Leadership during change

A study of leadership within the rapidly changing transaction banking environment

BACHELOR THESIS WITHIN: Business Administration
NUMBER OF CREDITS: 15hp
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JÖNKÖPING 2017 12
Leadership, Strategic Renewal, Transformational Leadership, VUCA, Change

Abstract

Transaction banking is changing in a fast pace due to digitalization, changes in regulation, new competition in the market etc. This acronym VUCA describes this environment; Volatility, Uncertainty, Complexity and Ambiguity. Due to changes in technology, politics and economics strategic renewal is critical to ensure long term survival. Middle managers play a vital role within strategic renewal and leadership behavior is important to be able to perform strategic renewal.

This study uses a single case study with a qualitative and inductive approach and five middle managers from different functions within transaction banking were interviewed. The interviews were conducted by semi-structured open-ended questions to be able to get an in-depth understanding. Based on the interviews it was possible to draw conclusions on the middle managers role within the strategic renewal process and connect their behaviours to the different leadership behaviours. Strategic renewal consists of four renewal journeys and in transaction banking there is an ongoing transformational renewal journey. It was found that Middle managers within transaction banking will best perform transformational renewal with a leadership behaviour that is transformational rather than transactional.
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1. Introduction

*This is a study about how middle managers within transaction banking perform strategic renewal, why it is necessary and how their leadership behaviours play a vital role.*

1.1 Problem

Transaction banking is changing faster than ever due to e.g. digitalization, changes in regulation, new technology and innovations, new competitors in the market etc. This environment is known by the acronym VUCA; Volatility, Uncertainty, Complexity and Ambiguity (Mack et. al., 2015; Kinsinger & Walch, 2012). This is especially the case within European financial institutions (Volberda, et. al., 2001). This thesis attempts to understand how leaders within transaction banking, focusing on middle managers, are affected by rapidly changing environment. It will further investigate how a change in leadership behaviour is a key driver for strategic renewal and what role a middle manager has within that process.

Strategic renewal can be categorized into four parts: emergent renewal, facilitated renewal, directed renewal and transformational renewal (Volberda, et. al., 2001). The choice of renewal differs over time and is often due to a change in environment (Volberda, et. al., 2001). Today’s environment within transaction banking is volatile, dealing with the unexpected, and there are also difficulties to make predictions of the future. There is not a distinct link between cause and effect and different outcomes are both likely to happen. This environment could force the middle management to change its leadership behaviour into more transformational leadership (Juhro et. al., 2017). This kind of leadership behaviour works well within an agile environment and focus on empower and motivate people (Juhro et. al., 2017). In a VUCA environment it is difficult to make predictions and a transformational leader turns this challenge into milestones and thereby makes their managerial goals reachable (Juhro et. al., 2017).
Strategic renewal is an ongoing process involving the whole company and focusing on changing the characteristics of the organization which means that the company changes its core competences, change the elements of the organization, and creates a new mission (Schmitt et. al., 2016). In transaction banking there is a possible shift from what could be emergent renewal, where top management is active and middle managers passive, to transformational renewal where middle managers are essential to the renewal process (Volberda, et. al., 2001). Renewal is defined as “the activities the firm undertakes to alter its path dependence” and it is focused on changing the characteristics of the organization. This means that the organization try to find new ways of working and how to use their core competencies (Schmitt et. al., 2016). Middle managers play a vital role to connect different levels and functions within the company and they need to possess the behaviors of transformational leadership to be able to create enthusiasm and motivate people (Lawrence, 2013; Bass & Riggio, 2006)

1.2 Purpose

The purpose of this thesis is to understand how middle managers within transaction banking perform strategic renewal, due to changes in environment, and to investigate which leadership behaviour is best suited to be able to perform this journey. The key research questions for this thesis are:

- How do middle managers within transaction banking perform strategic renewal and why is it necessary?
- How important are middle managers role within the process of strategic renewal and which leadership behavior is best suited for the renewal?
2. Theoretical framework

2.1 The VUCA environment

The world is rapidly changing and gets more and more unpredictable and unstable. It is no longer possible to predict the future only by looking at the lessons learnt in the past and use historical tools to make forecasts. The growth in the global economy has forced new innovations and increased the amount of choices in all kinds of businesses (Mack et. al., 2015). The situation in the financial business can be described as the acronym VUCA; volatility, uncertainty, complexity and ambiguity (Mack et. al., 2015; Kinsinger & Walch, 2012). The model of VUCA was developed by American military and adopted by business after the financial crisis 2008 (Kinsinger & Walch, 2012).

When introduced it was used to explained what happened in Iraq and Afghanistan with rapidly changing and complex environment impossible to predict (Kinsinger & Walch, 2012). VUCA was a way to describe the environment with improvised tactics and weapons by opponents (Kinsinger & Walch, 2012). This turbulence is similar to what happened to business after financial crisis 2008 and since then has become the “new normal” in their environment (Kinsinger & Walch, 2012). This new environment is a challenge for organisations and leaders must be aware of this situation and prepare how to lead in a changing world (Mack et. al., 2015). VUCA is explained as:

“A world order where the treats are both diffuse and uncertain, where conflict is inherent yet unpredictable, and where our capability to defend and promote our national interest may be restricted by material and personnel resource constrains. In short, an environment market by volatility, uncertainty, complexity and ambiguity (VUCA).” (Mack et. al., 2015).

The acronym VUCA consists of four letters, each with a description stated below:

**Volatility:** Handling with the unexpected. Volatility occurs when there is a significant change e.g. stock prices changes significantly from one value to another. Volatility if often used in financial theory. The pattern is not predictable and turbulence is present (Mack et. al., 2015). An organisation that has a clear vision for the next three to five years are better suited for a volatile environment (Lawrence, 2013)
**Uncertainty:** When it is difficult to make forecast of the future and there is a lack of knowledge. Statistics could help to predict the past but is no longer valid to make predictions. This is a challenge for decision-making (Mack et. al., 2015). To handle uncertainty, leaders must be able to communicate with different levels and functions within the organisation and reach out with their vision. The leader must be understanding and this is done by listening, be present and see what is going on; “stop, look and listen” (Lawrence, 2013; Kinsinger & Walch, 2012).

**Complexity:** The same input can provide completely different outcomes. The link between cause and effect are more problematic to find. There are many interconnected parts and a variety of considerations needs to be done (Mack et. al., 2015). To deal with complexity leaders must be good at clarity, making sense in a chaotic environment (Lawrence, 2013). Leaders also need to collaborate with others (Kinsinger & Walch, 2012).

**Ambiguity:** The situation cannot be solved through a predefined number of steps or processes, lack of clarity. Different people may have different angles on how to solve a problem and no answer it better than the other (Mack et. al., 2015). By being agile and move fast and transform during the process the leader can handle ambiguity (Lawrence, 2013)

The technological development is rapid and in transaction banking this can be translated into mobile payments, blockchain technology, open API’s, new regulations in the market etc. (Cuesta et. al., 2015). The last years there have been a lot of new innovations in the markets and during 2018 there will be a change in regulation, PSD2, which means that the customer owns its data (Reijers et. al., 2016). This is a game changer for the whole financial industry and new fintechs and tech start-ups will enter the market (Dapp & Slomka, 2015; Cuesta et. al., 2015). The change in the digital structure is a threat to traditional banks (Dapp & Slomka, 2015). We are in a period of massive transition (Mack et. al., 2015).

