

# THE IMPACT OF AUTHENTIC LEADERSHIP ON ORGANIZATIONAL ECONOMIC PERFORMANCE: A STUDY IN THE FINANCIAL SECTOR OF GEORGIA

Tinatin Dzotsenidze  
Ivane Javakhishvili Tbilisi State University<sup>1</sup>

## Abstract

Leadership style is one of the determinants of organizational success. The management of teams, the support provided by the manager, and the involvement of team members in internal processes all contribute to improving the quality of their work. The study was conducted in banks operating in Georgia. The purpose is to determine whether authentic leadership depends on the workplace and whether the workplace influences the intensity of stressful situations and the organizational climate. In addition, we considered it important to study the economic efficiency of existing banks and compare it with our research findings. One thousand-four respondents participated in the research, enabling us to generalize the findings throughout the abovementioned organizations. The acquired results were processed using the statistical program SPSS. Developed recommendations will help organizations develop authentic leadership skills and improve economic efficiency.

**Keywords:** authentic leadership, economic efficiency, organizational climate, stress management, financial sector

**JEL classification codes:** M20; M10

## Introduction

Leadership-related topics have always piqued the interest of scientists around the world. According to the articles published during the last three decades, research into leadership styles gained considerable emphasis in 2020–2021. Publications predominantly focused on transformational and sustainable leadership studies, each accounting for 19.5% of all articles published during these years.

It should be emphasized that the authors studied 21 different leadership styles. However, studies on authentic leadership skills represent only 4.26% of existing publications (Piwowar-Sulej & Iqbal, 2023). Our interest in the topic sprang from the previously mentioned fact. Authentic characteristics such as self-awareness, internalized moral perspective, balance processing, and relational transparency (Avolio, Walumbwa, & Weber, 2009) (Kernis, 2003) foster a transparent, welcoming, and equal environment in organizations, resulting in heightened employee engagement. This will ultimately impact the quality of the results and, consequently, the organization's success.

---

<sup>1</sup> Tinatin Dzotsenidze, PHD Student, Ivane Javakhishvili Tbilisi State University, 1 Ilia Chavchavadze Avenue, E-mail: tinatindzotsenidze5@gmail.com

Leadership style is one of the determinants of organizational success. The management of teams, the support provided by the manager, and the involvement of team members in internal processes all contribute to improving the quality of their work. An organization that achieves high results also earns high profits, reflecting its success (Stanca, 2021).

Numerous factors impact organizational success, making measuring it with a single, unique instrument challenging. Among them is the quality of the product or service offered to the customer. However, we should not overlook the most important aspect – the individuals employed in the organization who create the mentioned products. The success of the organization depends on these people. Studies have shown that the involvement of team members, namely low-level employees, in work planning and shared vision, access to tangible and intangible (such as information) resources, and open and transparent relationships within the organization increases organizational success (Shrestha, 2012).

It is noteworthy that, according to Bernard Bass, the basic personal skills of transformational leadership encompass authentic leadership skills. According to Bass, transformational leaders are ambassadors of morality who determine their and followers' ethical behavior. Guided by universally acknowledged and mutually shared values and moral aspirations, they prioritize "self-interest" and strive for self-awareness and self-reflection (Bass, 1999).

According to a study published in 2024, authentic leadership significantly impacts the formation of authentic followers. These influences may take various forms: role modeling, trust, psychological safety, value reinforcement, feedback and development, authentic communication, encouragement of individuality, personal growth, ethical leadership, and a shared vision. The research presented focuses on developing the leadership role within the organization while considering the impact of an authentic leader on their followers (Utomo & Rosyidah, 2024).

**A study published in 2021 focused on the challenges of practicing authentic leadership. One of the important challenges was the ethical relations experienced by subordinates with particular intensity. On the other hand, the attitude of an authentic leader towards followers, in which their interests and future growth are considered, is highlighted. As a result, we gain devoted and loyal followers (Gardner, Karam, Alvesson, & Einola, 2021).**

To study the topic in-depth, it is important to consider five main dimensions of success: 1. Financial, 2. Market, 3. Process, 4. People Development, and 5. Future. It should be mentioned that even in this situation, it is difficult to identify one specific measure because it depends on the specifics of the organization's activities. According to a 2001 study, the most popular and reliable metric is the financial dimension, which includes sales, profit margin, revenue growth, cash flow, and net operating income. The mentioned factors have been extensively employed in academic research (Maltz, Shenhar, & Merino, 2001).

Based on the topic's importance and relevance, we selected the most accurate and quantifiable measure among the presented factors to guide our research: the financial measure. During the research process, we assumed that high company profits are correlated

with increased intra-organizational communication, access to information, and an authentic management style.

The study was conducted in banks operating in Georgia. The purpose is to determine whether authentic leadership depends on the workplace and whether the workplace influences the intensity of stressful situations and the organizational climate. In addition, we considered it important to study the economic efficiency of existing banks and compare it with our research findings.

During the research process, an anonymous questionnaire was utilized to investigate the influence of authentic leadership skills on the economic performance of organizations. The questionnaire included 78 questions. One thousand-four respondents participated in the research, enabling us to generalize the findings throughout the abovementioned organizations. The acquired results were processed using the statistical program SPSS. The following statistical procedures were applied to analyze the obtained data: crosstabulation analysis, Chi-Square test, MEAN statistical procedure for comparison of averages, ANOVA, Kruskal-Wallis test, etc.

