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### Effect of Democratic leadership Style on Management of Communication with Customers in Melli Banks of Hamedan

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#### Abstract

Present investigation aims to study the effect of democratic leadership on management of communication with customers in Melli banks in Hamedan city. This study is of applied type and in terms of method is descriptive and of correlative type and in terms of data collection method, it is of quantitative type. Statistical society of the research consists of all staff of Melli banks working in this bank in 2016. Their number is 381. Statistical sample was estimated 192 people using Morgan and Kerjsi table with random relative method. A 21-item questionnaire (2009) was used to measure democratic leadership style and Gabe's 14-item questionnaire (2005) was used to measure communication management with customers. Results from regression analysis showed that democratic leadership style has effect on communication management with customers. Also, dimensions of democratic leadership style including humanitarian, benevolent and counseling aspects will lead to promoting communication management with customers. On the other hand, advisory style of managers has the highest effect on management of communication with customers.

**Keywords:** Democratic leadership style, humanitarian, benevolent, communication management with customers

#### 1. Introduction

Hersey and Blanchard believe that the duty of the manager or leader is important in that he is considered as the support that all other environmental variables are in interaction with it. But one of the most important elements of leadership situation is the style of the leader himself who uses it during his work. The leader obtains this style through experience, education and training. By this style we do not mean that how others (especially underlings) who work under him, perceive his behavior (Hersy et al, 2009).

Researchers have spent much time observing the styles of leaders and have concluded that their styles can be divided into two general categories. 1) Managing the group through paying attention and caring for the needs of individuals and ensuring that their clashes does not become serious and create a good work relationship among group members. 2) Paying attention to the main work or task of the group, that is, work definition, meaning, when and how it should be done. They call the first democratic leadership style (circuit equation) (Morrison et al, 2007). Managers whose leadership style is of democratic type, are admired by their workers or underlings due to caring for individuals, paying attention to their personal affairs, behaving fairly and fairly with all the members of the group, being interested in hearing and accepting new thoughts and opinions and clarity and accuracy of statement (Sergioranni, 2003).

Democratic leadership style of managers creates strong spirit and motivation in the staff and raises their satisfaction with their job and profession, since democratic leaders enjoy constructive relationship in the organization and these relationships influence customers at a higher level and this can promote the management of communication with customers under the title of combining work processes and technology about the customers (Ngai, 2005).

Considering the high competition among the banks in the country, paying attention to management of communication with customers is a necessary task or job due to absorbing and maintaining customers. Since management of communication with customers is a economic-commercial strategy for creating a double-sided value for bank that identifies all characteristics, creates knowledge of the customer, forms relationships with customers and creates their perceptions about the products and services in the organization, in fact, management of communication with customers is the process of planning about customers. In a way that the needs and desires of the customers is considered as the main point in each decision-making in the bank (Geib, 2005).

Management of communication with customers and its administration in banks is important in that it is able to reduce the distance between the bank and customers and with loyalty of customers, better service, better collection of information and organizational training leads to organizational success. Also, management of communication with customers results in better perception and understanding on the side of customers that can result in organizational proximity with customers and finally increases customer's loyalty. Results of study by Sayedi et a1.(2009), Abbasi and Turkemani (2010), Mehrabi et a1.(2010), Rahimi (2011), Marzban (2013), Mohammadi et a1. (2014), Donham (2000), Chjok-fong (2001), Luruk and jones, (2006), Ketin et a1 .(2012) and Khodakarami and chan (2014) showed that the more the application of democratic leadership style by the managers of the organization is , the better or higher the quality of communication with customers will be and a principle management will be formed in this field.

Disregarding the wishes of staff (employees) and lack of personal communication between managers and staff and also customers which is adopted from democratic leadership style, can effect the degree of efficiency and output of the workers and this can cause irreparable losses to the organization in all aspects especially in regard with maintaining the customers and interaction with them.

Now, given above explanations in regard with democratic leadership style, this question is raised that whether there is a significant correlation between democratic leadership style and management of communication with customers.