Traditional banks need to undergo a transformation to fit into the new digital ecosystem (Cuesta et. al., 2015). Using strategic renewal is a way to adapt to changes in
environment and secure survival in the long-term (Schmitt et. al., 2016; Hopkins et. al., 2013).

2.2 Strategic Renewal

In an unpredictable and changing environment strategical renewal is crucial to secure survival in the long-term (Schmitt et. al., 2016; Hopkins et. al., 2013). Strategic renewal means adapting to this changing environment while the opposite, strategic inertia, means failure to adapt to change (Hopkins et. al., 2013). The majority of organizations need to transform due to changes in technology, politics and economics (Schmitt et. al., 2016). Strategical renewal means that the company changes its core competences, change the elements of the organization, and creates a new mission (Schmitt et. al., 2016).

Renewal is defined as “the activities the firm undertakes to alter its path dependence” and it is focused on changing the characteristics of the organization. This means that the organization try to find new ways of working and how to use their core competencies. The strategic part means “the key ideas on which they are built” and means the actions on which the transformation of the organization is done with. Strategic renewal is when the whole company changes, not only the people within, otherwise it is only a “renewal” (Schmitt et. al., 2016).

Strategic renewal consists of a core of three fundamentals; change in core competencies to ensure survival in the long run, transformational of core competences and change in the whole organization not only the people within. It focuses on revitalize the existing business rather than creating new opportunities of business. Whilst other strategical concepts include additions, extensions and deletions strategical renewal focuses on the company’s current objectives and capabilities (Schmitt et. al., 2016).

To achieve success in the long run the company need to look into what factors will affect the organization and therefore will be strategic. Because of the amount of uncertainty involve the company also need to look into potential factors. Some of these factors could be way of working, organizational structure, products and services, routines, policies and also the people within the organization (Agarwal & Helfat, 2009).
Strategic renewal could be challenging especially balancing today’s profit, which requires control and stability, and the flexibility to adapt for future. This is especially the case within European financial services industry and most of the larger well-established firms feel a sense of urgency for the need of strategic renewal (Volberda, et. al., 2001).

### 2.3 Strategic Renewal and the role of middle managers

Strategic renewal is made on a managerial level and by inter-firm collaborations where middle managers play a vital part (Hopkins et. al.; Schmitt et. al., 2016). A middle manager is someone who have subordinates (managers) in at least one level and report to a higher manager in the organization, top management. Middle managers have a major influence on strategic renewal because they often pay close attention to the market and technical innovations (Hopkins, et. al., 2013). However, middle managers need to feel supported by the top management to be able to perform strategic renewal; otherwise it can promote strategic inertia (Hopkins, et. al., 2013). According to Hopkins et. al. (2013): “The higher middle management's commitment is to the organizational goal of successful strategic renewal/diminished strategic inertia the higher the likelihood that this goal will be achieved, and vice-versa”. According to Floyd & Wooldridge, (1992) the influence of the middle manager in strategic decisions is increasing and that there is a positive relationship between strategy and organisational performance when middle managers are involved.

Middle managers need to feel empowered and self-determination is seemed to be a critical component. According to Hopkins et. al. (2013) self-determination consist of four dimensions (1) consistency and perseverance in activities, (2) the courage to take risks, (3) initiative and proactivity, and (4) the ability to voice one's opinion. Self-determination is also seen as the belief by the middle managers that they can control their own work (Hopkins, et. al., 2013). According to Hopkins et. al. (2013) middle managers that feel empowered are more likely to perform successful strategic renewal.
Volberda, et. al. (2001) suggests there are four kinds of renewal journeys: *Emergent Renewal, Directed Renewal, Facilitated Renewal and Transformational Renewal*, also see Fig. 1. It was found that middle managers have either an active or a passive role during strategic renewal. The emergent and directed renewal focuses on passive middle management while facilitated and transformational renewal focus on active middle management.

**Emergent renewal**

Within Emergent renewal top management often set targets based on income which means that middle managers are not rewarded for being innovative or for new operating models. This means that middle managers that spend time on intangible activities will take a risk and therefore they stay conservative to exploring new ways of working. The result of this is that the middle managers are more concerned of what happens today, the
profits, rather than adapting to the future which is in conflict with the strategic renewal (Volberda, et. al., 2001).

**Directed renewal**

Within directed renewal change is highly controlled by top management through hierarchy and regulations to avoid units to move in different ways. Top management stays in control and there is a top-down strategy where top managers make guidelines on the change journey. Top managers set goals, targets and choose which model is the best and monitor the process (Volberda, et. al., 2001).

**Facilitated renewals**

Facilitated renewal involved the middle managers in the process of renewal whilst top managers create the strategic context and has a role of facilitators. Middle managers is responsible for create initiatives because they have the most knowledge and expertise and top managers then choose which initiative to continue with, it is a clear co-evolution. The planning follow a step by step way of working instead of following guidelines and tasks from a masterplan. In facilitated renewal there are “innovation-labs” trying to break out from more mature activities Top managers add targets such as innovation and share of revenues from new ideas instead of only having profit and market share as measurements. Compared directed and renewal journeys facilitated renewal encourages learning within the organisation (Volberda, et. al., 2001).

**Transformational renewal**

In the transformational renewal process the top management works close to middle managers and their involvement is essential to the renewal process (Volberda, et. al., 2001). It was found that transformational renewal differs from facilitated renewal because in the former the middle managers plays an even more important role. It was also found that transformational renewal focuses more on people than the other renewal journeys and its mission is to create sense-making and social interaction. The transformational renewal also focus a lot on mindset, finding new ways of thinking, significant unlearning and exploring new methods of working (Volberda, et. al., 2001). This kind of change involves the whole organisation and demands everyone to
contribute. The transformational renewal is linked to transformational leadership and the middle manager plays a vital role. The middle manager is responsible for connecting different levels of the organisation and he or she needs to possess the ability of an entrepreneur. There is teamwork between different functions and levels of the organization which creates knowledge integration that maximize learning and improve flexibility (Volberda, et. al., 2001). People in the organization have a sense of common and strives to meet the shared goal. Transformational renewal can be seen as the opposite of directed renewal (Volberda, et. al., 2001).

The choice of renewal processes differs over time and environments. Rabobank Group moved away from directed renewal to transformational renewal during second half of 1990s (Fig. 2), (Volberda, et. al., 2001). In the case of Rabobank, which had grown in size due to acquisitions, the corporate centre became too powerful with a clear hierarchy and top down management and organizational units started to complain and felt they were not seen (Volberda, et. al., 2001). The CEO of Rabobank then stated that it was better to work within networks with people sharing a common vision and focus on relations between people (Volberda, et. al., 2001). ING Bank made a similar journey also due to acquisitions and large scale merger. This had led to unconnected divisions and INGs top management had only stressed financial performance not doing anything about the multiple of unconnected divisions. They moved towards facilitated renewal which leads to more involvement of the middle managers. This renewal process is quite uncommon within European banks, only Citibank has done it before (Volberda et. al., 2001).

Figure 2, showing development journeys of financial firms, (Volberda et. al., 2001)
It was found during the research that there is a clear link between renewal journey and leadership behaviour among middle managers e.g. transformational renewal is linked to transformational leadership (Volberda et. al., 2001) and the next section will explain the theory of transformational leadership and transactional leadership and how it is connected to strategical renewal (Kuhnert & Lewis, 1987).