Along with quantitative research, we considered it important to analyze the data presented by the National Bank to study the income of banks in Georgia (2024 data). As a result, we compared the research findings with banks' economic efficiency.

Based on the findings, it was determined that authentic leadership and access to necessary information, which implies more transparency, contribute to the organization's success. Also, the presence of managers with authentic leadership skills can contribute to an increase in a bank's Return on Equity (ROE), although it may not guarantee overall success. Furthermore, according to the results, the more managers are involved in solving problems with the team and show supportive behavior towards team members, the less stress employees perceive.

During the research process, we interviewed respondents working in Tbilisi, the capital of Georgia. This presents a limitation of the research. To mitigate this, we plan to conduct future research in other regions to offer a more comprehensive and comparative analysis. However, it is important to acknowledge that a significant portion of Georgia's population lives and works in the capital.

## **Literature review**

Authentic leadership skills are crucial for transforming individuals into effective leaders who can reach the top with their team. Mentioned skills enable leaders to stay updated and remain informed, quickly adapt to changes, and, most importantly, remain focused on personal growth. Swift's book, "Lead Like No One Else: Master Authentic Leadership, Build Unbreakable Teams," provides a compelling overview of the historical development of authentic leadership. The author focuses on the essence of authentic leadership and the development of authentic skills such as self-awareness, acceptance, strong values, cognitive abilities, observation, and inspiration. Importantly, the author emphasizes that these attributes can be developed and strengthened. By focusing on personal growth, one can cultivate authentic leadership skills (Swift, 2023).

Self-awareness is one of the authentic leadership skills. Thus, self-reflection is crucial and one of the most important skills of a leader. Rob Goffee and Gareth Jones, in their work "Why Should Anyone Be Led by You? With a New Preface by the Authors: What

It Takes to Be an Authentic Leader,” (Goffee & Jones, 2015) examine topics such as self-awareness, self-presentation, modern approaches to communication, leadership skills and potential evaluation, and characteristics of authentic followers. Drawing on extensive research, the authors advise how leaders can improve their skills and how to manage their emotions. Notably, the authors won the McKinsey Award for Best Article.

When discussing authentic leadership, it is important to consider theories such as Leader-Member Exchange Theory (LMX), which originated in the 1970s. According to the mentioned theory, managers and subordinates develop a mutual influence, where leaders subconsciously categorize team members into two groups. Consequently, they exhibit greater loyalty to one group over another. The theory highlights the significance of personal relationships, with leaders tailoring their methods to the individual traits of each member. This fosters trust, open communication, mutual understanding, and a positive work atmosphere. In groups where leaders have more trust, members’ efforts and results are higher, unlike in the other group. Authentic leaders need to eliminate and minimize bias and subjective approaches (Indeed editorial team, 2023) (Aggarwa, Chan, Jhamb, & Mittal, 2020) (Omilion-Hodges & K. Ptacek, 2021).

From the perspective of authentic leadership, it is interesting to consider it together with transformational leadership. Bernard M. Bass studied transformational leadership and believed that such leaders influence followers through charisma, inspiration, and intellectual stimulation. Within the organization, subordinates of mentioned managers, or followers, are highly motivated to meet goals, pursue self-development, and enhance the organization’s well-being. This creative approach aids in goal achievement and problem-solving. Such leaders set high-performance standards and exhibit determination and self-confidence. Consequently, followers aspire to emulate this leadership (Bass, 1999).

Some research indicates that authentic and transformational leadership share similarities. Both types of leadership align a leader’s moral actions with their values. Additionally, they prioritize followers and foster an atmosphere of mutual trust. This stems from their concern for their followers’ growth, attentive listening, consideration of followers’ ideas, and fostering trustworthy relationships (Malloy & Kavussanu, 2021).

Aside from the earlier considerations, modern organizational success heavily hinges on project management. Guiding a company’s goals and overseeing project cycles are fundamental to an organization’s achievements. The primary mission for project managers is to complete work within the set timeframe. It’s fascinating how these professionals adeptly manage both people and processes. Do they require authentic leadership skills to communicate effectively with their teams? Project managers need to foster communication and trust among employees to ensure project success. A 2021 study highlights a strong connection between four key factors: communication, trust, authentic leadership, and project success. Authentic skills help leaders communicate successfully in teams and thus achieve project success (Majeed, Kayani, & Haider, 2021).

All jobs entail stress, and our research focuses on how authentic leadership affects stress perception. In this regard, the paper “The Role of Leadership in Occupational Stress” is interesting, where William A. Gentry and the authors discuss occupational stress in-depth and emphasize the role of leadership. The book also explores workaholism and its effects on the well-being of leaders and their followers. Furthermore, it underscores how destructive behavior by leaders can foster a stressful environment. The authors provide

key insights into improving employee well-being (Gentry, Clerkin, Perrewé, Halbesleben, & Christopher, 2016).

Also worth mentioning is the work “Organizational Stress and Well-Being (Cambridge Companions to Management),” which focuses on the nature of stress in organizations and the significance of employee well-being. At the same time, it highlights managers’ crucial role in addressing employee stress. The book presents the latest research on the mentioned topics (Lapierre, 2023).

Stress significantly affects employees on both an individual and organizational level. Published in 2023, “Organizational Stress: A Review and Critique of Theory, Research, and Applications” paints a clear picture of the damage stress inflicts on health and well-being. It also negatively impacts organizational climate and productivity. The book discusses job stress definitions, assessment methods for occupational stress, and strategies for individuals and organizations to cope with stress and related problems (Nerstad, et al., 2023).