And also, at what level is the degree of application of democratic leadership style and implementing management of communication with customers by managers in the organization under study.

#### 2. Theoretical Foundations of the Investigation

#### **Democratic leadership**

Democratic leadership that is known as the most desirable type of leadership in management of political science and basic rights, may be used in two basic Concepts:

**First concept:** Democratic leadership means people-elected or a leader who has acquired his authority from the majority of the society, in contrast to autocratic leadership that people play no role in acquiring his authority (Rahimi, 2011).

**Second concept:** A leader whose style and behavior with people is democratic, even though people play no role in acquiring his authority and achieving the leadership tenor or position. Autocratic leadership may not be based on public will in acquiring its position but its management style can be democratic or his selection may be democratic but his management and leadership style may be autocratic and dictatorial. In this study, both concepts are considered; that is, autocratic leader is the one that people have no part in his acquiring the leadership position and the vote and desires of people have no role in his behavior and leadership style (Mohammadi et al 2014).

Democratic system as one of the forms of government or as a school or ideology is based on three basic 13principles: The role of the majority of society is in drafting the law, choice of rulers and legislators by people and liberalism or freedom or the choice of fate.

The leader who acquires the leadership position according to the principles and rules of this system is called democratic leader, namely, he has achieved his authority and legitimacy from people (Montesico, 2003).

In democratic leadership, the concept of special management and behavioral style with underlings is focused on:

**1-** Before making decisions, he consults with his subordinates.

2- Supervising subordinates while running the command is minimized.

**3-** If the subordinates are skilled, the leader does not induce the details of the work to them.

**4-** He considers the difference in opinions and plurality of opinions useful and considers or implements the suggestions.

5- He allows the subordinates to make decisions and be independent to the extent it is possible.

**6-** He believes in decency and decentralization.

7- He is a fan or supporter of teamwork.

8- At the same time that he is aware of the distinction between his rank and that of his subordinates, he does not emphasize it (Rahimi, 2011). In this way, democratic leadership means that the method of achieving the tenor or position and his management deed and behavior is democratic.

Despite autocratic leadership, the science of politics and management is arbitrary and tyrannical in terms of the method of achieving the leadership tenor or position and type of behavior (Montesico, 2003).

#### Management of communication with customers

Traditional marketing strategy focused on the concept of four factors, that is, price, product, placement and promotion to increase the market share and their primary concern was to increase the volume of exchange between seller and buyer. In this regard the volume of sale was the criterion of strategy performance and marketing tactics. But management of communication with customers is a kind of business strategy that goes beyond the increase in exchange volume and it aims to raise profit, income and customer satisfaction. To achieve this aims, organizations use a wide set of tools, trends, methods and communication with customers (Aimiri, 2009). Management of communication with customers is defined as a term (word) for describing super-active management of communication with customers. Management of communication with customer is a component that is in relationship with customers in a smart way in an organization. Processes of customer management connects all components to each other through supporting operational roles and business technology. Due to the nature of business, management of communication with customers can be complicated. Many daily or every day activities and operations of business are in relationship with customers, in this way providing systems that can improve each of these tasks is vital for success.

Management of communication with customer is composed of business process, technology and required roles for managing customers in numerous stages of life cycle of organizations. This is beyond the departments and to a certain degree, each organizational unit is separate. A seller who uses the management of communication with customers in a corner of the country, does not need to have access to current situation of a customer in another corner of the country. However, they may need to have access to the data related to the satisfaction of customers or resources in order to help to conclude a deal. The power to present information in the right time is the distinguishing key for a successful system (Cunningham, 2009).

Nevertheless if three specialists in the field of management of communication with customers are asked that what management of communication with customers is, very different responses are presented. A group consider management of communications with customers a strategy, some others consider it as a process and another group considers it an information system (Thompson, 2004).

Here some of the definitions of management of communication with customers are presented:

Customer communication management is a term for all methodologies, processes, soft- wares and system that help the institutes and companies in effective and organized management of communication with customers (Burnett, 2001).