2.4 Transformational and Transactional leadership and how it is linked to strategic renewal

The theory of Transformational and Transactional leadership was first developed by James MacGregor Burns, 1978, who identified two types of leadership behaviours. Burns could identify those two kinds of leaders by observing political leaders. The framework made by Burns was later developed further by Bernard M. Bass, 1985 (Kuhnert & Lewis, 1987).

Organisational culture and leadership are closely linked together and for an organization to be effective they need to have both tactical and strategical thinking together with culture that is constructed by its leaders. Bass & Avolio (1993) mean that while transaction leaders work within the organizational culture, transformational leaders create the culture by understanding it and then making an own interpretation and then realign it with a new vision. It could be interpreted that a transformational leader is active, making own interpretations a visions, while transactional leader is passive, works within the organisation, and therefore the behaviours could be linked to middle managers role within transformational and facilitated renewal (active) and directed and emergent renewal (passive).

Transformational leadership is built upon change and development through commitment, visions and inspiration (Bass & Avolio, 1993). It is different than transactional leadership which focus on the daily management. Transformational leaders focus on people and how to encourage them to participate actively in the change process. These kinds of leaders focusing on creating an environment with creative change and empower employees to increase their responsibilities and take actions to create growth. They also handle complexity in a pragmatic manner (Bass & Avolio, 1993). The transformational leadership behaviour focuses on motivation, trust and
loyalty and encourages people to participate actively in the change process (Bass & Avolio, 1993). This behaviour could be found in the transformational renewal journey were the middle manager is active and encourage subordinates to play an active role and contribute to the change journey by mindset and exploring new ways of working. The opposite could be found in directed renewal were the top management is active and there are clear guidelines and regulations and middle manager should be passive.

Transformational leadership behaviour is adopted by leaders rather than transactional leadership that are adopted by managers with their focus on routines and tasks rather than people (Bass & Avolio, 1993). This could be linked to the role of the middle manager when performing transformational renewal or directed renewal which could be seen as opposites. It was found that middle managers role when performing transformational renewal is more active and focused on people whereas the role when performing directed renewal is more passive and focused on routines and tasks. A transformational leader is charismatic and has the ability to empower people and create enthusiasm (Eriksson-Zetterquist, et. al., 2012). They also invest in their followers and have a strong believe that everyone could be developed to reach their full potential (Bass & Avolio, 1993)

A transformational leader takes genuine care for their employees and makes them look beyond their self-interest to consider the best interest of the group (Bass, 1990; Eriksson-Zetterquist, et. al., 2012). This behaviour can be seen by the active middle manager when performing transformational renewal because teamwork is an important part in the transformational renewal journey and everyone in the organization is encouraged to contribute. They are good at sharing a common goal and vision, the purpose is always clear (Bass, 1990) and this could be linked to transformational renewal were the active middle manager makes the employees strive for common goal.

Transformational leaders possess the ability to inspire people and to meet their needs both emotionally and intellectually. They have a strong charisma and have great power that is not caused by fear (Bass, 1990). In a group they have the ability to create trust and confidence which enable people to grow and develop (Bass, 1990). A transformational leader sees the needs of their employees and pay close attention to every individual’s needs, they also teach their employees how to see problems from
different angles and look into solutions (Bass, 1990). This behaviour could be connected to the transformational renewal journey where middle managers focus on finding new ways of working and significant unlearning. Transformational leaders often have strong performing and committed teams and are highly respected as leaders (Bass, 1990).

To be able to conduct organizational renewal, leaders should create a culture that is risk-taking, problem-solving, creative and have the courage to test new paths (Bass & Avolio, 1993). The next step is to create routines and procedures within the organization and then communicate the changes. The transformational leaders must then teach and make their followers comfortable with the change and new behaviours will take place to adapt to the new culture (Bass & Avolio, 1993).

Bass (1990) model of transformational leadership includes some elements from transactional leadership, e.g. rewards and corrective actions. The rewards are used as an incentive to encourage certain actions to reach a goal. Corrective actions are used to monitoring work that is done by employees. These elements from transactional leadership are seen as necessary for a successful leader and should be seen as a whole together with the other characteristics of transformational leadership (Bass, 1990).

**Figure 3, showing characteristics of Transformational and Transactional leaders, (Bass, 1990)**
Transformational leadership contains four key components; Idealized Influence, Inspirational Motivation, Intellectual Simulation and Individualized Consideration (Bass & Riggio, 2006) see Fig. 3.

**Idealized Influence** (or Charisma)

Leaders act as role model that acts with respect and trustworthiness and are admired by their followers. The leader is a true influencer and the followers are trying to become like the leaders that are viewed as having great capabilities, confidence and act with integrity and trust. Hence, the behaviours of the leader are highly important in idealized influence. A collective sense of mission is central to the leader. These leaders are prepared to take risks and at the same time they act with high standards of ethical and moral behaviour (Bass & Riggio, 2006).

**Inspirational Motivation** (or Inspiration)

These leaders use meaning as a way to inspire and motivate their followers. They also challenge their followers work and set goals and communicate expectations. The leader creates a great team spirit and a shared vision by the group. The followers want to contribute and meet the common long term vision and they are highly committed (Bass & Riggio, 2006).

**Intellectual Simulation**

These leaders encourage their followers to think in new ways and to be innovative. They often reframe problems and ask questions to bring up new ideas and problem solving. It is ok to have the wrong answer, or have another opinion than the leader, and to make mistakes and the followers dare to explore new approaches and finding solutions (Bass & Riggio, 2006).

**Individualized Consideration**

The leader trying to make their follower reach their highest possible potential by acting as a coach. The leader considers that the followers have different needs and accept that people are different. The leader creates tailored action plans that support the growth of the individual as well as delegate tasks to increase their development. These leaders
listen carefully and also remember the last conversations with the followers and see them as persons rather than employees. The leader gives the followers different tasks that is well suited to their development and also coaches them on an individual basis (Bass & Riggio, 2006).

Transformational leadership is well suited for a VUCA environment because it has the ability to create a clear vision and transform challenges into milestones and make them reachable (Juhro et. al., 2017). Even in a complex environment transformational leadership is useful because it is agile and adaptable, it will not get stuck into routines and processes as many other leadership behaviours (Juhro et. al., 2017).

Transactional leadership is built upon transactions, reward for great performance and punishment for employees that do not perform as expected. A transactional manager has a leadership behaviour characterized by management-by-exception (Bass & Avolio, 1993). Well performed employees get rewarded by advancement and higher salary and the manager focusing on the self-interest of those employees. This kind of leadership is built upon procedures and regulations together with the expectation of the manager (Bass, 1990). The transactional leader sets rules and standards which the employees are expected to follow (Bass, 1990). The behaviour of transactional leadership could be linked to directed renewal journey because hierarchy and regulations are commonly used in directed renewal e.g. to avoid units to move in different directions. The transactional manager is passive in the back watching and using threats, rewards and even “management by fear” to increase the group’s performance (Bass, 1990). Here is another link to directed and emergent renewal because the middle manager is passive in those renewal journeys and has a typical transactional behaviour. It was found that in both directed and emergent renewal the middle manager was not rewarded for having an innovative and explorative behaviour as in transformational leadership.

