How Does the Challenger Bank Manage in the Present Management Problem?

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Abstract

With the development of financial technology in recent decades, many traditional financial firms have been challenged, with new business models and technologies bringing many implications to the market. This study examines the management issues faced by a newly established challenger company of a multinational bank from the perspectives of leadership, organisational culture and globalisation strategy. Internal management systems are not well developed for the newly established new company, and through an analysis of modern management theory, the company is advised to adopt servant leadership, a corporate culture of unified values and cross-cultural human resources to address the current issues. The theoretical analysis revealed a number of problems, such as the incorrect use of servant leadership and cross-cultural barriers to globalisation strategies, and the inability to effectively collect specific data in overseas markets, which the article suggests needs to be adapted to address the changing macro environment.

Keywords

Servant leadership, organisational culture, globalisation strategy

Introduction

Formally introduced in 2011, Fin tech is an extension and expansion of emerging information technology in the financial sector. Fin tech is essentially a technology-driven financial innovation, creating new business models and technology applications that have a significant impact on the financial market. In recent years, with the development and evolution of Internet finance, there have been serious conflicts and challenges to traditional banks. BalancePay is an internet financial product that has been outputted in the development of internet finance, it has a much higher deposit benefit rate than traditional banks and can implement demand withdrawals and deposits, so in this regard BalancePay has drawn a large volume of deposit business from traditional banks. Therefore, in order to compete with disruptive Fin tech rivals such as Revolut, the company set up a challenger bank to avoid the impact of fintech.

This paper focuses on the analysis of leadership, organisational culture and globalisation strategies to build a relatively solid foundation for Challenger Bank, and provides constructive advice on the future development of Challenger Bank through practical and theoretical analysis of modern management issues.

1. Leadership Management

1.1 Types of leadership styles

Since the concept of leadership was formally introduced in 1930, it has attracted the attention of scholars in management, sociology, psychology and other research fields. The differences in research perspectives have led to the fact that there is still no unanimous conclusion on the definition of the concept of leadership today. Moreover,
the meaning of leadership is ambiguous and confusing; definitions abound. Leadership has become an all-encompassing benefit that has only been vaguely described (Kjellström, S., Ståle, K., & Törnblom, O., 2020). However, leadership development is often perceived as being positively desirable for all employees and beneficial to the progress of the organisation. However, leadership development programmes that do not meet the expectations of participants can be harmful and produce negative experiences (Arnulf et al., 2016). Therefore, in order to cope with the different situations that occur, style theory has been brought up. Style theory provides a useful classification of the actual behaviour of leaders, however this theory assumes that there is only one style of leader, which also has limitations for the development of organisations and there is evidence that no one leadership style is universally effective. In this context, the theory of variance came into the public eye, which argues that effective leadership depends on matching the leader's style to the right environment (Fiedler, F. E., 1964). It is seen as a dynamic process that focuses on the interaction between leader behaviour and subordinate readiness, which is then measured to determine the leader's effectiveness, as opposed to trait theory, which cannot accurately predict leader behaviour or even explain the diversity of leader behaviour in different situations (Cairns, T.D. et al., 1998). With the progressive development of the theory of change and its integration into the practice of theory, transactional and transformational leadership have been derived. Transformational, transactional and team leadership are defined in terms of how leaders interact with their followers. Transformational leaders are charismatic to their followers and thus motivate them. Leaders can meet the emotional needs of each employee or can inspire employees in governance thereby expanding and enhancing their interests and making them aware of and accepting the team's goals and mission (Bass, B.M., 1990). However, in the case of newly created challenger banks, research has shown that new group members tend to gain influence in the group by overly adhering to Murathi's emergent norms, while some followers take premature and disruptive actions to accommodate the leader, which negatively affects the quality of the leader's decisions and poses a greater risk to the start-up bank (Tourish, D., 2013). Therefore, in the face of this situation, leadership scholars have called for newly founded small and medium-sized companies to focus more on servant leadership - a style of leadership that emphasises people-centredness (Greenleaf R., 2002), which can be used to mitigate the conflict between the grassroots and management.