Management of communication with customers means creating and maintaining personal communication with profitable customers through applying information and communication technology (Payne, 2000, Wilde et al, 2011)

Management of communication with customers as a process consists of customer monitoring (such as collecting their appropriate data), management and evaluation of data and finally creating real advantage from information extracted from interaction with them (Hampe & Swatman, 2002).

Management of communication with customers is a comprehensive business and marketing strategy that integrates technology, processes and all business activities regarding customers (Feinberg & Romano, 2003).

Management of communication with customers is communicating with all worthy customers through effective use of customer account information (Kotler, 2003).

#### Other definitions of management of communication with customers are as follows:

Management of communication with customer is a type of organizational strategy for creating and maintaining long- term and profitable communication with customers. Successful plans of management of customer communication starts with the organizational philosophy that integrates its activities around the needs of customers.

# Optimization method of communication with customers (such as management of customers and giving service to them) using the latest information technology or business models

Management of communication with customer is an integrated information system that is applied toward planning, timing and monitoring activities before and after sale and it aims to empower customers to be in interaction with the organization through numerous tools such as web, telephone, fax, Email, etc. and receiving services.

Processes and systems that combine sale activities, marketing, management of contact and support toward managing interactions with customers and present a tool that analyzes the customer record, information of orders situation and following profits and services.

As it is seen, a lot of above definitions study the management of communication with customers at operational level like creating and developing sale soft- wares, marketing and their combination and another set (group) study the method of creating and maintaining long-term communications and the method of compiling following strategies and policies (Khanlari, 2006).

#### 3. Method

Present study is applied in terms of goal, descriptive of correlation type in terms of method and quantitative in terms of data collection method. Statistical society of this investigation consists of all staff of Melli bank in Hamedan city who worked there in 2016 and their total number is 981.

Statistical sample considering the statistical society was estimated 192 subjects using Morgun and Kerjsi tables by relative random method. Data collection (measuring) tools of the investigation are as follows:

#### A) Questionnaire of democratic leadership style

lamber and Nag-net's 21-item questionnaire (2009) was used to collect the independent variable of democratic leadership style that consist of three aspects, that is, humanistic, benevolent and advisory aspects each being raised with some questions and scoring is according to Likert spectrum

In a way that the choice never=1, seldom=2, occasionally =3, often=4 and always =5. On the other hand, the degree of validity and reliability of this questionnaire in Lambert and Nag-net investigation (2009) were achieved 0.91 and 0.88, respectively.

#### B) Questionnaire of customer communication management

The measurement tool for variable related to management of communication with customers was the 14 item Gabe questionnaire (2005).

This questionnaire consists of three aspects of attraction, protection and extension of communication with customers and infra-structures. Also, the scoring method in this questionnaire is in a way that the choice very little = 1, little =2, somewhat =3, much =4 and very much =5).On the other hand, the degree of validity and reliability of this questionnaire in Masudi's investigation (2009) were obtained 0.89 and 0.83, respectively. The degree of reliability for questionnaires of democratic leadership style and management of communication with customers were obtained 0.81 and 0.77, respectively, using Cranach Alpha coefficient.

#### 4. Findings

#### Main hypothesis of the investigation

Democratic leadership style is effective on the management of communication with customers in Melli banks in Hamedan. Regression analysis using Enter method was applied to study the hypotheses of the investigation. To administer this test, the pre-hypotheses of Regression analysis including the correlation between variables, model explanation and the existence of linear relationship were administered and confirmed.

	Nonstandard coefficients		Standard coefficients	Statistics t	Significance level
	В	Criterion	Beta		
		error			
Constant	0.521	0.246	-	2.114	0.036
Democratic leadership	0.811	0.063	0.682	12.862	0.001
style					

**Table 1.** Regression coefficients in the main hypothesis of the study

Democratic leadership style can predict the degree of management of communication with customers. In fact, with increasing one variance in democratic leadership style, management of communication with customers will change around 0.682 variance that is indicative of

democratic leadership style on the management of communication with customers. Thus, it could be said that democratic leadership style is effective on the management of communication with customers in Melli banks of Hamedan city. Hence, the major hypothesis of the investigation is confirmed and the null hypothesis is rejected.