The transactional leader typically avoid decision making and delegate responsibilities to others (Bass & Avolio, 1993). There is seldom any teamwork within transactional leadership, everyone try to act as individually as possible (Bass, 1990). This differs from the transformational renewal journey were teamwork are encouraged and this strengthens the link between transactional behaviour and emergent as well as directed renewal journeys. Employee’s commitment is only in the short term and is dependent
upon rewards and they do not identify itself with the organisation (Bass, 1990). In the transactional environment status quo are often seen and there are no risk taking or innovations (Bass & Avolio, 1993). Again, Transactional behaviour can be linked to emergent and directed renewal were the managers are not rewarded for being innovative and at the same time they are risk averse. Typical transactional behaviours e.g. hierarchy and regulations can be found in both directed and emergent renewal journeys. There is a clear connection to the passive middle manager, that is found in both directed and emergent renewal journeys, because it is built upon clear hierarchy, regulations and does not encourage to bring new ideas, innovations, teamwork etc. as the transformational and facilitated renewal journeys does.

The literature review contains the theory of VUCA environment; Volatility, Uncertainty, Complexity and Ambiguity (Mack et. al., 2015; Kinsinger & Walch, 2012) which is especially the case within European financial institutions (Volberda, et. al., 2001). It also explains the theory of Strategic renewal which can be categorized into four journeys: emergent renewal, facilitated renewal, directed renewal and transformational renewal (Volberda, et. al., 2001). The choice of renewal journey differs over time and is often due to a change in environment (Volberda, et. al., 2001) and environmental changes could force the middle management to change its leadership behaviour leadership (Juhro et. al., 2017).

It was found that there is a clear link between the behaviours of middle managers and strategic renewal journeys. It could be interpreted that a transformational leader is active while transactional leader is passive and therefore the behaviours could be linked to middle managers role in transformational and facilitated renewal (active) and directed and emergent renewal (passive). While the transformational behaviour focus on people transactional behaviours focuses more on tasks, routines and rules (Bass, 1990) and it was found that this could be linked to renewal journeys as well. The theory of transformational and transactional behaviours and their link to strategic renewal are explained in the literature review. The next section, methodology, describes how the research was conducted.
3. Methodology

3.1 Research design

To be able to conduct research on how middle managers perform strategic renewal, this research will use qualitative research methodology. Qualitative data means non-numeric data that cannot be quantifiable (Saunders et. al., 2009). Qualitative research methodology works well when the researcher wants to make explanations and interpretations (Bluhm, et. al., 2010). This kind of research method is good when understanding processes with people, organisations, groups etc. were focus is on the individual’s experiences and behaviours (Bluhm, et. al., 2010). In this research it is crucial to capture middle managers behaviours and that is why qualitative method was chosen as research method. Qualitative research method are often used when testing management theory or to elaborate with existing models (Bluhm, et. al., 2010).

This study is conducted as a single case study and according to Dul and Hak (2008) a case study is defined as “A case study is a study in which (a) one case (single case study) or a small number of cases (comparative case study) in their real life context are selected, and (b) scores obtained from these cases are analysed in a qualitative manner.”. A case study is used when there is a high complexity and uniqueness of the case (Ridder et, al., 2015). The reason for the choice of using a case study is because the researcher has the possibility to go in-depth into transaction banking on the company of choice. According to Ridder et, al., (2015) “Case study research is apt for making a theoretical contribution in the management field because of its ability to develop a situationally grounded understanding and thick descriptions of complex phenomena in their natural setting”.

A multiple case study includes several cases to be compared with each other to find similarities and differences (Gustafsson, 2015). Other cases in this research would have been other Swedish banks. The reason for not using multiple case study is that the opportunity for going in-depth would not have been possible. Going in-depth in this case means having a deep understanding about the organization and environment. According to Gustafsson (2015) “For creating high-quality theory… a single case study produce extra and better theory.” Gustafsson (2015) also argues that a single case study
is the best choice when wanting to get a deeper understanding. Another reason for not using multiple case study in this case is that multiple case studies are both time consuming and expensive (Gustavsson, 2015). It would not have been efficient and the “additional” outcome gained would not have been in proportion to the money and time invested. The research objective can be achieved by using data from only one instance. The choice of a case study instead of an experiment is because the case study is in a real life context (Dul & Hak, 2008) instead of a manipulated environment.

This research has an inductive approach which means “formulate theories and propositions with alternative explanations from observations and patterns” (Håkansson, 2013) and works well together with qualitative analysis (Gauri & Grønhaug, 2008). It also has some elements of deductive research that “seek to develop a theoretical position and then test its applicability through subsequent data collection and analysis” (Saunders et. al., 2009). This is because using only inductive data is very time consuming and is preferably used by experienced researchers (Saunders et. al., 2009). The data is collected by a case study which is done with qualitative analysis (Dul & Hak, 2008; Gustafsson, 2015) and was chosen in this case because it was best suited for answering the key questions for this thesis. By using a real life context the research in this case will be more authentic and it will be easier to understand how transformational behaviours affect the strategic renewal in reality. To gain understanding and different views e.g. opinions, meanings and behaviours of a phenomenon, qualitative analysis is used (Håkansson, 2013).

Qualitative analysis often uses a small number of data and continues until there is enough data to get reliable results (Håkansson, 2013). Studying a real life context with a case study with qualitative data will provide necessary answers on behaviours and more in-depth than a survey do or a mathematical measurement does. A case study is a “visual inspection” (Dul & Hak, 2008). The other common method, quantitative research, focus more on statistics, mathematical measurements and data collected through quantitative analysis such as polls and surveys and was less sufficient for this research questions. The quantitative research method use data from large populations rather than a small number of instances (Dul & Hak, 2008).
3.2 Organization of choice

While VUCA is the concern in all kinds of business (Mack et. al., 2015), especially financial institutions have an urgent need for strategic renewal (Volberda et. al., 2001) and that is why a bank was chosen for this study. Transformational leadership is well suited for a VUCA environment (Juhro et. al., 2017) and therefore this study contains the two leadership behaviours transformational and transactional leadership used to analyse the middle managers behaviours. Middle managers were chosen because they play a vital role within strategic renewal (Hopkins, et. al., 2013). There is a positive relationship between strategy and organisational performance when middle managers are involved and the influence from middle managers when doing strategic decisions is increasing (Floyd & Wooldridge, 1992).

3.3 Data Collection Interviews

The researcher conducted semi-structured in depth interviews with leaders that work within transaction banking in a middle management role today. This help to investigate how leadership behaviour plays an important role within strategic renewal. By doing this semi-structured interviews it will be able to tell what the challenges and opportunities are for these middle managers. Based on the interviews it will be possible to draw conclusions on the middle managers role within the strategic renewal process and also connect their behaviours to the different leadership behaviours. It was also possible to tell how their leadership behaviours have changed, or are changing, due to environment and also how this has affected their renewal journey.

For this research five middle managers from different functions within transaction banking where chosen for semi-structured interviews. Semi-structured interviews are often used in qualitative analyses such as case studies (Saunders et. al., 2009). Interviews give a deep understanding of a problem and also catch the participant’s point of view (Håkansson, 2013). Semi-structured interviews were chosen because of the need for more in-depth answers and be able to dig deeper into details in different questions. Gauri & Grønhaug (2008) states that “the advantage of in-depth interviews is that we gain more accurate and clear picture of a respondent’s position or behaviour”, and in this research this is important because a lot of interest lies in the behaviour of the
middle managers. Semi-structured interviews requires a skilled interviewer with a great knowledge of the research problem and what information is needed (Gauri & Grønhaug, 2008) and that is why the interviewer is the same person as the researcher. The interviewer needs to have several competences including how to ask questions, listening skills, ability to handle different respondents (some might be more “open” than others) etc (Saunders et. al., 2009). To be able to perform good interviews a test interview were conducted with direct feedback on the competences listed above.

