

Comparative Study of Leadership styles between Public and Private Sector Banks: A Study on Indian Banks

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Abstract

Effective leadership makes an organization successful. Without leadership, organizations move too slowly, stagnate, and lose their way. Much of the literature about organizations stresses decision-making and implies that if decision-making is timely, complete and correct, then things will go well. Leadership is crucial in implementing decisions successfully. Leadership helps the employees to move together in the same direction and harness their efforts jointly. This research paper is based on the Comparative Leadership Styles in Public and Private sector, also looking at whether these leaders are people oriented or task oriented. Task-oriented leaders are more oriented towards achieving the goals and are more hands off with regard to people where as person oriented leaders show concern for subordinates and are more warm and supportive. They are hands off with regard to tasks. In this study we select four banks of each public and private sector to know about what kind of leadership style they possess based on which it could be determined how close they are with people and how much importance they give to the achieve their task.

Key Words: Leadership, Effectiveness, Success, Leadership Style.

INTRODUCTION

Traditional ideas about what made a great leader were based on a military model. A great leader was a man who took command, acted with courage, and did what was necessary for the success of his organization or country. Often he led using fear rather than persuasion. In recent years this model has been replaced with softer ideas of what a leader should be like. The emotionally intelligent leader who has social charm, empathy, self-awareness and self-control. Different types of leaders are their like, transformational leader who provides people with a vision of a better world and motivates them to transcend their self-interest, charismatic leader who emotionally energizes followers with an inspiring vision of the future and convinces them that he or she is the heroic figure who can make this vision real. This study is conducted in public and private sector banks to compare their leadership styles and to examine whether these leaders are task oriented or people oriented. Leadership have theories involving traits (Kirkpatrick and Locke 1991), situational interaction, function, behavior, power, vision and values (Richards and Engle,1986), charisma, and intelligence among others. The practice and academic circles agree that leadership is really an important subject in the field of organizational behavior.

Leadership is one with the most dynamic effects during individual and organizational interaction. The excellent leader not only inspires subordinate's potential to enhance efficiency and also meets their requirements in the process of achieving organizational goals. Stogdill (1957) defined leadership as the individual behavior to guide a group to achieve the common target. In latter days, Richards and Engle (1986) defined leadership as about establishment of vision, value and creation of environment so that the objective can be accomplished. After reviewing studies on leadership theories conducted in the past, it is generally divided into four periods trait theory, behavioral theory , contingency theory and contemporary leadership theory.

LITERATURE REVIEW

The effective management of an organization demands the integration of providers who may vary enormously in scale an influence, who may possess contrasting cultures, and who may dominated by professionals coming from different disciplines based upon conflicting paradigms (Bryant,2003). There is a constant interplay between culture and leadership. The presence of personal and emotional tensions conflicts in the organization is one dimension of organizational culture. How leaders react to problems, resolve crisis, reward

and punish followers is all relevant to an organizations culture. Leaders who are concerned about organizational renewal will seek to foster organizational cultures that are hospitable and conducive to creativity problem solving, risk taking and experimentation. Their perspectives on power tend to influence their strategies in conflict and enhance people to work together effectively. It seems logical that the employee relations orientation of the leader has a positive correlation with trust and a negative correlation with conflicts (Bass and Avolio 1994, Ekvall 1996). The role of leader in group leadership in intergroup conflict is an important element. The leader influences and directs individuals and groups, and requires many qualities and skills in order to effectively handle conflicts. A facilitative leader has the capacity to help the antagonistic groups work together towards their shared goals. He/she also provides encouragement and support, releases tensions, harmonizes misunderstanding and deals with disruptive or aggressive behavior (O'Hearn Woodliti 1987, Fisher 2000). Tichy and Cohen (1997) point out the scarcest resource in the world today is the leadership talent capable of continuously transforming organizations to win in tomorrow's world. The individuals and organizations that build Leadership Engines and invest in leaders developing other leaders have a sustainable competitive advantage.

OBJECTIVE OF THE STUDY AND RESEARCH METHODOLOGY

Leadership makes a business organization successful. Leadership style influences the thoughts and behaviors of subordinates in a substantial way. In the absence of leadership, organizations move too slowly, stagnate and lose their way. This study comes at a time when business leaders need to put themselves up, in order to guide, encourage and motivate their employees. The leadership styles of the managers depicts the motivational level of the workers to contribute to their fully towards achievement of organizational goals. This study has been conducted to compare the leadership styles of public and private sector banks.

- To study the Leadership Styles of Public and Private sector banks of India.
- To compare public and private sector banks leaders are task oriented or people oriented.