Employee high performance stems from their motivation. Beyond financial incentives, non-material motivators significantly impact overall outcomes. A 2024 study in Indonesia (Widianto & Yusman, 2020) revealed that to boost motivation, leaders must foster environments where all team members feel motivated. Achieving this is challenging due to the unique traits of each employee. Moreover, a situational leadership style can influence performance quality and cause subordinate ineffectiveness.

Author Jody Michael, in the book “Leading Lightly: Lower Your Stress, Think with Clarity, and Lead with Ease,” emphasizes that a successful leader must first manage personal and work life. Drawing on over 20 years of research and experience as a leadership expert and certified coach, the author gives practical advice for developing self-awareness to handle stress with greater agility and courage, ultimately achieving professional and personal well-being (Jody, 2022).

In the end, as a summary, we can consider Dr. Charles R. Crowell’s work from the University of Notre Dame, “The Road to Organizational Success,” which illustrates a step-by-step pyramid for organizational achievement. Besides emphasizing key results, Crowell highlights the significance of relevant behavior. It suggests that efficient and effective employees are shaped by appropriate treatment, attitude, collaboration, leadership style, organizational transparency, and superior support. The author once again emphasizes the importance of the relationship between the manager and the subordinate (Crowell, 1998).

## **Research analysis**

The following hypotheses were developed during the research process:

**H1: Managers’ authentic leadership skills significantly depend on the workplace;**

**H2: The ability to access the necessary information for employees depends on the place of employment;**

**H3: The place of employment influences the frequency of stressful situations and the supervisor’s assistance in managing them;**

**H4: The intensity of stressful situations is related to the manager’s authentic leadership skills and the supervisor’s assistance in managing stressful situations;**

**H5: The place of employment significantly influences the presence of a positive organizational climate.**

We tested the validity of the first hypothesis – **H1: Managers’ authentic leadership skills significantly depend on the workplace** – employing cross-tabulation analysis (see Table 1) and with a Chi-Square test included in the statistics menu (see Table 2).

The authentic leadership skill variable is derived through data transformation by calculating a new variable based on the corresponding sub-variables.

An authentic leader can have a significant beneficial impact on employee motivation and performance, which can be directly related to the organization’s economic efficiency. Therefore, during the research process, we were interested in how the respondents evaluate the authentic leadership skills of their manager.

The data presented in the crosstabulation table demonstrates that the following organizations are leading in terms of authentic manager skills: “other financial organizations” (61.1%), Bank of Georgia (60.7%), ProCredit Bank (59.5%) and TBC Bank (57.8%). It is important to consider the negative Results: Paysera Bank stands out among the negative responses with 32.3% (see Table 1).

**Table 1. Frequency distribution of the variable of authentic leadership skills of a manager by workplace**

Q5 Place of employment	A manager with authentic leadership skills (Row N%)			
	I don’t have an answer	Never	Rarely	Often / Always
<i>PASHA Bank and Re Bank</i>	2.6%	12.5%	39.6%	45.3%
<i>TBC Bank</i>	0.0%	4.3%	37.9%	57.8%
<i>Bank of Georgia</i>	1.9%	9.3%	28.0%	60.7%
<i>ProCredit Bank</i>	1.3%	11.4%	27.8%	59.5%
<i>Tera Bank</i>	.9%	4.3%	42.7%	52.1%
<i>BasisBank</i>	1.5%	4.6%	36.9%	56.9%
<i>Liberty Bank</i>	2.8%	7.0%	40.8%	49.3%
<i>Credo Bank</i>	4.3%	11.4%	48.6%	35.7%
<i>Other financial organizations</i>	2.8%	2.8%	33.3%	61.1%
<i>Isbank Georgia</i>	2.8%	5.6%	44.4%	47.2%
<i>Halyk Bank</i>	0.0%	0.0%	47.9%	52.1%
<i>Paysera Bank</i>	25.8%	32.3%	41.9%	0.0%

Source: Author’s findings

As the authentic leadership skills of managers are observed only in case of high scores, we checked the influence of the place of employment on the authentic leadership skills

of managers only according to the “often” and “always” categories. Table 2 illustrates the results of the Chi-Square test. Based on the data obtained, we conclude that the maximum statistical relationship (at the 0.01 level (P value <0.001)) has been identified between a manager with authentic leadership skills and the place of employment, thereby confirming the first hypothesis (see Table 2).

**Table 2. Pearson Chi-Square Tests**

		<b>A manager with authentic leadership skills</b>
<b>Q5 Place of employment</b>	Chi-Square	148.774
	df	33
	Sig.	<b>.000</b>

*Source: Author's findings*

Ensuring that employees have timely and comprehensive access to the required information is a crucial responsibility of organizations. The mentioned approach makes the employees feel like valuable members of the organization and facilitates seamless business operations. Naturally, having the necessary knowledge makes it easier for the employee to see the situation holistically and makes them better able to address the issue. Lack of access to relevant information for employees often leads to a lack of communication, demotivation, missed deadlines, etc. (Rich, 2020). McKinsey report claims individuals waste over nine hours a week looking for information at work (Pathak, 2024). Effective management of the knowledge management system helps companies to continuously exchange important information and knowledge, which encourages the continuous learning of employees while significantly reducing time resource losses and increasing the performance level of each employee. To achieve the mentioned goal, it is possible to use appropriate tools and technology that facilitate providing information (Norton, 2024). Given the topic's significance, we consider it important to determine if employees' ability to access necessary information depends on their place of employment.