One important bias with semi-structured interviews is “interviewer bias” (Saunders et. al., 2009). Interviewer bias is when the interviewer tries to affect the outcome by using certain tone or by trying to impose its own beliefs in the way of asking questions (Saunders et. al., 2009). This is avoided during the interviews by the interviewer using a formal tone and trying to be as neutral as possible. Another bias is “response bias” which means that the respondent may not want to, or empowered to, answer certain questions that may be sensitive (Saunders et. al., 2009). The response bias is avoided by the interviewer who has the knowledge on beforehand know what might be sensitive or not and all answers were handled with confidentiality and anonymity. A third bias is the one of “reliability” and means that the data collected may differ over time and situations may change (Saunders et. al., 2009). In complex and dynamic circumstances it might be impossible to avoid the bias of reliability and in this research the flexibility of semi-structured interviews are needed to explore the complex topic e.g. behaviours could be seen as complex (Saunders et. al., 2009).

Structured interview was not seemed relevant in this study. Structured interviews are standardised, identical questions to every respondent and are viewed as a “qualitative research interview” (Saunders et. al., 2009). This kind of interview is often used to collect quantifiable data (Saunders et. al., 2009) and is conducted as a “job interview” with the interviewer behaving in the same way and asking the questions in the same order etc. (Gauri & Grønhaug, 2008).

Five middle managers, named Leader 1-5, were chosen from several functions to represent different parts of transactional banking. By using several functions it was possible to grasp the bigger picture because only taken e.g. sales function might have
given a biased outcome. Bias from semi-structured interviews often come from sampling that is unpresentable or over- and underrepresented subgroups (Gauri & Grønhaug, 2008) but this is avoided by using several functions. The managers were chosen randomly and with different backgrounds, experience, age and gender to get as little bias as possible. All the middle managers have at least 8 and a maximum of 12 direct reporting employees which could be considered as average among middle managers within transaction banking in this organisation.

The interviews was 60-75 minutes long consisting of three different parts; environment, strategic renewal and leadership behaviour. Most of the time was spent on leadership behaviour approximately 30 minutes. There were ten predetermined open ended questions, “how”, “why” and “what” (Saunders et. al., 2009), and the interviewer was able to ask follow up questions when needed and the interview was open which means that discussion is possible. The questions were not necessary taken in order it depended on the situation. The interviews were conducted in a quiet environment and all the middle managers had booked meeting rooms and turned off their computers to eliminate disturbances. There were no other participants in the interview than the researcher and the middle manager. To be able to remember the answers notes were taken during the interviews.

The managers were contacted by email and all of the interviews were conducted by skype meeting because the managers were located all over the country and skype is equally good as a physical interview. There are different kinds of interview formats e.g. mail, phone or physical (Fig 4.) (Saunders et. al., 2009; Gauri & Grønhaug, 2008) and skype format was chosen because using semi-structured interview would have taken huge amount of time, and almost impossible to get a good flow of the interview, if conducted by email. The managers were contacted by email because it was a good way to communicate and to send the questions of the interviews in advance. The email also contained information about the purpose of the study.
3.4 Planning for data collection

Preparation is necessary for successful interviews (Saunders et. al., 2009). In this data collection the five P’s are used “prior planning prevents poor performance” (Saunders et. al., 2009). To be able to gain trust by respondents and asking the right questions the interviewer need to have certain knowledge (Saunders et. al., 2009). In this case this was done by reading the literature review carefully and to gain knowledge about the participants. The literature review materials were collected from databases such as Google Scholar. Another important part of the preparation is to support the respondents with information on beforehand (Saunders et. al., 2009) and this was done in this case. Location is another central aspect of planning (Saunders et. al., 2009) and all the middle managers were asked to find a quiet environment were the interview could be conducted. The attributes of the interviewer is also important (Saunders et. al., 2009) and the interviewer were on time, making a comfortable environment by starting to explain the research and the interviewer were actively listening. In order to be well prepared a checklist was used see appendix.
3.5 Analysing qualitative data

The difference (Fig. 5) between quantitative and qualitative data is that quantitative data consist of numbers and analysis is done by statistics and diagram (Saunders et. al., 2009). Qualitative data is based on words and is analysed through use of conceptualisation (Saunders et. al., 2009).

![Figure 5, showing the difference between qualitative and quantitative data, (Saunders et. al., 2009)](image)

Qualitative data analysis is a demanding process and this kind of data needs analysing through the conceptual framework (Saunders et. al., 2009). To collect the data notes were taken during the interviews, grasping both verbal- and non-verbal communication.

A process of data cleaning was done which means transcribing data (Saunders et. al., 2009). After the data cleaning the data was sent to the participants for approval, the participant received the interview in some key points, a summarisation. When analysing data it is important to store the data correctly (Saunders et. al., 2009) in this case the data was stored in separate files named by each participants initials.

When the approval from respondents was done then the next step was to categorise the answers. Categorisation is done by making groups, codes or labels that could be derived from the theoretical framework (Saunders et. al., 2009) which was done in this case, e.g. behaviours were categorized into transactional vs. transformational behaviours. In this study the data was categorised “from terms used in existing theory and the literature” (Saunders et. al., 2009). The next step was to finding relationship and patterns between categories and to test them to see if there are other explanations that do not confirm the
relationship or pattern. This also included looking for alternative explanations and in the end the whole process of testing it will lead to valid conclusions (Saunders et. al., 2009).

This thesis is using both inductive and deductive approach. On one hand, deductive approach enabled to test the patterns and explanations, received through data, against theoretical framework. By using Deducting approach it provides the researcher with patterns to look for (Saunders et. al., 2009). By using inductive approach as well the researcher will not stuck into trying to explain the data through the theoretical framework (Saunders et. al., 2009).

4. Analysis

4.1 Transaction banking environment

VUCA is an acronym for Volatility, Uncertainty, Complexity and Ambiguity (Mack et. al., 2015). This environment is especially common within European financial institutions (Volberda, et. al., 2001). This was confirmed by the respondents.

“New regulations in the EU create an uncertainty, take for example PSD2 which could become a game changer who knows what would happens next…and another example is the new competition from all new Fintechs entering the market” - Leader 1

The Payment Service Directive 2 (PSD2) will force European banks to give third parties access to customer accounts and the third parties will be able to initiate transactions and reach customer financial data (Reijers et. al., 2016). This is done by e.g. new competitors in the market called “Fintechs” (Reijers et. al., 2016). The A in the VUCA stands for ambiguity which means that there is a lack of clarity (Mack et. al., 2015) this could be the case of the PSD2 because the future could not be defined by predetermined steps. Leader 1 expresses an uncertainty about the future and talks about PSD2 as a “game changer” that will open for both new opportunities and threats which is still not completely known.
“It is difficult to make predictions about which payment method that will be “the one” in the future, there is a new mobile payment that has become very popular in Sweden while similar services are not equally popular in other countries…the numbers of users has really exploded over time” – Leader 3

“There is a lot of new innovations in the market like blockchain technology, we don’t really know exactly how that will affect us in the future” – Leader 4

Leader 3 and 4 points out that it is difficult to make predictions and also there has been and could be significant change from one period of time to another which could also be explained by complexity and uncertainty (Mack et. al., 2015). Leader 3 mentioned that mobile payments arise as a new way of making payments which has become more and more popular but also talks about the difficulty to predict which solution will be adopted by the customers. The solution adopted varies among countries which make it even more problematic to make predictions.