#### The first minor hypothesis of the investigation

Human style of managers is effective on the management of communication with customers in Melli banks of Hamedan.

	Nonstandard coefficients		Standard coefficients	Statistics t	Significance level
	В	Criterion	Beta		
		error			
Constant	1.211	0.319	-	3.794	0.001
Human style of	0.591	0.076	0.49	7.741	0.001
managers					

**Table 2.** Regression coefficients in first minor hypothesis of the investigation

Human style of managers can predict the degree of management of communication with customers. Indeed, with increasing one variance in benevolent style of managers, management of communication with customers will change around 0.49, indicating the high effect of human style of managers on the management of communication with customers. Therefore, it could be said that the human style of managers affects the management of communication with customers in Melli banks of Hamedan. Hence, the first minor hypothesis of the study is confirmed and the null hypothesis is rejected.

#### Second minor hypothesis of the investigation

Benevolent style of managers is effective on the management of communication with customers in Melli banks of Hamedan.

		nstandard efficients	Standard coefficients	Statistics t	Significance level
	В	Criterion	Beta		
		error			
Constant	1.936	0.211	-	9.179	0.001
Benevolent style of	0.46	0.055	0.516	8.306	0.001
managers					

Table 3. Regression coefficients in the second minor hypothesis of the investigation

Benevolent style of managers can predict the degree of management of communication with customers. In fact, with increasing one variance in the benevolent style of managers, the management of communication with customers will change almost 0.516 variance that is indicative of the influence of the benevolent style of directors on the management of communication with customers. So, it could be said that the benevolent style of directors is effective on the management of communication with customers in Melli Banks in Hamedan. Hence, the second minor hypothesis is confirmed and the null hypothesis is rejected.

#### Third minor hypothesis

Advisory style of directors influences the management of communication with customers in Melli Banks in Hamedan.

	Nonstandard coefficients		Standard coefficients	Statistics t	Significance level
		Criterion	Beta		
	В	error			
Constant	1.666	0.181	-	9.191	0.001
Advisory style of	0.54	0.048	0.63	11.189	0.001
directors					

**Table 4.** Regression coefficients in the third minor hypothesis

Advisory style of managers can predict degree of management of communication with customers. Actually, with raising one variance in the style of directors, management of communication with customers will change approximately 0.63 that reflects the high effect of advisory style of managers on monitoring communication with customers. Thus, it can be said that the advisory style of managers influences the management of communication with customers in Melli Banks of Hamedan. Therefore, the third minor hypothesis is confirmed and null hypothesis is rejected.

## Ranking the impact of dimensions of democratic leadership style and customer relationship management

To confirm the ranking of impact of democratic leadership dimension style on customer relationship management, the stepwise multivariate regression analysis method was applied.

	Nonstandard coefficientsBCriterion		Standard coefficients	Statistics t	Significance level
			Beta		
		error			
Constant	0.503	0.276	-	1.825	0.07
Advisory	0.384	0.055	0.448	7.027	0.001
Human	0.289	0.073	0.239	3.973	0.001
Benevolent	0.143	0.059	0.16	2.424	0.016

	Table 5. Regression	coefficients i	in determining	priorities
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Advisory, human and benevolent variables can predict the degree of management of communication with customers. Also, considering the Beta coefficient in advisory style management variables, it could be said that the variables of advisory style of directors has the highest effect on the management of communication with customers in Melli Banks of Hamedan and then, human and benevolent variables have the highest effects, respectively. Also, in Table 5 it is revealed that the distribution chart of abundance (frequency) of residuals are normal.