We used the MEAN statistical procedure of comparing averages to test the second hypothesis – **H2: The ability to access the necessary information for employees depends on the place of employment.** The dependent variable is the ability to access essential information for employees, and the factor is the company (place of employment). In the table (Report) obtained through the MEAN procedure – (see Table 3), the parameters of the descriptive statistics of the variable “Q70 The organization provides me with the information I need” according to the companies are given: Mean, Median, and Standard Deviation. The fourth table represents the results of variance analysis (see Table 4).

**Table 3. Descriptive statistics (Report)**

Place of employment	Q70 The organization provides me with the information I need			
	Mean	Median	Std. Deviation	N
<i>PASHA Bank and Re Bank</i>	<b>4.03</b>	4	1.015	192
<i>TBC Bank</i>	<b>3.89</b>	4	1.036	116
<i>Bank of Georgia</i>	3.72	4	1.188	107
<i>ProCredit Bank</i>	4.19	4	0.863	79
<i>Tera Bank</i>	<b>3.94</b>	4	1.116	117
<i>BasisBank</i>	<b>3.97</b>	4	1.075	65
<i>Liberty Bank</i>	<b>3.85</b>	4	1.064	71
<i>Credo Bank</i>	3.74	4	1.073	70
<i>Other financial organizations</i>	3.75	4	1.308	72
<i>Isbank Georgia</i>	3.75	4	1.131	36
<i>Halyk Bank</i>	4.10	4	0.592	48
<i>Paysera Bank</i>	3.74	4	1.237	31

Source: Author's findings

The third table demonstrates that *PASHA Bank/Re|Bank*, *Halyk Bank*, *Tera Bank*, *BasisBank*, etc., occupy the leading positions in receiving the necessary information for employees – with an average score close to 4 or 5.

**Table 4. ANOVA Table**

			Sum of Squares	df	Mean Square	F	Sig.
<b>q70 The organization provides me with the information I need .*</b> <b>Q5 Place of employment</b>	Between Groups	(Combined)	20.747	11	1.886	1.650	.080
	Within Groups		1134.005	992	1.143		
	Total		1154.752	1003			

Source: Author's findings

Based on the data analysis, we can conclude that the second hypothesis is not confirmed. According to the place of employment, the possibility of obtaining the necessary information for the employee is characterized by a similar tendency.

Kruskal Wallis test was applied to test the third hypothesis – **H3: The place of employment influences the frequency of stressful situations and the supervisor's assistance**



**in managing them.** From the table of Chi-Square test results, it can be seen that the variable of place of employment has a statistical relationship with both dependent variables. The variable – “Q77 Does your supervisor help you manage stressful situations?” has a statistical relationship at the 0.01 level (P value = 0.006), and the variable – “Q76 How often are you in a stressful situation at the workplace?” has a statistically significant relationship at the 0.05 level (P value = 0.020). As a result, the third hypothesis is confirmed. From the two dependent variables represented by the Chi-Square test, the place of employment has a greater influence on the supervisor’s help variable in managing stressful situations (see Table 5).

**Table 5. Test Statistics**

	<b>Q76 How often are you in a stressful situation at the workplace?</b>	<b>Q77 Does your supervisor help you manage stressful situations?</b>
Chi-Square	22.569	26.011
df	11	11
Asymp. Sig.	<b>.020</b>	<b>.006</b>

a. Grouping Variable: **Q5 Place of employment**

*Source: Author’s findings*

The following hypothesis – **H4: The intensity of stressful situations is related to the manager’s authentic leadership skills and the supervisor’s assistance in managing stressful situations** – was tested by regression analysis, where the dependent variable is: “How often are you in a stressful situation at the workplace?” and the predictors: “Does your supervisor help you manage stressful situations?” and “A manager with authentic leadership skills”.

The summary table obtained as a result of the regression (see Table 6) demonstrates a positive average correlation between actual and expected results (R=.427).

**Table 6. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.427	.183	.181	1.147

a. Predictors: (Constant), *Q77 Does your supervisor help you manage stressful situations?., A manager with authentic leadership skills*

b. Dependent Variable: *Q76 How often are you in a stressful situation at the workplace?*

*Source: Author’s findings*

The analysis of variance table (ANOVA) obtained from the regression analysis (see Table 7) shows that the selected data are of high reliability with a statistical significance level of 0.01 (  $P\_value < 0.001$  ).

**Table 7. ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	294.460	2	147.230	111.822	.000
Residual	1317.957	1001	1.317		
Total	1612.417	1003			

a. Dependent Variable: Q76 How often are you in a stressful situation at the workplace?

b. Predictors: (Constant), Q77 Does your supervisor help you manage stressful situations?., A manager with authentic leadership skills

*Source: Author's findings*

The coefficient table (see Table 8) assists us in the construction of the regression equation.