“This changing environment is challenging to me as a leader, I find ways to interpret and communicate the way forward to my employees and lead them in this environment. I need it to make sense for my employees, if I don’t know they won’t know either. This is something I do in the everyday in my role as a leader” – Leader 1

Strategic sense-making is crucial for leading in a VUCA environment and is even more important now than ever (Kinsinger & Walch, 2012). Sensemaking is about how managers understand the information of the change and how they interpret this knowledge and then create a sense of it (Rouleau, 2005). Sensegiving is when the managers influence others by communicating their interpretation of the change and thereby gain support (Rouleau, 2005). Leader 1 highlights this challenge and talks about the importance of making sense to the employees. The leader also mentions that this is something that is done in the ongoing business. Both Sensegiving and Sensemaking should be a natural part of the daily routines and conversations by middle managers and its stakeholders (Rouleau, 2005). The day-to-day conversations and activities are important parts of making people adjust to and be comfortable with the new strategic direction (Rouleau, 2005).
4.2 Transformational renewal journey

Transformational renewal is one out of four journeys of Strategic Renewal (Volberda, et. al., 2001). Strategical renewal means that the company changes its core competences, change the elements of the organization, and creates a new mission. This change is made on a managerial level and by inter-firm collaborations where middle managers play a vital part (Schmitt et. al., 2016). The majority of organizations need to transform due to changes in technology, politics and economics (Schmitt et. al., 2016).

“Due to change in environment e.g. digitalisation, new technology etc. we change and our customers do to e.g. more and more customers demand online meetings than just a year ago which means that we need a shift in competences...Online meetings means a new way of working for us, using other technology and we are much more agile because we can work from everywhere” – Leader 2

“Before you could stay in the same role for 30 years or even more, I don’t believe this will be the case any longer because everything happens so fast today with digitalisation and so on. We are on a journey which right now means a radical change and we will likely become much more agile.” – Leader 1

“There is more robotics today which has led to a shift in competences. In my role I have a great responsibility to ensure the right competencies in the right place.”- Leader 4

Leader 2 emphasise the importance of change and this is why strategic renewal is important, to secure long term survival in an unpredictable and changing environment (Schmitt et. al., 2016). Some factors that are considered strategic are e.g. way of working, products and services, routines, policies and also the people within the organization (Agarwal & Helfat, 2009). Leader 2 highlights some of the strategic factors in this case online meetings, way of working and shift in competences. Leader 1 and 4 also mention factors that as impact on strategic change and that there is a shift in competences and way of working e.g. more automatic procedures due to robotics. Many of the leaders also mention that there is a shift towards a more agile way of working. Leader 4 highlights the importance of the middle manager to ensure the right competencies and this should be seen as an important action of the strategic renewal process because otherwise the organisation will not use their assets in an efficient
manner. It was found during the interviews that strategic renewal is necessary by the middle managers within transaction banking because of e.g. the change in technology which forces a change in way of work and competences, and change in customer demands.

There are four kind of strategic renewal journeys; Directed renewal, Facilitated Renewal, Emergent renewal and Transformational renewal (Volberda, et. al., 2001). Every one of these journeys has its own characteristics depending on passive/active top management and middle management with consideration to environment and competition (Volberda, et. al., 2001). While emergent and directed renewal focuses a lot on top management with passive middle management, facilitated and transformational renewal requires active and participating middle managers. Transformational renewal was found during the interviews with middle managers to be the journey that is ongoing within transaction banking. This is the case because the interviewed middle managers were found to play an active role within the strategic renewal and in transformational renewal the middle manager is active. There is another renewal journey were the middle manager is active, facilitated renewal, but it was found to be inappropriate in transaction banking because of the clear focus on people, which is characteristic for transformational renewal and one of the important differences between the two renewal journeys. In directed and emergent renewal it was found to be a lot of focus on routines, procedures, guidelines etc. with a passive middle manager which was not the case within transaction banking. Based on the interpretations of the different renewal journeys and interviews with middle managers it was clear that transformational renewal was the renewal journey within transaction banking.

“I feel that I am highly important as a leader in the transformational journey and I actively encourage my employees to have an open mindset and bring new ideas to the table. I believe having an open mindset and find new ways of thinking is necessary for survival in this changing environment and to contribute to becoming the company we want to be.” – Leader 3

“Before it was more silos, today we work as one team through different functions…I feel everyone is participating in this journey, both me and my manager is actively engaged.” – Leader 5
In the transformational renewal process the top management works close to middle managers and their involvement is essential to the strategic renewal process. The transformational renewal focus a lot on mindset, finding new ways of thinking, significant unlearning and exploring new methods of working (Volberda, et. al., 2001). Leader 3 highlights the importance of people which is found to be one of the main differences between facilitated renewal and transformational renewal. Leader 3 also described that there has been a shift from emergent renewal, avoiding new ways of working, to transformational renewal which encourage people to have open mindset and find new ways of working. In emergent renewal middle managers avoid spend time on intangible activities will take a risk and therefore they stay conservative to exploring new ways of working (Volberda, et. al., 2001). Leader 3 also highlights a shift in becoming actively engaged in the renewal process, in emergent renewal the middle managers stays passive but in transformational renewal the middle manager is active (Volberda, et. al., 2001). Leader 5 also highlighted that both middle and top management is active which also could be found within transformational renewal. It was found during the research that there could be a shift from one renewal journey to another e.g. the example with ING bank and Rabobank which changed from emergent to facilitated renewal respectively directed to transformational renewal and it was also clear that this also could differ over time. In this case with transaction banking the interviewed leaders descriptions of the strategic renewal journey could be interpreted as a shift from emergent renewal to transformational renewal.

Within strategic renewal not only part of the organisation is involved, the whole company needs to participate (Schmitt et. al., 2016). Leader 5 emphasised that both he/she and the managers were involved and that functions working more together and this could be seen as strategic renewal since everyone seem to be involved not only part of the company. Leader 2 takes this to the next level by feeling a great responsibility like “a spider in the web” for all divisions to work well together. Connecting different functions and divisions of the organisation found to be characteristic by a middle manager performing transformational renewal. It was also found that the middle managers has a lot of responsibilities in transformational renewal an Leader 2 puts emphasise on the great responsibility that he or she possess in the renewal journey.
Within transformational renewal there is teamwork between different functions and levels of the organization which creates knowledge integration that maximize learning and improve flexibility (Volberda, et. al., 2001). Leader 5 describes teamwork between functions as “one team” which could be seen as a part of transformational renewal since there has been a shift from working in silos to collaboration between functions.

“I feel a strong ownership that change starts with me and this is something that I share with my employees and colleagues so that they feel it too, together we make a difference. This is especially important now when we are adapting for the future” – Leader 5

“It is important to talk about “why” we are doing things to create a meaning to people, this enables them to understand and it is crucial because if they don’t understand it will be hard for them to take action. We often discuss in groups and 1-to-1 when something is changing, it is an important part of the process” – Leader 4

This is another example of how the middle manager takes active part of strategic renewal and how they affect the rest of the organisation. The transformational renewal is linked to transformational leadership and the middle manager plays a vital role (Volberda, et. al., 2001). Leader 5 talks about change and how ”it starts with me” and how this is shared among employees and this could be connected to inspirational motivation which is a part of transformational leadership. Inspirational motivation occurs when the leader creates a shared vision by the group (Bass & Riggio, 2006). Leader 5 plays emphasis on the importance of ownership when doing strategic renewal and how everyone needs to contribute to “make it happen” and he share this importance by inspirational motivation.

