

Transformational Leadership of Managers: A Comparative Study in Public and Private Sector Banks in Sri Lanka

Abeysekera¹, N. & Wickramasinghe², A. & Ranasinghe³, S.

¹University of Colombo, Colombo, ²Sydney Business School, Australia, ³Open University of Sri Lanka, Nawala

Introduction

The concept of “Transformational Leadership” has become a popular concept among the practitioners in last decades. In this age of rapidly changing business environment, leadership is more important than ever. The present organizational focus on revitalizing and transforming organizations to meet competitive challenges ahead has been accompanied by increasing interest among researchers in studying transformational leadership. Such leadership is necessary for identifying new market opportunities quickly and for developing appropriate competencies within organizations. Over the last two decades, considerable literature has accumulated on transformational leadership. According to Burns (1978), transformational leadership “occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality”, and results in a transforming effect on both leaders and followers. Transformational leadership raises the level of human conduct of both the leader and the follower. Transformational leaders throw themselves into a dynamic relationship with followers who will feel elevated by it and become more active themselves (Krishnan, 2001). Bass (1985) built on Burns (1978) work and described transformational leadership in terms of the impact that it has on followers; followers trust, admiration, and loyalty towards the leader.

Research Problem

Transformational leaders motivate followers to do more than the latter originally expected to do. In this context it is worthwhile to discuss the concept of transformational leadership in Sri Lankan banking sector. The economic expansion and structural transformation were highly facilitated by the rapid growth of banking and other financial services in Sri Lanka. This is clearly reflected in the growth of assets in the financial sector and the

contribution of the financial sector to GDP (Economic independence of independent Sri Lanka, 1998). As a result of the continuing movement towards deregulation and the associated increase in competition, the proper leadership becomes of great importance to the banks in order to gain a moderate or greater share of the financial market and of a corporation's business.

Hence following research problem has been advanced,

“What difference can be seen from transformational leadership in terms of private and public banking sector in Sri Lanka?”

Methodology

As the sample, two state banks and four major private banks were selected. The reason for selecting both state banks was due to their contribution to the banking sector in Sri Lanka. The Bank of Ceylon (BOC) is the largest in the Sri Lankan banking system (Ministry of finance and planning, 2010). The other state bank, People's bank is the second-largest Licensed Commercial Bank (LCB) in Sri Lanka (RAM ratings, 2011). Four major private banks were selected to make the sample representative and also because of the growing competition in the sector. Furthermore according to special report on Fitch Rating (2011) the six largest local LCBs identified as being systemically important – Bank of Ceylon (BOC), People's Bank (PB), Commercial Bank of Ceylon Plc (CB), Hatton National Bank Plc (HNB), Sampath Bank Plc (SAMB) and Seylan Bank Plc (SEYB). From these six banks, a random sample of 200 respondents was selected. Questionnaires have been administered with the help of research assistants. Finally 140 managers responded. But only 130 and managers were selected due to incompleteness of questionnaires.

Operationalization

Transformational leadership operationalized by using the items of multifactor leadership questionnaire developed by Bass and Avolio (1990). This mainly consists of Idealized influence or charisma, Inspirational motivation, Intellectual stimulation and Individualized consideration.

Key Findings

According to the above table it can be observed that there are no significant differences of transformational leadership and its four dimensions namely, idealized influence, intellectual stimulation, inspirational motivation and individualized considerate behavior of manager across state banks and private banks. Since the “p” values of mean differences are greater than 0.05. It can be concluded that the level of transformational leadership does not significantly vary depending on the ownership of the bank (private and public).

Table 1: Comparison of Variables of Transformational Leadership of Manager Across the Banks

	State		Private		Sample T-Test and P Value(at 0.05)				
	Mean	Std. Dev.*	Mean	Std. Dev.*					
Idealized Influence	3.88	0.474	3.84	0.515	-0.461(0.646)				
Inspirational motivation	3.96	0.46	3.95	0.459	-0.124(0.902)				
Intellectual stimulation	3.84	0.457	3.81	0.447	-0.378(0.706)				
Individualized Consideration	3.88	0.448	3.88	0.499	0.083(0.934)				
Transformational Leadership	3.89	0.465	3.87	0.475	-0.242(0.810)				
n 130	62		68						

Std. Dev.* - Standard deviation

Source: Survey Data 2012

Conclusion

It has been found that the transformational leadership of a manager does not vary in terms of “ownership of bank” in Sri Lanka. One can argue this with the dominance of banking sector by state banks in Sri Lanka. Nevertheless there is a need for further research to interpret the argument with proper justification. The present study contributes to the practice of transformational leadership by shedding light on how banking sector in Sri Lanka can be differentiated in sense of transformational leadership. More specifically, the findings of this research contribute to advancing the body of knowledge pertaining to the transformational leadership of managers in the Sri Lankan context, an area in which empirically tested studies are scarce.

Moreover, this study found certain relationships (managers and salespersons) in banking sector which is essential for the studies in the services sector with the growing importance and contribution to gross national product (GNP). The quality of transformational leadership has been highlighted in literature in hiring as well as in other activities (Guay, 2013). Thus findings of this research will be helpful to prepare training manuals, training guidance as well as training programs. For example a bank can include the variables of idealized influence or charisma, inspirational motivation, intellectual stimulation, and individualized consideration as characteristics which are expected by the manager in order to achieve sustainable competitive advantage.

This study is limited to banking in local commercial banks in Sri Lanka. It avoids the issue of generalisability and future researchers should employ this study in many other fields of marketing including other sectors in insurance industry as well as other services to empirically validate the findings of the study.

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