The present study is an descriptive research. The research is done by the survey method by doing a survey on the leaders of different domains and a interviews was conducted with leaders of 4 different banks each from public and private

sector bank. The stratified random sampling is used to select the respondents from the whole population. The survey is done by the method of questionnaire. First of all the study of the literature was done on the comparative study of the leadership styles between four (4) Public sector banks like Punjab and Sind Bank, Syndicate Bank, Oriental bank of commerce, Andhra bank and four(4)Private sector banks like bank of Rajasthan ltd, HDFC Bank ltd, ICICI Bank ltd, Axis bank ltd. In public sector banks and private sector bank how leaderships are developed and after discussing with the concern faculty a structured questionnaire was formed. We have selected ten leaders from each bank making it a sample of 80 leaders in total i.e. 40 from public and 40 from private sector bank. Sampling design here censuses survey has been conducted since the population size is small i.e. 80. The data was collected by survey method, the data source was primary and secondary sources both.

DATA ANALYSIS

Leadership development continues to be an increasing priority, attracting substantial investment particularly from enlightened organizations that view it as a vital condition for sustained success. Two recent studies by Cranfield's 'General Management Development Group' provide both private and public sector organizations with just such an opportunity to benchmark themselves by looking at the role and value of senior leadership development (SLD). There is clearly potential for cross fertilization. In the public sector, there is now considerable pressure for greater commercialization of services whilst the private sector is attempting to be more responsive to a wider range of stakeholders, a capability that has been a traditional focus for public sector organizations like the NHS and Local Authorities. These issues are both the remit of organization leaders so how does their leadership development practice compare? There were several critical issues about SLD that were consistent across both studies. The real value of SLD is often poorly understood at executive level few senior managers seemed to have personal clarity about the potential role of SLD as means of improving business performance. Managers seldom differentiated between the relative value of short and long term horizons and the value of internal and external knowledge in the design of SLD.

“Leaders of Public and Private sector”: Public and private sector organizations are often subject to comparison. The differences in culture, structure, environment and talent management are usually highlighted. In general, the private sector is used as a “benchmark” to evaluate the extent to which the public sector has evolved towards what is

commonly considered as “best practice”. A common assumption that private sector leaders are better than public sector leaders is fair. In order to better understand what differentiates managers from both sectors, Hudson used its Business Attitudes Questionnaire (BAQ) to analyze the personality characteristics. It is clear that if differences between senior leaders in the private and public sectors exist, they are smaller than previously thought but that they do have important consequences for organizations wanting to formulate a proper strategy to acquire and develop their future senior leaders.

Private and public leaders have more that binds them than that separates them Public sector organizations are usually as complex as private sector organizations and it therefore is logical to find that the global leadership profile in private and public sector are similar to a very large extent. Leaders from the public and private sectors are indeed equally firm when it comes to making decisions, persuading interlocutors and leading and motivating teams. The observed differences are represented below:

I. But small differences can have a major impact:

Private sector leaders have a clear tendency to go for short term results, being prepared to take calculated risks and to be optimistic about the outcome they can expect. In contrast, public sector leaders take way more distance from problems they have to face, strategically at longer term and opt for thoughtful, innovative and risk-averse approach of solving problems.

II. Gender differences, a common concern: In study, we found that female leaders in the private sector tend to abandon part of their typically female characteristics in order to position themselves as strong leaders in the mainly male dominated board room. This tendency seems to be even more evident in the public service, inviting women to even over-class their male counterparts.

III. Age as a source for innovation and change: When comparing both our samples from the private and public sectors, it seems that in the private sector over 30% of the senior leaders are younger than forty(40), while in the public sector barely 10% are young. When comparing their business attitudes it turns out that, younger leaders in the private sector show a very strong leadership profile, surpassing their more experienced colleagues on almost all traits. Young leaders in the public sector seem to be forced to adopt a more modest profile, although they clearly show to want to go for

change, aspire for autonomy and critically look at the world they are living in.

IV. Rule-following and monitoring compliance versus trust and participation:

By the fact that public sector leaders often operate in an overly structured environment, governed by rules and regulations, it is normal that they essentially focus on monitoring what is going on and how things are happening, rather than on guiding and stimulating the teams they are responsible for. This is probably not a major strength of leaders in the private sector, nevertheless it appears that private sector managers get more opportunities to grow in their career. This gives them more chances to grow in their career and to develop their leadership capabilities.