1.2 The impact of servant leadership on challenger banks

Servant leadership motivates followers to become servants themselves by helping them grow and develop a sense of solidarity while serving others (Parris, D. L. & Peachey, J. W., 2013), and the desire to serve combined with leadership motivation is the foundation of servant leadership (Ruwhiu, D. & Elkin, G., 2016), and a systematic literature review of empirical servant leadership research by Parris and Welty Peachey (2012) suggests that servant leadership theory can be extremely helpful in improving the effectiveness of individuals and teams. Before Greenleaf proposed the theory in 1970, most scholars still believed that leaders should be superior, that they represented power, and that they should belong to the served rather than serve others, but as we entered the 1990s, the theory received more and more attention and research from scholars. The servant leader is first and foremost a servant, who harbours a willingness to serve first. He uses his authority and enthusiasm to encourage others and thus establish leadership. In contrast to leaders who put leadership first, servant leaders are able to get information from their employees at the first instance, because servant leaders serve their employees to achieve the purpose of leading them, so there is more time for the servant leader and the employees to spend with, communicate and listen to each other. Or improve, and what constructive suggestions they would make. This is especially true for challenger banks, which need more constructive input in the initial stages of establishment in order to improve the internal systems of the company. Another advantage of servant leadership is that it is fully empowering, as the people in each job become self-directed, they have the initiative and autonomy to work and their potential is fully stimulated. This contributes to the growth of each individual as well as to the performance of the organisation as a whole. For example, in the 2010 NKF American Transplant Games in Madison, Wisconsin, which used an exploratory, qualitative case study approach to investigate the structural mechanisms of service to others, the results of an experiment showed that servant leaders sought to develop their ability to 'dream big dreams' with others through conceptualisation (Spears L., 1998), which motivates employees to take initiative in their work. Servant leaders are positively associated with a sense of organisational commitment and job satisfaction among their subordinates, and Silvio Berlusconi, Italy's longest-serving post-war prime minister, paid little attention to the human side of compassion and support, which led to him being voted down in group votes (Bobbio, A. et al., 2012). However, one of the most common pitfalls of servant leadership is that the adoption of a servant leadership style ultimately leads to the leader
losing his or her credibility. In this way, servant leaders can avoid losing their credibility.

2. Organisational Culture

2.1 Organisational culture and performance

Bititci (2006) and others argue that organisational culture and management style can influence the way performance measurement systems are implemented and used, and thus their success or failure and that performance measurement systems can influence management style and, to some extent, organisational culture. There is almost unanimous consensus in the current research field that there is an inextricable relationship between organisational culture and performance.

In the case of IBM, Hindle conducted a global 72-hour online discussion as a way of listening to and adopting employees' ideas, and the results of the experiment proved that the activity improved cooperation between different departments within the company and facilitated the reconciliation of conflicts, thus optimising the performance of the company (Sun, S.P., 2015). With continued research findings, researchers' understanding of the relationship that exists between organisational culture and firm performance has evolved from a simple direct association to a contingent relationship dependent on firm strategy and environmental conditions (O'Reilly, C. A. et al., 2014). For challenger banks at the beginning of creating a corporate culture to enhance organisational performance through the influence of corporate culture, firstly, the core values of corporate culture should be positioned in the context of the market environment to achieve ideological guidance for the company, and secondly, the development of corporate business strategies needs to be adapted to the business management environment and be able to adequately serve with the improvement of corporate performance. In addition, O'Reilly et al. demonstrated a positive correlation between organisational culture and corporate performance through control variables in high-technology companies in the US and Ireland, therefore, in order to fully utilise the role of corporate culture on corporate performance, the internal and external environment of the company needs to be used as the basis for the positioning of the core values of corporate culture, which in turn can meet the strategic development needs of the company and improve the organisational performance. To fully realise the role of corporate culture in corporate performance, it is necessary to use the internal and external environment as the basis for positioning the core values of corporate culture, thereby meeting the strategic development needs of the company and enhancing its organisational performance and competitive strength.