Middle managers have an important role within strategic renewal and when having a boundary spanning role they are even more influencers than other managers (Rouleau, 2005). Leader 5 has a boundary spanning role and therefore plays a vital role within the strategic renewal. Within strategic change it is important that middle managers work closely to the front line of the organization and they are responsible for creating an understanding of the change (Rouleau, 2005). This is what Leader 5 does when taking an ownership and creating an understanding of the change and how everyone needs to
contribute to it. Middle managers have the responsibility to explain why the company decided to change and what the outcome of the new strategy will become (Rouleau, 2005). How middle managers react to change, due to discussions and interactions with others, will be critical for success or failure of the new strategy. Middle managers can be seen as “strategic assets” (Rouleau, 2005). Leader 4 emphasise the importance of discussions about change and that it is important to understand “why” the change needs to be done and according to Rouleau (2005) this is crucial for success of the new strategy.

“My co-workers have tailored action plans and we work cross functions which create knowledge and teamwork…teamwork is essential to reach success within renewal.” – Leader 2.

As mentioned in the literature review the middle manager is responsible for connecting different levels of the organisation and he or she needs to possess the ability of an entrepreneur. Teamwork between functions creates knowledge sharing that maximize learning and increase flexibility (Volberda, et. al., 2001). All of the leaders were certain about that being a transformational leader is crucial for success when performing strategic renewal. They often mentioned people as the most important asset and being able to motivate and inspire people is an important role for the leader.

“Before there was a manual for everything and you as a leader were expected to know everything. Today you need to be more down to earth and empower others, in this fast changing environment it is impossible to know everything” – Leader 2

Transactional leadership is built upon procedures and regulations together with the expectation of the manager. The transactional leader sets rules and standards which the employees are expected to follow (Bass & Avolio, 1993). Leader 2 highlights that there has been a change in leadership behaviour, before the leadership were more transactional e.g. instructions, manuals, routines etc. According to leader 2 the leader is more of a coach today and transformational behaviour is necessary to conduct transformational renewal.

“If you want to achieve a change you need to lead the way and believe in that change then you can create a passion among your employees. If you don’t believe and fail to
“inspire your employees then it is much more difficult to make a change happen” – Leader 1

“Everyone is different and you need to consider every employee’s needs and coach them on individual basis. Then you can make them become their best and contribute to the renewal journey. I don’t believe in reward and punishment as leadership behaviour.” – Leader 2

Leader 1 highlights the behaviour of inspirational motivation and its importance when doing strategic renewal. Leader 2 mentions the importance of individualized consideration and the belief that transactional behaviours are not the best way to go when conducting strategic renewal. Transformational leaders focus on people and how to encourage them to participate actively in the change process (Bass & Avolio, 1993). These kinds of leaders focusing on creating an environment with creative change and empower employees to increase their responsibilities and take actions to create growth (Bass & Avolio, 1993).

“I feel great support by my manager; he supports me in my decisions and encourages me to bring up new ideas and initiatives.” – Leader 3

Middle managers often pay close attention to the market and technical innovations and therefore they have an important role within strategic renewal (Hopkins, et. al., 2013). To be able to perform strategic renewal middle managers need to feel supported by the top management; otherwise it can promote strategic inertia (Hopkins, et. al., 2013). Middle managers need to feel empowered and self-determination is seemed to be a critical component. According to Hopkins et. al. (2013) self-determination consist of four dimensions (1) consistency and perseverance in activities, (2) the courage to take risks, (3) initiative and proactivity, and (4) the ability to voice one’s opinion. According to Hopkins et. al. (2013) middle managers that feel empowered are more likely to perform successful strategic renewal. The majority of the leaders felt that they had a great support from their leaders and hence they are more likely to succeed with strategic renewal than leaders that do not have support. Next section will focus on leadership behaviour among middle managers and how that is linked to strategic renewal.
4.3 Transformational leadership behaviours among middle managers

The strategic renewal journey found in the investigated organisation, transformational renewal, will best be performed with the behaviours of transformational leadership. This is because there is a close link between transformational renewal and transformational leadership (Volberda, et. al., 2001). It was found that transformational leadership behaviours could be considered as active, while transactional leadership is more passive, and in transformational renewal the middle manager is active. At the same time it was found that the interviewed leaders all had characteristic transformational behaviours. Transactional leadership behaviours were found to work better when performing directed and emergent renewal because they are more focused on hierarchy, rules and routines. None of the interviewed leaders showed behaviours related to transactional leadership which could be seen as positive because the behaviours of a transformational leader would fit better with transformational renewal journey. This is because there was founded to be a clear focus on people within transformational renewal and a people focused leader would therefore be a better match. In transformational renewal there is teamwork between different functions and levels of the organization which creates knowledge integration that maximize learning and improve flexibility (Volberda, et. al., 2001). It was found to be difficult for a transactional leader to create that kind of teamwork because they are too much focused on regulations, routines, reward versus punishment and sitting passive in the back. That is found to be an argument why the interviewed middle managers transformational behaviour would be better suited for the ongoing transformational renewal journey within transaction banking.

Transformational leadership consist of four key components: idealized influence, Inspirational motivation, intellectual simulation and individualized consideration (Bass & Riggio, 2006) which all was founded in the interviews with the middle managers. Some of the managers had more outstanding component than others e.g. Leader 2 that was a typical idealized influencer, but all managers had some behaviours out of all the components.
“Everything starts with trust. It is not possible to create a great team without trust and respect for each other. Long ago I was working within a group with no trust, it was a group of individuals rather than teamwork” – Leader 4

“I trying to “walk the talk” and be a role model for my employees. I often get feedback that this is the case” – Leader 2

In Idealized influence leaders behave as role models and acts with respect and trustworthiness. The leader are a influencer and can be seen as a role model for their followers and at the same time have great competences, confidence and act with integrity as well as trust (Bass & Riggio, 2006). Leader 4 and 2 both talks about trust and “walk the talk” which are typical idealized influence behaviours. These leaders are prepared to take risks and at the same time they act with high standards of ethical and moral behaviour (Bass & Riggio, 2006). All the leaders talked about the importance of treating everyone equal and this could be seen as an example of ethical behaviour.

“I believe it is important for the group to have a shared vision and clear expectations otherwise everyone will move in different directions. No goals means lack of clarity and lack of clarity creates uncertainty and people feel confused” – Leader 1

“I have high expectations and challenging goals. We have teamwork like a soccer team, everyone contributes and we know when we have reach success. This may sound like a buzz-phrase but there is no I in teamwork.” – Leader 5

Within inspirational motivation leaders use meaning as a way to inspire and motivate their followers. The leader creates a great team spirit and a shared vision by the group and the followers are highly committed. These leaders are good at setting goals and expectations (Bass & Riggio, 2006). Both Leader 1 and Leader 5 show the behaviour of inspirational motivation because they highlight the importance of expectations, shared goals and visions together with teamwork. The other leaders also mentioned importance of creating good teamwork and to have a shared vision which was common among the leaders.
“I want my employees to be creative, I encourage them to think by themselves and find new solutions.” – Leader 5

“For example when I recruit new people I often recruit people that is not similar to myself, I think a group benefits from different thoughts and opinions” – Leader 3

Leader 5 shows a typical behaviour of intellectual simulation by letting the employees find their own solutions and be creative and self-thinking. According to Bass & Riggio (2006) these leaders encourage their followers to think in new ways and to be innovative. Leader 3 also shows this behaviour by encourage people to think different and it is accepted to have another opinion than the leader himself. In intellectual simulation it is ok to have the wrong answer, or have another opinion than the leader, and to make mistakes and the followers dare to explore new approaches and finding solutions (Bass & Riggio, 2006).