**Table 8. Coefficients**

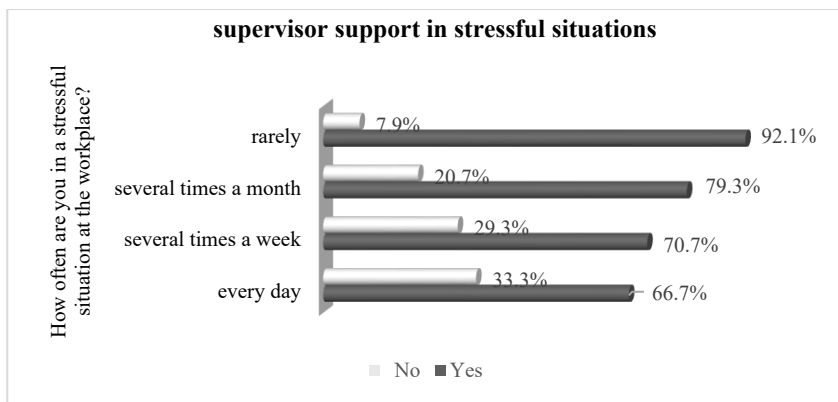
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.143	.213		5.358	.000
	<b>A manager with authentic leadership skills</b>	.293	.047	.185	6.204	.000
	<b>Does your supervisor help you manage stressful situations?</b>	.474	.032	.441	14.809	.000

*Source: Author's findings*

As the table of coefficients shows, the intensity of being in stressful situations has a weak positive correlation with the variable of a manager with authentic leadership skills. At the same time, it has an average positive correlation with the supervisor's help in managing stressful situations. In addition, the dependent variable has a maximum

statistical relationship with both predictors at the 0.01 level (the P-value does not exceed 0.001 in both cases). According to the t value of the difference between the means, the intensity of stressful situations is more influenced by the supervisor's help in managing stressful situations. As a result, the fourth hypothesis is confirmed (**H4: The intensity of stressful situations is related to the manager's authentic leadership skills and the supervisor's assistance in managing stressful situations**).

The frequency of stressful situations at the workplace is related to the support provided by the supervisor. When respondents experience stress more often, they receive less help from the supervisor. Conversely, when they experience stress less frequently, the supervisor's support increases. These findings suggest that increased supervisor support during stressful situations may lead to less frequent occurrences of stress among respondents (see diagram 1).



**Diagram 1. Cross-tabulation: the relationship of the variable of supervisor support in stressful situations with the intensity of stressful situations**

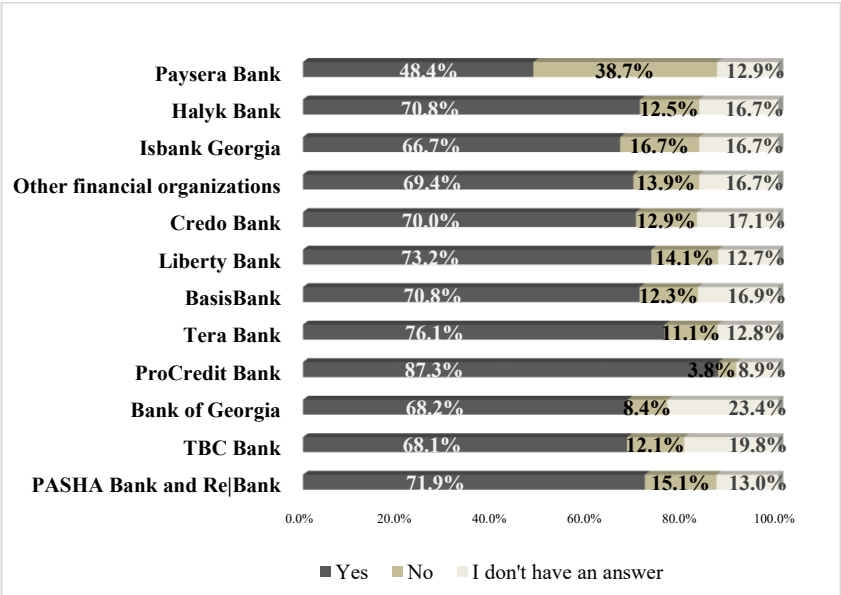
*Source: Author's findings*

Employee motivation levels are significantly impacted by a positive organizational climate, which boosts their performance and ultimately enhances the company's economic efficiency. It is important to note that a positive organizational climate significantly reduces employee turnover, increases employee engagement, and promotes innovation (Psico-smart Editorial Team, 2024). Leadership plays a crucial role in establishing a positive organizational climate, as leaders can greatly influence employees' perceptions and attitudes toward the organization (Indeed).

To determine whether there is a difference among existing companies regarding a positive organizational climate, we formulated and tested the fifth hypothesis (**H5: The place of employment significantly influences the presence of a positive organizational climate**).

This hypothesis was tested by crosstabulation analysis and Chi-Square test (see Table 9). The second diagram shows that with the highest percentage, a positive organizational

climate is observed in the following organizations: ProCredit Bank, Tera Bank, Liberty Bank, PASHA Bank/Re|Bank, etc.



**Diagram 2. The Existence of a positive organizational climate, according to companies.**

*Source: Author’s findings*

The results of the Chi-Square test prove that the place of employment has a significant effect on the existence of a positive organizational climate in the company, there is a statistically significant relationship between the variable of the place of employment and the variable of the organizational climate at the 0.05 level ( $P=0.01$ ), thus confirming the fifth hypothesis.

**Table 9. Pearson Chi-Square Tests**

		Q67 Do you have a positive organizational climate in your company?
Q5 Place of employment	Chi-Square	40.441
	df	22
	Sig.	.010

*Source: Author’s finding*

In the research process, we considered it important to analyze the profit indicators of Georgian banks based on the annual report (as of July 2024) published by the National Bank of Georgia (National Bank of Georgia, 2024) (see Table 10).

