

A comparative analysis of the impact of leadership style on organizational performance in the private and public sectors Banks

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Abstract

For any organization leadership is one of the key factors that plays an important role in determining its success or failure. And both corporate as well as public sector banks are no exceptions. The leadership styles of these organizations play a very important role in constructing the goal and vision, formulation of strategies and resolution of ways to achieve those goals. There are various leadership styles which are opted by these banks, so that they can sustain and develop in this competitive environment. This includes styles such as transformational, Bureaucratic, autocratic and participative etc. Although the basic structure of these leadership styles chosen by both public sector as well as corporate sector banks remain the same. There are certain differences which are observed in leadership styles used by these two types of organizations. Analyzing these differences is very crucial for contemplating the impacts of these on the overall performance of the organization. The study had considered sample of 200 respondents (bank employees) to know the impact of leadership style on organizational performance in private and public sectors Banks and concludes that there is a significant difference in impact of leadership style on organizational performance in private and public sectors Banks.

Keywords: Comparative Analysis, Leadership Style, Organizational Performance, Private Banks, Public Banks, Transformational Leadership

Introduction

In 1991, banking industry of India went through a lot of remarkable change. And one of the most important of them was permission for private ownership of shares of public sector banks. The privatisation of various public sectors, domestic and foreign organizations did not only increase the investment in this sector, but it also increased the competition for public sector banks. Which as a result motivated them to improve their services. In addition to that it also expanded the area

of existing opportunities for investments and assortments in this sector. Due to this increased competition, there were a lot of changes which occurred in public sector banks. For example, offering early retirement to its elder age employees through various schemes. Besides that, the banks also changed their hiring style and started recruiting personals with better education and appropriate computer skills. So that the expansion plans of these organizations could be successful. But even after all these reforms, still there are a lot of problems that are observed in banking sector all over the world for both public and private sector banks. And it becomes very important for the success of the organization to counter those problems. This is when the leadership style of that bank comes in role (Bapna, 2017).

Without having an efficient leadership style of the managers of the organization, it is almost impossible for the bank to achieve its targets. With the help of an impactful leadership style, it is easier for the banks to attract, encourage and maintain work personnel in the organization while going through various changes according to the need of time. The various leadership styles of both public and private sector banks aim to contribute in achievement of current goals of the bank by establishing a connection between the work performance and rewards for it and making sure that there is availability of all the resources that will be needed for the work to get done for the employees. When it comes to the leadership style in private sector banks, it is observed that autocratic style of leadership is more popular among managers. The style accepted by private bank managers is more goal oriented and instructional. (B.J. 1994).

Whereas in the public sector banks managers aim to achieve the goals with the help of a participative leadership style. Transactional leadership style is given more preference in this sector. In which managers try to motivate the employees to achieve the targets by giving them rewards or punishment as per their performance. The core idea of this leadership style is transaction. With the difference in leadership styles, there are different impacts too, that can be seen in this industry. During this review we are going to look over those various impacts of different leadership styles of both private as well as public sector banks. (Cleskey, J. A. 2014).

Literature of Review

The leadership style of any organization is the method with which a leader or a manager in the organization uses to interact and work with the employees so that the targets can be achieved.

Some other experts describe it as the type of relationship that a manager uses to make it's subordinates work efficiently with each other. In modern days it can be divided into several types on different basis. Some of the major types of leadership style are: Transformational leadership style, Transactional leadership style.

- Culture based leadership style
- Charismatic leadership style
- Visionary leadership style
- Autocratic leadership style
- Democratic leadership style

Out of all these types of the most important style for banking sector is Transactional leadership style. As it is very popular among bank managers of both public and private sector banks. However, Democratic leadership style and Bureaucratic Leadership style are also used by leaders in this sector.

In Autocratic leadership style, the managers possess a boss like attitude. And they expect the employees to work according to their orders. In this type of leadership style, it is the manager or leader which has the authority to make decisions for the bank. They try to impose the strategies formulated by them on their sub ordinates. And this is the reason that this leadership style is also known as Authoritarian leadership style. According to a study this leadership style negatively affects creativity. And have an adverse impact on the motivation level of the employees. Not only that, it also does not meet satisfactory levels. However, in the short term it is seen to have positive impact on the performance of organization.