“I work as a leader because what motivates me is to see people grow and reach their fullest potential. I genuinely care for their development and how they feel and it is important to me that everyone is motivated and happy; if they are then they will walk that extra mile. For me the journey is more interesting that the goal” – Leader 3

“People grow by getting more responsibilities so I often delegate tasks to make them develop and learn new things.” – Leader 2

“All the small things matters like remembering the birthday of the employee or ask if they are satisfied with the new car they bought last week. This shows that you as a leader cares about and see your people and I can see that they appreciate it.”

– Leader 3

Leader 3 shows the behaviour of individualized consideration which means they care for their employee’s development and coaches them (Bass & Riggio, 2006). They also see them as individuals and carefully listen to their needs (Bass & Riggio, 2006). Leader 2 also shows behaviour of individualized consideration because he or she delegate tasks to make their employees grow and develop. A leader with individualized
consideration behaviour sees employees as people rather than employees (Bass & Riggio, 2006). Leader 2 often talked about the employees in a way that they were individuals rather than “just an employee like another”. Leaders with this behaviour listen carefully and also remember the last conversations with the followers (Bass & Riggio, 2006). Leader 3 talked about the importance of caring for their employees by making them feel seen and cared about.

The interviewed middle managers within transaction banking were found to have characteristic transformational leadership behaviours. The transformational leadership behaviours considered to be the best suited for the transformational renewal journey that is ongoing within transaction banking. This could be interpreted as that the middle managers have good conditions to perform a successful renewal journey.
5. Conclusion and limitations

This thesis aimed to describe how strategic renewal is conducted by middle managers and why is it necessary within transaction banking. It also aimed to understand how leadership behaviors can be successful, and if this changed from the past, for middle managers to perform strategic renewal and how important their role is within the process. To be able to do this a broad literature review was done on specific topics to develop a framework; VUCA Environment, Strategic Renewal and Transformational leadership behaviors. This framework was used to conduct an analysis together with the material from the five in-depth interviewed middle managers. Middle managers role within strategic renewal was confirmed and it was possible to describe how strategic renewal is conducted as well as why it is necessary within transaction banking. By using transformational leadership model in combination with transformational renewal it was possible to understand how leadership behaviors among middle managers can make strategic renewal successful.

Strategic renewal is critical for long term survival for the majority of organisations due to changes in technology, politics and economics (Schmitt et. al., 2016; Hopkins et. al., 2013). Strategical renewal means that the company changes its core competences, change the elements of the organization, and creates a new mission (Schmitt et. al., 2016). Renewal is defined as “the activities the firm undertakes to alter its path dependence” and it is focused on changing the characteristics of the organization whilst the strategic part means “the key ideas on which they are built” and means the actions on which the transformation of the organization is done with. For a renewal to be strategic the whole organisation needs to be involved (Schmitt et. al., 2016).

Strategic renewal consists of four renewal journeys: emergent renewal, directed renewal, facilitated renewal and transformational renewal. In transaction banking there is an ongoing transformational renewal journey due to changes in environment. The interviewed leaders describe these changes as new technology (e.g. robotics, online meetings), digitalization and new regulations. There is also a sense of urgency among the leaders; they feel it is highly prioritized to make this transformation journey. The change in environment is known by the acronym VUCA; volatility, Uncertainty, Complexity and Ambiguity (Mack et. al., 2015; Kinsinger & Walch, 2012). The
transformational renewal focus lies on mindset and to explore new ways of both thinking and working (Volberda, et. al., 2001).

Leadership behaviour plays an important role when performing strategic renewal. There is a transformational renewal journey within transaction banking due to environmental changes and middle manager plays a vital role within this strategic renewal. Middle managers are important because of their role as influencers and that they are an important link between functions and departments (Volberda, et. al., 2001). Middle managers do not only have a role as influencers, they often pay close attention to the market and technical innovations (Hopkins, et. al., 2013). Critical for success or failure of the new strategy is how the middle managers react to change and how they discuss and make interactions with others and they can therefore be seen as “strategic assets” (Rouleau, L., 2005).

For middle manager to perform strategic renewal they need to be supported by their top management (Hopkins, et. al., 2013) and in this case majority of the leaders within transaction banking felt they were empowered and self-determined. One of the main research questions of this thesis was to investigate which behaviour was best suited to perform strategic renewal among middle managers and middle managers will best perform transformational renewal by transformational leadership behaviours (Volberda, et. al., 2001). This is because there was found to be a clear match between the behaviours of transformational leadership and the desired outcome of transformational renewal journey. On the other hand it was found that transactional behaviour is best suited for directed and emergent renewal journeys. It seems that leaders within transaction banking are well suited for performing the strategic renewal journey because all interviewed managers showed characteristic transformational leadership behaviours and no transactional behaviours was found at all.

The middle managers interviewed all had typical characteristic behaviour of a transformational leader. The transformational leadership behaviour focuses on motivation, trust and loyalty and encourages people to participate actively in the change process (Bass & Avolio, 1993). Within a VUCA environment transformational leadership is well suited because it has the ability to create a clear vision and transform challenges into milestones and make them reachable. Transformational leadership is
useful because it is agile and adaptable, even in complex environment, and it will not get stuck into routines and processes as many other leadership behaviours (Juho et. al., 2017).

All the interviewed leaders highlighted the importance of a common goal and vision together with clear expectations. They also talked about how they inspire people and pay attention to their employee’s best interest and needs. They put emphasis on the team and do their best to make their people grow and develop. According to (Bass, 1990) these are all behaviours of a transformational leader. The leaders interviewed strive for being role models and to “walk the talk” in their ambition to become strong leaders. A transformational leader encourages their people to speak up and share their ideas and explore new thinking (Bass, 1990) and the leaders interviewed also believed in this way of working.

The limitations of this study are the researcher’s biases towards interpretation of strategic renewal and leadership models. Also the characteristic biases of semi-structured interviews, although avoided as much as possible, should be considered e.g. sampling that is unpresentable or over- and underrepresented subgroups (Gauri & Grønhaug, 2008). To really be able to confirm this study there should be even more interviews than the five conducted which would require more time and money invested. An interesting view for further research is to grasp the employee’s point of view, e.g. do they have the same interpretation of the middle managers behaviours as the manager itself.
6. Reference list

Books


Articles


## Appendix

<table>
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<tr>
<th>Checklist</th>
<th>Answer</th>
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<tbody>
<tr>
<td>How will your preparation affect your respondent?</td>
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<tr>
<td>What topics should be covered?</td>
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<tr>
<td>What kind of information does the respondent need on beforehand? Have you provided respondent with necessary information?</td>
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<tr>
<td>How should you behave during the interview?</td>
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<tr>
<td>What impact will the interview format have on the respondent?</td>
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<td>How should the data be stored in order to secure confidentiality and anonymity for the respondents?</td>
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<td>How will you treat potential biases?</td>
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<tr>
<td>What kind of concern might your respondent have and what is the plan for solving them?</td>
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<td>How should the data be collected?</td>
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<td>How will you tell the respondent about the purpose?</td>
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