td>10.00</td>
<td>100.00</td>
<td>350</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>58.0</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>21. Bank Pocztowy</td>
<td>6.90</td>
<td>75.00</td>
<td>1,461</td>
<td>–</td>
<td>–</td>
<td>216</td>
<td>339.0</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>22. Plus Bank</td>
<td>2.00</td>
<td>–</td>
<td>883</td>
<td>–</td>
<td>–</td>
<td>95</td>
<td>0.5</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>23. BPI Bank Polskich Inwestycji</td>
<td>0.48</td>
<td>100.00</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>2.0</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>24. Nest Bank</td>
<td>–</td>
<td>100.00</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>

Source: own study based on KNF (2017) and Boczoń (2017).
focus on effects. The inputs in the analysed case are: the number of shares, employment and the number of branches, while the outputs are: assets, market value and profit. The DEA method is a measure constructed on the basis of a microeconomic definition of effectiveness. This method compares the observed results and expenditures of individual units, and effectiveness is defined as the quotient of the weighted sum of effects to the weighted sum of expenditures. The DEA enables to test effectiveness when we have more than one expenditure and more than one effect. The emerging effectiveness curve of a given population is created by its most effective units (Siudek, 2011). Objects lying on the effectiveness curve are considered to be effective objects, while the technical ineffectiveness will be the greater, the greater the distance from this curve (Pawłowska, 2007).

The results contained in Table 1 show that the following banks operated at the effectiveness limit, hence were the most effective: Powszechna Kasa Oszczędności Bank Polski, Bank Polska Kasa Opieki, Bank Zachodni WBK, mBank, ING Bank Śląski, Raiffeisen and Deutsche Bank Polska. The least effective, i.e., located the furthest from the effectiveness limit, were Bank BGŻ BNP Paribas and Alior Bank.

![Figure 2. Scatter plot of inputs and outputs for the assessment of the efficiency of leadership in the banking sector](image)

Source: own study.
Figure 2 presents the relationship between the inputs and outputs in the 24 banks analysed. Variables concerning the number of shares of the major shareholder, employment, the number of branches, assets, market value and profit were standardized at the first stage and then aggregated in accordance with the adopted division into inputs and outputs. Each of the points shown in the Figure represents one bank. The black line indicates a proportional exchange relation between inputs and outputs. The closer the points are to the black line, the relation of inputs to the outputs is closer to one. If the point is above the black line, the given bank achieved higher outputs in relation to the incurred inputs, thus the relation of inputs to outputs as regards the absolute values exceeded 1. Otherwise (the point below the black line) the ratio of outputs to inputs for a given bank was lower as regards the absolute value from one. It should be noted that the analysed sample covers both banks that more than used up their resources and those that, despite the inputs used, did not note at least the same effects. Powszechna Kasa Oszczędności Bank Polski was assessed as the best in terms of incurred inputs to the achieved effects. Relatively low effects at high inputs were, in turn, achieved by Bank BGŻ BNP Paribas and Plus Bank.

Table 2 presents statistical measures (mean, median and standard deviation) for the components being the basis for analysis and inference about the effectiveness of leadership in credit institutions.

<table>
<thead>
<tr>
<th>Total assets (in PLN billion)</th>
<th>Number of shares of the major shareholder (%)</th>
<th>Employment</th>
<th>Market value of the major shareholder (in PLN billion)</th>
<th>Number of branches</th>
<th>Net profit (in PLN billion)</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>61.63</td>
<td>73.97</td>
<td>6,328.62</td>
<td>156.53</td>
<td>13.88</td>
<td>337.68</td>
<td>589.24</td>
</tr>
<tr>
<td>Median</td>
<td>40.00</td>
<td>75.00</td>
<td>4,948.00</td>
<td>100.00</td>
<td>8.50</td>
<td>260.00</td>
<td>162.00</td>
</tr>
<tr>
<td>SD</td>
<td>69.44</td>
<td>25.24</td>
<td>6,426.42</td>
<td>189.57</td>
<td>13.04</td>
<td>313.11</td>
<td>827.39</td>
</tr>
</tbody>
</table>

Source: author’s own elaboration.

Significant differences are noted when comparing the banks’ performance in relation to the averages (the entire sector and the most important competitors). Skilful combination of good leadership with the expectations of the principals is the need of our time.
Leaders of the future must have the ability to effectively manage credit institutions in the face of their resources and similar conditions of competition, which is what the principals and other stakeholders expect from them.

DISCUSSION AND CONCLUSIONS

The study concerns the place and role of leadership in relation to the agency theory. Despite the relatively frequent reference to the concept of leadership (power), it seems that economic models underestimate its importance. Because of simplified treatment of the concept of leadership in an enterprise, the economic theories of an enterprise insufficiently derive from the accomplishments of leadership paradigms and power theory in the enterprise. Effectiveness was an important issue as well, considered one of the basic categories used to assess the operation of business entities, and therefore also effective leadership. Increasing competition on the financial services market as well as quantitative and qualitative changes in banking make it necessary to efficiently manage effectiveness. Also its measurement is an important issue because it provides information about effectiveness of leadership in the surveyed credit institutions. The development of formal and informal institutions, common values of the major stakeholders, i.e., the principal and the agent, were indicated as the imperatives of the new model of the future leadership. The various forms of leadership, resulting from the development of credit institutions and, at the same time, constituting the incentive of contracts, should include autonomation of management, deconcentration and decentralization of management, and professionalization of management. It is these conditions that create effective leaders, mobilizing and creating creative resources of the entire organization. A leader, adequately prepared for its role, and well-structured managerial contract will significantly reduce the problems of the agency and will solve the issues of corporate governance and ineffective leadership.

The effectiveness of financial institutions operating in Poland shows how much still needs to be done. High organizational culture, unique values, good institutions are the foundations of optimal leadership and enable to reduce the costs of corporate governance, positively affect the efficiency of leaders and the effectiveness of leadership and credit
institutions. Reflections on leadership from the perspective of agency theory are an attempt to arrange the contract between the principal and the agent so as to get the latter to make decisions that maximize the principal’s benefits. Important factors that increase the effectiveness of leadership are the long-term relations between the principal and the agent based on values and good institutions. Contracts based on results, ensuring care for the principal’s interest should be linked to the factors listed as important components of an effective leadership model. Given the complexity of the entire agency relationship, it was found that the agency theory must go beyond the usual limits of economic analysis, taking into account not only financial incentives, but also social norms, or the values acquired in the education process. The analysis of the relations between the principal and agent taken in this study and the presentation of the normative model of effective leadership of the future in credit institutions is an attempt at this approach. The answer to the above challenges may be gradual and evolutionary building of an interdisciplinary model of leadership in business, consisting in incorporation into the microeconomic theory of the enterprise selected concepts and terms from the achievements of various scientific disciplines.

References