3. Globalisation Strategy

3.1 The significance of the globalisation strategy

Globalisation is a phenomenal process in the development of human society. After the 1990s, with the expansion of the forces of globalisation on the level of influence of human society, it has gradually attracted the attention of the political, educational, social and cultural disciplines in various countries, and globalisation in almost all fields is achieved through the market, in which global connections are increasing, countries are interdependent on each other in politics and economic trade, and deal with the world across national borders rather than just with homeland (Deresky, H. & Christopher, E., 2015). Globalisation strategies promote innovation in development models that optimise the allocation of people, trade, investment and finance, and can reduce costs and increase efficiency. In order to meet the challenges posed by fintech, companies need to take advantage of globalisation opportunities to explore appropriate development models to increase their competitive advantage.

3.2 Building competitive advantage across cultures and human resources

The implementation of globalisation strategies inevitably brings about cultural conflicts. In the early JIBS perspective articles, it was mentioned that culture needs to be viewed as a multi-layered structure, where multi-layered means that there are different cultural elements at the global, national, organisational, group and individual levels (Tung, R.L. & Verbeke, A., 2010), and that under globalisation conditions, traditional violent subjugation is no longer the answer and the practice of interaction becomes the material vehicle. Bartlett (2002) and others argue that people are the key strategic resource and that strategy must be based on human resources, and that personal relationships with key customers are the basis for flexible market response. Hofstede's (1983, 2001) dimensional model involves individualism, which is significantly stronger in developed countries than in developing countries, thus suggesting that challenger banks in the nascent stage of development should focus on positioning themselves in
developing countries. Collectivism encourages effective communication between employees in different regions for the benefit of the whole, leading to a consensus that will lead to extraordinary results in the internationalisation of the challenger bank. Expanding into overseas markets also brings many relatively inexpensive labourers to the company, allowing many diverse talents to be tapped while saving costs, and the success of a company’s globalisation strategy depends on the use of talent. Whether it is the globalisation of products, technology or capital, wherever a company reaches out it needs a large number of highly qualified people. On the other hand, for strategic management at the operational level, organisations have to add value to what they do (Lynch, R., 2018) and cultural conflicts are inevitable in the localisation process, such as racial superiority, communication misunderstandings, cultural attitudes, etc. These conflicts can lead to the loss of market opportunities and organisational inefficiencies for the company. Different strategies are used to reduce losses and add strategic value.

4. Conclusion and Recommendation

Focusing on the management of the newly created Challenger Bank, this study analyses the advantages of leadership, organisational culture and globalisation strategy in building and developing the company and its future development goals. This article argues that servant leadership is consistent with the initial development of Challenger Bank. As companies grow in size, future research on leadership styles should consider more carefully the impact of the macro environment of the company, such as the loss of prestige of servant leadership. Identifying changes in the environment in a timely manner and replacing the appropriate leadership is a key part to consider in the future. The analysis of the relationship between organisational culture and performance also further validates the decisive role of organisational culture in managing challenger banks. Investigation is necessary for future development, by collecting data from within the company to validate the various conclusions drawn from this study and monitoring changes in the data in real time to make appropriate adjustments. This paper suggests that implementing a globalisation strategy has greater advantages in terms of drawing on human resources and being able to reduce costs while maintaining growth. The study helps to understand the strategic direction of challenger banks and suggests good solutions to the conflicts that may arise from the expansion of overseas markets. The limitation, however, is that specific data could not be collected well, leading to some uncertainty about the globalisation strategy, a point that needs to be focused on in the next step of the study. This study contributes to the management of challenger banks through the analysis of leadership, organisational culture and globalisation strategies, and should be used as a basis for companies to make appropriate adjustments to face changing market conditions.

References