Leadership: Is It Better to be People or Task Oriented

After observations people become satisfied at work, and often at home as a result, when they feel they have a purpose. The tasks we are set to do reflect our purpose. It does not matter whether we are set the tasks directly by our supervisor or we have been given an overall task to set up our own sub-tasks to achieve an objective. The important element is that we have something to achieve against which we and others can measure ourselves. Happily, an organization with a clear goal and well developed strategies and tactics will have clear tasks and measures of success for those tasks. Even better, personal sense of purpose matches the need of the organization so an organization with a clear goal, well communicated strategies and tactics should be a very satisfying place to work, should it not? Once our observation is emphasis on accommodation of people's needs over the tasks required to be completed disturbs the clear line between goal, strategy, tactics, task and a sense of purpose. It was observe that the concentration on an employee's individual needs and relationships has increased in preference to task markedly. There is now a predilection for translating looking after employees to building a relationship with them. Not only that, the relationship is defined by “liking” the leader, rather than respect borne from being consistent, persistent and insistent. In a survey by the Society for Human Resource Management in 2007, the top five “very important” aspects of job satisfaction, according to employees themselves, were like compensation, benefits, job security, work/life balance, and communication between employees and senior management. The top five aspects of employee job satisfaction predicted by HR professionals were relationship with immediate supervisor, compensation, management recognition of employee job

performance, benefits, and communication between employees and senior management. Leaders who try to build “relationships” by accommodating one or more employee’s demands separate to the rest of their team signal those relationships are more important than getting the job at hand done. However, if leaders focus on their goal, they can more easily be seen to be consistent and help reduce any perception of bias. By focusing on tasks whilst maintaining a relationship with subordinates, leaders can maintain a position of authority and still be considered as friendly. Leaders must be clear about the goal of their department. They must be clear about the major tasks which individuals need.

Differences in leaders’ performance can be explained by the extent to which the leader is task- and or person-oriented

1. Task-oriented leaders
 - o manage/lead by instruction or goal setting
 - o are more hands-off with regard to people
2. Person-oriented leaders
 - o show concern for subordinates
 - o are warm and supportive
 - o are more hands-off with regard to tasks

The following table illustrates the benefits of focusing on task and the person (Table 1 : Focus on Task and Person)

While it is clear that leaders who concentrate on the task and the person is ideal, researchers prefer a task-oriented leader who is a little less able to be warm and supportive of subordinates rather than a leader who is very warm and supportive but cannot set goals and manage tasks.

Positive and Negative Approaches: There is a difference in ways leaders approach their employee. Positive leaders use rewards, such as education, independence, etc. To motivate employees while negative employers emphasize penalties. While the negative approach has a place in a leader’s repertoire of tools, it must be used carefully due to its high cost on the human spirit. Negative leaders act domineering and superior with people. They believe the only way to get things done is through penalties, such as loss of job, days off without pay, reprimanding employees in front of others, etc. They believe their authority is increased by frightening everyone into higher levels of productivity. Yet what always happens when this approach is used wrongly is that morale falls which of course leads to lower productivity.

Blake and Mouton Leadership Grid: Blake and Mouton studied leadership behavior and described two extremes of leadership concern:

Concern for Production: The leader cares little about people and operates in fear of something going wrong. This person’s focus is on achieving results and productivity.

Concern for People: This leader cares little about productivity and operates wholly from a desire to be loved and approved of.

The grid Blake and Mouton created from two dimensions can help you to understand our predominant style on the scale. The scale ranges from 1 (Low) to 9 (High) for both dimensions. The grid is divided into four quadrants based on these dimensions.

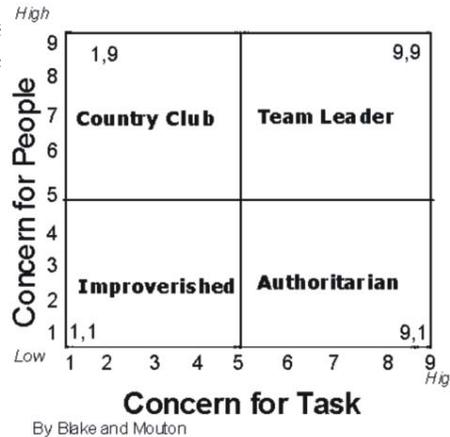


Figure - 1 : Blake and Mouton Leadership Grid

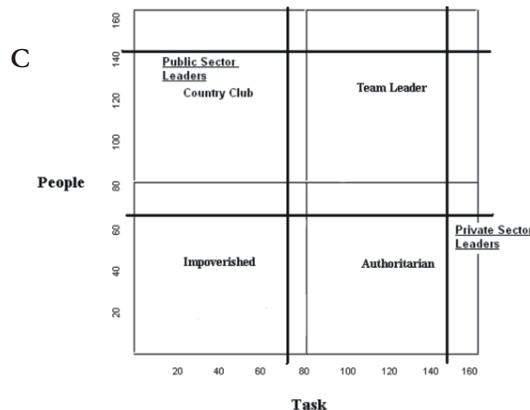


Figure 2 : Leadership grid of public and private sector bank employees.