**Table 10. Financial Data of Commercial Banks Operating in Georgia**

<b>N</b>	<b>Name of The Bank</b>	<b>NET In- come of 7 months 2024</b>	<b>Return on Assets – ROA, An- nualized</b>	<b>Return on Equity – ROE, An- nualized</b>
1	<i>Bank of Georgia</i>	853,974	4.61%	32.65%
2	<i>TBC Bank</i>	682,891	3.65%	25.35%
3	<i>Liberty Bank</i>	65,683	2.59%	21.40%
4	<i>Credo Bank</i>	31,363	2.09%	16.81%
5	<i>Basis Bank</i>	42,015	2.05%	13.33%
6	<i>Tera bank</i>	18,479	1.81%	12.16%
7	<i>ProCredit Bank</i>	20,699	1.92%	11.48%
8	<i>IS Bank</i>	9,093	3.36%	11.22%
9	<i>HALYK Bank</i>	11,213	2.17%	7.98%
10	<i>Pasha Bank</i>	4,457	1.38%	6.67%
11	<i>Paysera</i>	–791	–7.66%	–17.14%

*Source:* National Bank of Georgia/ annual report

It should be noted that according to the first table, the profitability of Georgian banks according to ROE is not inferior to European countries, where the average is 9.67%. (European Central Bank, 2024). Since the lending interest rate is high in Georgia and the main profits for banks come from interest on loans, the ROE of Georgian banks is also high (Shavdatuashvili, 2016). Although it is crucial to provide an overall picture, our primary purpose was to deliver data ranked among banks. Since the research we presented focuses on banks operating in Georgia, we consider those with the higher ROE to be the most successful. According to ROE, the following five banks are leading: Bank of Georgia (32.65%), TBC Bank (25.35%), Liberty Bank (21.40%), Credo Bank (16.81%), and Basis Bank (13.33%).

It's interesting to examine what kind of leadership style banks have and how their management style differs from that of other industries. The success of an organization depends on various factors. In addition to financial data, it's crucial to consider the internal culture, work environment, employee satisfaction, and engagement. These factors influence the company's profitability and overall success. Management style plays a crucial role in the existence of these factors, which in turn contributes to the existence and strengthening of these listed factors. For successful operation in the banking industry,

five qualities are considered necessary for a leader: 1) vision, 2) authentic leadership and values, 3) ability to accept changes, 4) networking and communication, and 5) preparation and risk management (Mäkitalo, 2017).

## **Conclusions and recommendations**

Our research aimed to assess the influence of authentic leadership on company success. Initially, we examined the prevalence of managers with authentic leadership skills across the main operating banks in Georgia. We also identified several other factors that contribute to company success, including the manager's involvement in the work of team members, support, openness in relationships, and access to necessary information within the organization. Additionally, we gauged the respondents' assessment of the organizational climate and their perception of a stressful work environment.

We used the banks' Return on Equity (ROE) to assess the company's success. According to Harvard Business School, ROE measures how effectively a company can use equity investments to generate profits for investors. The financial data of the banks presented in the study were obtained from the July 2024 report published by the National Bank of Georgia.

Based on the findings, it was determined that authentic leadership and access to necessary information, which implies more transparency, contribute to the organization's success. Additionally, employees' stress levels depend on the support shown by their managers. The more involvement and support employees receive when raising problems, the less stress they perceive. This, in turn, positively affects the overall organizational climate.

The presence of managers with authentic leadership skills can contribute to an increase in a bank's Return on Equity (ROE), although it may not guarantee overall success. For instance, Procredit Bank ranks second in the number of authentic leaders but only seventh in ROE ratings. This indicates that authentic leadership alone does not ensure organizational success. On the other hand, Liberty Bank ranks seventh in authentic leadership but third in ROE, suggesting that factors other than authentic leadership may also play a significant role. This is because the mentioned bank carries out the pension and social benefit transactions for the beneficiaries in Georgia. As a result, its financial performance is likely affected by this factor to some extent.

There is a clear positive trend in the success of banks and access to the necessary information within the organization. In addition, the quantitative relationship with authentic leadership is visible. Where authentic leadership is high, the average score on Question 70 is high. In conclusion, it can be stated that the more information is available to employees, which is a characteristic of authentic leadership, the higher the indicators of the organization's economic success.

According to the results, the more managers are involved in solving problems with the team and show supportive behavior towards team members, the less stress employees perceive. This contributes to a positive work environment and likely increases employee satisfaction, which is crucial for organizational success. It's worth noting that the top five organizations are small banks, contrary to previous hypotheses. The high level of manager involvement in small banks is due to less bureaucracy, simplified hierarchical communication, and influence from international management with European

experience. Additionally, these banks primarily focus on the corporate segment, requiring greater manager involvement in decision-making processes such as lending decisions.

Interestingly, there's a statistical relationship between the perception of a positive organizational climate and the workplace. However, the data is more scattered across different banks. This is because many factors contribute to the formation of the organizational climate, and it is not solely dependent on the company's economic success. A company might be economically successful, but that does not guarantee a healthy organizational climate.

In this instance, international banks are taking the lead, suggesting that European management possesses extensive experience and knowledge in developing corporate culture. Georgian banks should strive to work harder and incorporate international knowledge. The management style significantly influences employees' attitudes, their engagement within the organization, and, to some extent, the positive work environment. The organization's success is greatly enhanced by using an authentic leadership management style. Therefore, every organization must ensure that individuals with authentic leadership skills are appointed to leadership positions, and adequate resources should be allocated to develop these crucial skills.