#### 5. Discussion and Conclusion

Given the major hypothesis of the investigation that studies the effect of democratic leadership style on the management of communication with customers in the Melli Banks of Hamedan, it could be said that the democratic leadership style has high effect on the management of communication with customers (P<0.05). Indeed, democratic leadership style will lead to the growth of management of communication with customers. To that end, result of study by Seyedi et al. (2009), Abbasi and Turkmani (2010), Mehrabi et al. (2010), Rahimi (2011), Marzban (2013), Mohammadi et al. (2014), Danham (2000), Chiok-Fong (2001), leveck and Jones (2006), Ketin et al. (2012) and Khodakarami and Chan (2014) are consistent with that of present study.

By comparing the result of the major hypothesis of the study we with those of previous studies, it could be concluded that the democratic leadership style raises the management of communication with customers including providing incentives for attracting the customers more and more, having a system for interaction and relationship with customers, establishing two-way communication with customers, establishing long-term communication (relation) with customers, having a formal system for identifying customers, supporting the management of communication with customers by top managers, establishing a defined system for activities of communication with customers, educating the staff in regard with more and more interaction with customers, remembering the names of customers by the staff, giving importance to problems of customers on the side of the organization, paying special attention to customers, and timely customer service, etc. Managers with democratic leadership style pave the way for establishing constructive relationship between the staff and customers. In other words, managers by giving freedom and reducing work tensions provide higher spirit for the staff towards establishing better relationship with customers. Also, these managers get the ideas and comments of their staff in all organizational aspects including the method of establishing relationship with customers through reviewing them, and this leads the managerial staff to direct their underlings towards their thoughts and ideas in regard with establishing communication with customers and this will result in higher interaction between the customers and the workers as the representatives of the organization.

Thus, managers play an important role in regard with establishing a relationship with customers and applying such a style on the side of the directors leads to creating right relationship between customers and management.

Considering the first minor hypothesis of the investigation that studies the effect of human style of managers on the management of communication with customers in the Melli Banks of Hamedan, it could be said that this style has a great effect on the management of communication with customers (P<0.05). In fact, humanistic style of managers causes an increase in the management of communication with customers. The existence of friendly and constructive relationship based on human relations between the staff and managers causes the worker to feel more freedom of action and independence in workplace and the degree of work pressure in regard with occupational issues will decline, resulting in high efficiency and output due to the right and correct management in connection with communication with customers. The more desirable the humanistic relations between the workers and directors is, the more assurance and trust will be created at workplace and this assurance can certainly be transferred to customers and raise their assurance to organization and as a result it will establish a constructive relationship between the staff and customers. In a sense, leaders with democratic style can prepare the staff for better accountability and dealing with customers

using human norms and by reducing occupational tensions at workplace, focus all the thoughts of the workers on meeting the needs of the customers as much possible as it is, and this can finally create a desirable level of relationship with customers.

Given the second minor hypothesis that studies the effect of the benevolent style of managers on the management of communication with customers in the Melli Banks of Hamedan, it could be asserted that this style has a great effect on monitoring the relationship with customers (P<0.05). The more the managers care for their staff and take step toward their progress and achievement and grow their knowledge and awareness of their career path, the more staff with higher level of knowledge can travel along the path of communication with customers. Since benevolent acts of managers can create a kind of occupational motivation, thus, the staff and workers with high motivation can meet the needs of customers much better. In a sense, leaders with democratic style can convince and encourage the staff to deliver better and more useful services to customers using benevolent acts. Since the staff will pave the path of communication with customers through relying on their creativity and innovative acts that are supported by directors.

Considering the third minor hypothesis of the investigation that studies the effect of advisory style of managers on monitoring communication with customers in Melli banks of Hamedan, it could be stated that this style has a great influence on monitoring communication with customers (P<0.05). The more the manager consult with their staff in different organizational issues and use their ideas, the more the decisions made, will be consistent with the abilities and qualifications of the staff and the workers can cope with the responsibility of the jobs and including addressing customer problems and this can strengthen communication with customers more than before since the tasks (jobs) in the organization are conducted using the opinions of the staff and solving the problems of customers is conducted in group form that can result in an increase in the quality of communication with customers. In other words, managers can take advantage of the consultation with workers in micro and macro-decisions of the staff will be able to solve the problems of the customer and establish a more constructive relationship with them.

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