After analyzing the above table no-2 and figure no-2 we have seen that the intersection point drawn on the basis of 2 axis X- axis constitute task oriented leaders and Y – Axis constitute people oriented leaders. After plotting the values calculated, we found that the intersection point for the leaders of private sector banks fall on authoritarian block which shows that these type of leaders are highly task oriented and low on relationship. Thus from this we have found that in Private sector banks, leaders are more of an autocratic style. All decision-making powers are centralized in the leader, as with dictator leaders. They do not entertain any suggestions or initiatives from. Authoritarian leaders provide clear expectations for what needs to be done, when it should be done, and how it should be done. There is also a clear division between the leader and the followers. Authoritarian leaders make decisions independently with little or no input from the rest of the group. Leaders' ratings are very much task oriented and are hard on their workers (autocratic). There is little or no allowance for cooperation or collaboration. Heavily task oriented people display these characteristics like they are very strong on schedules, they expect people to do what they are told without question or debate; when something goes wrong they tend to focus on who is to blame rather than concentrate on exactly what is wrong and how to prevent it, they are intolerant of what they see as dissent (it may just be someone's creativity), so it is difficult for their subordinates to contribute or develop. Where as we have seen from the calculations that leaders of the public sector banks fall in the category of COUNTRY CLUB block which shows that such kind of leaders are more of people oriented. These leaders use predominantly reward power to maintain discipline and to encourage the team to accomplish its goals. Conversely, they are almost incapable of employing the more punitive coercive and legitimate powers. This inability results from fear that using such powers could jeopardize relationships with the other team members.

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Table 1 : Focus on Task and Person

Low task	High Task <ul style="list-style-type: none"> • Low performance • Low turnover • Low grievance rate 	High person <ul style="list-style-type: none"> • High performance • Low turnover • Low grievance rate
Low person	<ul style="list-style-type: none"> • Low performance • High turnover • High grievance rate 	<ul style="list-style-type: none"> • High performance • High turnover • High grievance rate

Table 2 : Public and Private Banks employees response

Leader ships Questions		Private Sector Banks					Public Sector Banks				
		Respond %age					Respond %age				
Sl/no	Variables	SA	A	ST	DA	SD	SA	A	ST	DA	SD
1	Encourage my team to participate when it comes decision making time and I try to implement their ideas and suggestions.	5	5	10	40	40	30	40	25	0	5
2	Nothing is more important than accomplishing a goal or task.	30	45	20	5	0	0	10	20	40	30
3	Leader closely monitors the schedule to ensure a task or project will be completed in right time.	54	40	10	0	5	0	0	20	35	45
4	Leader enjoy coaching people on new tasks and procedures.	5	5	20	35	35	35	40	5	5	15
5	The more challenging a task is, the more I enjoy it.	35	45	5	10	5	0	22	30	35	15
6	I encourage my employees to be creative about their job.	7	7	13	40	33	42	35	23	0	0
7	When seeing a complex task through to completion, I ensure that every detail is accounted for.	35	25	35	0	5	0	0	20	40	40
8	I find it easy to carry out several complicated tasks at the same time.	27	48	20	5	0	0	0	27	38	35
9	I enjoy reading articles, books, and journals about training, leadership, and psychology; and then putting what I have read into action.	5	12	20	33	30	45	40	15	0	0
10	When correcting mistakes, I do not worry about jeopardizing relationships.	30	40	20	10	0	0	5	10	40	45
11	I manage my time very efficiently.	30	40	20	5	5	0	10	30	50	10
12	I enjoy explaining the intricacies and details of a complex task or project to my employees.	5	5	15	45	30	40	35	0	10	15
13	Breaking large projects into small manageable tasks is second nature to me.	30	35	15	10	10	0	0	15	35	50
14	Nothing is more important than building a great team.	0	10	15	30	45	40	45	10	0	0
15	I enjoy analyzing problems of the employees.	37	32	23	8	0	0	5	20	35	40
16	I honor other people's boundaries	0	5	25	45	25	42	38	20	0	0
17	Counseling my employees to improve their performance or behavior is second nature to me.	0	5	35	45	5	45	40	10	5	0
18	I enjoy reading articles, books, and trade journals about my profession; and then implementing the new procedures I have learned	25	50	25	0	0	0	5	25	45	25