As a recommendation, we advise the financial sector to prioritize hiring managers with authentic leadership skills and to develop them. Additionally, they should study the management style of international banks. This will help improve the organizational climate and stress management indicators in Georgian banks in the future. Researching the factors that contribute to a more positive organizational climate in banks with international governance would be interesting. At the same time, it is important to conduct research in the regional branches of the organizations. **It is interesting whether regional location and cultural differences influence these results.**

## References

1. Aggarwa, A., Chan, P. K., Jhamb, D., & Mittal, A. (2020). Leader-Member Exchange, Work Engagement, and Psychological Withdrawal Behavior: The Mediating Role of Psychological Empowerment. *Front Psychol*.
2. Avolio, B. J., Walumbwa, F. O., & Weber, T. J. (2009). Leadership: current theories, research, and future directions. *Annual Review of Psychology*, 421–449.
3. Bass, B. M. (1999). Two Decades of Research and Development in Transformational Leadership. *European Journal of Work and Organizational Psychology*, 9–32.
4. Crowell, C. (1998). The Road to Organizational Success. *CRC Publications*.
5. European Central Bank. (2024). *Supervisory banking statistics*. Retrieved from [https://www.bankingsupervision.europa.eu/banking/statistics/html/index.en.html?fbclid=IwY2xjawFdRoJleHRuA2FlbQIxMAABHVydP\\_fk8WoUpXnJOcFkdPQTk1zQvY-wVQelNpyq5m0RIC9pAXjeCVIEDBg\\_aem\\_Uc6QLJnSF2vCH877Y-rrw](https://www.bankingsupervision.europa.eu/banking/statistics/html/index.en.html?fbclid=IwY2xjawFdRoJleHRuA2FlbQIxMAABHVydP_fk8WoUpXnJOcFkdPQTk1zQvY-wVQelNpyq5m0RIC9pAXjeCVIEDBg_aem_Uc6QLJnSF2vCH877Y-rrw)
6. Gardner, W. L., Karam, E. P., Alvesson, M., & Einola, K. (2021, December). Authentic leadership theory: The case for and against. *The Leadership Quarterly* Volume 32, Issue 6.

7. Gentry, W. A., Clerkin, C., Perrewé, P. L., Halbesleben, J. R., & Christopher, R. C. (2016). *The Role of Leadership in Occupational Stress*. Emerald Publishing Limited.
8. Goffee, R., & Jones, G. (2015). *Why Should Anyone Be Led by You? With a New Preface by the Authors: What It Takes to Be an Authentic Leader*. Harvard Business Review Press.
9. Indeed editorial team. (2023, February 4). *Leader-Member Exchange Theory: Definition and Stages*. Retrieved from indeed.com: <https://www.indeed.com/career-advice/career-development/leader-member-exchange-theory>
10. Indeed. (n.d.). *What Is Organizational Climate and How Can You Make It Better?* Retrieved from www.indeed.com: [https://www.indeed.com/hire/c/info/organizational-climate?fbclid=IwY2xjawFdQ\\_5leH-RuA2FlbQIxMAABHRSSZwjE\\_T1DdDHZR0vrKqUx3p5rv3IHb6BBXH6n6I0PiEaxLwugueJmGw\\_aem\\_UbBl3IGFRxnnPl2Dk60sjQ](https://www.indeed.com/hire/c/info/organizational-climate?fbclid=IwY2xjawFdQ_5leH-RuA2FlbQIxMAABHRSSZwjE_T1DdDHZR0vrKqUx3p5rv3IHb6BBXH6n6I0PiEaxLwugueJmGw_aem_UbBl3IGFRxnnPl2Dk60sjQ)
11. Jody, M. (2022). *Leading Lightly: Lower Your Stress, Think with Clarity, and Lead with Ease*. Greenleaf Book Group Press.
12. Kernis, M. H. (2003). Toward a Conceptualization of Optimal Self-Esteem. *Psychological Inquiry*, 1–26.
13. Lapierre, L. M. (2023). *Organizational Stress and Well-Being (Cambridge Companions to Management)*. Cambridge University Press.
14. Majeed, H., Kayani, U., & Haider, A. S. (2021). The Project Communication and Trust Nexus as an Antecedents of Project Success: Moderating Role of Authentic Leadership. *International Journal of Business Communication*, 1–22.
15. Malloy, E., & Kavussanu, M. (2021). A comparison of authentic and transformational leadership in sport. *Journal of Applied Social Psychology*, 636–646.
16. Maltz, A. C., Shenhar, A., & Merino, D. N. (2001). Defining and measuring organizational success: toward a dynamic, multi-dimensional model. *Management of Engineering and Technology, 2001. PICMET '01. Portland International Conference on Volume: 1*.
17. Mäkitalo, A. (2017). *Leadership styles in the banking sector in Finland and in France*. Retrieved from www.semanticscholar.org: <https://www.semanticscholar.org/paper/Leadership-styles-in-the-banking-sector-in-Finland-M%C3%A4kitalo/2a1eafc09d765f1f3b90c82c388fcb80d9eff196>
18. National Bank of Georgia. (2024). *Commercial Banking Reporting*. Retrieved from nbg.gov.ge: <https://nbg.gov.ge/en/page/commercial-banking-reporting>
19. Nerstad, C. G., Seljeseth, I. M., Richardsen, A. M., Cooper, C. L., Dewe, P. J., & O'Driscoll, M. P. (2023). *Organizational Stress: A Review and Critique of Theory, Research, and Applications*. SAGE Publications Ltd; Second edition.
20. Norton, M. (2024, March 24). *Knowledge Management Guide for Businesses*. Retrieved from helpjuice.com: [https://helpjuice.com/blog/knowledge-management?fbclid=IwY2xjawFdQUJleHRuA2FlbQIxMAABHfXelCzH-AKg2rS0r3zoL8FcD2sEnmLUycr5ykZL476dgTNStwzt7i79RA\\_aem\\_ELwPVU8NrSUDsp6n4j5iIA](https://helpjuice.com/blog/knowledge-management?fbclid=IwY2xjawFdQUJleHRuA2FlbQIxMAABHfXelCzH-AKg2rS0r3zoL8FcD2sEnmLUycr5ykZL476dgTNStwzt7i79RA_aem_ELwPVU8NrSUDsp6n4j5iIA)
21. Omilion-Hodges, L., & K. Ptacek, J. (2021). *Leader-Member Exchange and Organizational Communication: Facilitating a Healthy Work Environment*. Palgrave Macmillan.