In private sector banks this is the style which is used by most of the managers. As in this sector it is necessary for the projects to be completed before a given time, so this leadership style is the most apt style for that. As in other leadership styles it is hard to obtain desired results before a deadline. However, sever studies state that this leadership style is not very impactful in the long term. And it does not allow for a healthy relationship to be formed between the manager and the employees of the organization. Generally, the leader of the organization does not have Confidence on other employees of the bank which work under him. Autocratic leadership style inhibits

socialization in the workplace and results in conflicts between the subordinates and leaders in private sector banks.

On Contrary in public sector banks transactional leadership style is more common. In this leadership style the manager rewards the employees with something as a return of their performance for meeting the targets of the organization. Now the reward can be anything like increased salary, or better review etc. The transactional leadership style is very useful for creating a system in which each of the employees has a defined role and responsibility in the organization. And the reward that they get also motivates them to perform their best. With the help of this type of leadership style the leader can easily exploit the maximum capabilities of the bank as well as its subordinates. As it is stated above the core idea of this type of leadership style is exchange. In Transactional leadership style there is an exchange of the goals of bank and rewards between the manager and the employees of the organization. Budhiraja, S., Malhotra, M. (2013).

Various studies conducted on this topic suggest that this type of leadership style is very helpful for creating a work environment that pushes the employees to perform better in order to achieve the targets. It is observed that it plays a very important role in improving the overall performance of the organization.

However, there are various researches which claim that this leadership does not have any actual impact on the overall organizational performance. And it also is not very useful for increasing creativity among employees. Which ultimately leads to the subordinates failing in meeting their expected performance standards. Another problem with Transactional leadership style is the expectations involved in it. Which is not very good for a healthy work environment and relationship between the manager and the employees of the bank.

Not only that, in this type of leadership style there is no self-motivation for the employees, and they are only controlled by the manager. This style originally arises from in which the managers focus on motivating their employees to reach the targets of the bank and ultimately the employees perform as per their full potential. (Kousterios et. Al 2014)

So, in public sector banks mostly managers prefer transactional leadership style. Whereas in private sector banks Autocratic leadership style is more commonly used. Both leaderships have

their positive as well as negative sides. And therefore, a distinctly different development graph can be seen in both these banks.

Objective

- To compare the impact of leadership style on organizational performance in private and public sectors Banks

Hypothesis

- *Null Hypothesis: There is no significant difference in the impact of leadership style on organizational performance in private and public sectors Banks.*
- *Alternate Hypothesis: There is a significant difference in the impact of leadership style on organizational performance in private and public sectors Banks.*

Methodology

The study had considered sample of 200 respondents (bank employees) to know the impact of leadership style on organizational performance in private and public sectors Banks. A specially designed questionnaire was distributed to the respondents to collect the data using convenient sampling. The analytical and statistical tool, chi square test was used to get appropriate results.

Findings

Respondent's general details are shared in table below in which it is found that in total 200 respondents, 64.0% are male and rest 36.0% are female. Among them 34.5% are below 36 years of age, 40.5% falls in the age category of 36-40 years and 25.0% are above 40 years of age. 50% of the respondents are from private banks and 50.0% are from banks in the public sectors.

Table 1 General details

Variables	No. of respondents	%age
Gender		
Male	128	64.0

Female	72	36.0
Total	200	100
Age (years)		
Below 36	69	34.5
36-40	81	40.5
Above 40	50	25.0
Total	200	100
Bank		
Private	100	50.0
Public	100	50.0
Total	200	100

Table 2 Impact of Leadership style on organizational performance

Bank	Impact of Leadership style on organizational performance			Total
	High	Neutral	Less	
Private	70	13	17	100
Public	27	10	63	100
Total				200
Value of Chi-square				45.9032
Degree of freedom				2
p value				0.00001

Table above is showing that among 100 respondents from private banks, 70 says that there is high Impact of Leadership style on organizational performance, 13 are neutral and rest 17 says that there is less Impact of Leadership style on organizational performance. On the other hand, among 100 respondents of public banks, 27 says that there is high Impact of Leadership style on organizational performance, 10 are neutral on this point and rest 63 says that there is less Impact of Leadership style on organizational performance. *Hence, null hypothesis is rejected, and*

alternate hypothesis is accepted which says that there is a significant difference in impact of leadership style on organizational performance in private and public sectors Banks.

Conclusion

The study was conducted to compare the impact of leadership style on organizational performance in private and public sectors Banks and concludes that there is a significant difference in impact of leadership style on organizational performance in private and public sectors Banks.

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