22. Pathak, K. (2024, Apr 24). *8 Best Knowledge Sharing Platform Examples In 2024*. Retrieved from Knowmax.ai: [https://knowmax.ai/blog/knowledge-sharing-platform/?fbclid=IwY2xjawFdQFFleH-RuA2FlbQIxMAABHaI02a7UTyyz7Kfl6KLCueV2vs4HdZIZKHkd85zwWPz0lLz0RlcOP68bug\\_aem\\_zWO\\_NhVDp1FLD0H8o5TGvQ](https://knowmax.ai/blog/knowledge-sharing-platform/?fbclid=IwY2xjawFdQFFleH-RuA2FlbQIxMAABHaI02a7UTyyz7Kfl6KLCueV2vs4HdZIZKHkd85zwWPz0lLz0RlcOP68bug_aem_zWO_NhVDp1FLD0H8o5TGvQ)
23. Piwowar-Sulej, K., & Iqbal, Q. (2023). Leadership styles and sustainable performance: A systematic literature review. *Journal of Cleaner Production*, 382. Retrieved from <https://doi.org/10.1016/j.jclepro.2022.134600>
24. Psico-smart Editorial Team. (2024, August 28). *How do organizational climate assessments impact overall business performance and innovation?* Retrieved from psico-smart.com: [https://psico-smart.com/en/blogs/blog-how-do-organizational-climate-assessments-impact-overall-business-performance-and-innovation-158952?fbclid=IwY2xjawFdQxllcHRuA2FlbQIxMAABHTs8qXhzZ3N0ebJsp-nNX2SZ4JUn9jKPrHZGGKcL8N4x4751lkiCzmImGGA\\_aem\\_TtNx0pbgi0jdeU](https://psico-smart.com/en/blogs/blog-how-do-organizational-climate-assessments-impact-overall-business-performance-and-innovation-158952?fbclid=IwY2xjawFdQxllcHRuA2FlbQIxMAABHTs8qXhzZ3N0ebJsp-nNX2SZ4JUn9jKPrHZGGKcL8N4x4751lkiCzmImGGA_aem_TtNx0pbgi0jdeU)
25. Rich, S. (2020, Sep 25). *Do your Employees have Access to Pertinent Company Information?* Retrieved from resourcingedge.com: [https://resourcingedge.com/hr-services/do-your-employees-have-access-to-pertinent-company-information/?fbclid=IwY2xjawFdP3dleH-RuA2FlbQIxMAABHRSSZwjE\\_T1DdDHzR0vrKqUx3p5rv3IHb6BBXH6n6I0PiEaxLwugueJmGw\\_aem\\_UbBl3IGFRxnnPI2Dk60sjQ](https://resourcingedge.com/hr-services/do-your-employees-have-access-to-pertinent-company-information/?fbclid=IwY2xjawFdP3dleH-RuA2FlbQIxMAABHRSSZwjE_T1DdDHzR0vrKqUx3p5rv3IHb6BBXH6n6I0PiEaxLwugueJmGw_aem_UbBl3IGFRxnnPI2Dk60sjQ)
26. Shavdatuashvili, I. (2016). Bank profits in Georgia. *Business and Legislation*, 43–53.
27. Shrestha, A. K. (2012). Leadership styles, subordinates' satisfaction with the leader and perceived effectiveness: A study in a Nepali telecommunications company. *Kathmandu University School of Management Occasional Paper No. 5*.
28. Stanca, I. (2021). Leadership: from classic theories to the 21th century's challenges. *Sixth International Scientific Conference "BUSINESS AND REGIONAL DEVELOPMENT"*.
29. Swift, C. (2023). *Lead Like No One Else: Master Authentic Leadership, Build Unbreakable Teams*. River Hill Publishing.
30. Utomo, T., & Rosyidah, R. (2024). Authentic followership in Madurese Public Organization: The role of authentic leadership. *E3S Web of Conferences* 499, 01001.
31. Widianto, M. H., & Yusman, N. I. (2020). The Situational Leadership Style Uses Information Systems Towards Employee Motivation In Bandung, Indonesia. *INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH VOLUME 9, VOLUME 9, ISSUE 03*.