

Transformational Leadership and Innovative Work Behaviour

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The study focuses on the nature of the transformational leadership styles and also the relationship between transformational leadership and innovative work behaviour of branch managers of the public and private-sector banks of Kolkata. Data was collected from 120 male branch managers of Kolkata (60 from public-sector banks and 60 from private-sector banks), using the General Information Schedule, Transformational Leadership Questionnaire and Innovative Work Behaviour Scale. Responses to these tools were processed for t-test, ANOVA and correlational analysis. The results show that branch managers of the public and private-sector banks reveal uniform patterns of moderately high transformational leadership. Irrespective of the type of bank, the innovative work behaviour of the branch managers vary in terms of their levels of transformational leadership. Also, the two dimensions are positively correlated. Idea promotion, a dimension of Innovative Work Behaviour, is facilitated more by the public-sector work setting than by the private-sector setting.

Keywords: Transformational Leadership, Innovative Work Behaviour, Financial Institutions

Globalization increases global connectivity, integration and interdependence in social, economic, technological, cultural political and ecological spheres. Central to the globalized interpretation is a conception of the global change involving a significant transformation of the organizing principles of social life and world order. As organization is the man's society, it is possible for the organization not only to do the required transformation but also be able to accept the need for transformation.

Commercial banking in the modern sense in India goes back to more than two hundred years. The main business of banking consists of taking loans (deposits) and lending money (credit/advance). What makes economic sense for a bank is to ensure that there is an excess of the interest it earns over the interest it pays to the depositors. The excess should cover the staff cost and all establishment expenses, and still have surplus

to pay dividend to the shareholders and retain some surplus to improve its own capital. Since the independence of the country, the most important thing which has happened to the Indian banking scene is the nationalization of the 13 major commercial banks in 1969. Later, ownership of six more banks transferred to the government. Nationalization of banks led to huge growth in branch network and employment and also to bringing new business like loans to farmers and small business industry into the banking arena.

In the 1990s, the process started by which the government diluted its holding in most public-sector banks, including the largest, viz. State bank of India. Thus, instead of one shareholder, the banks had to take care of numerous individuals and institutions - the shareholders who would demand dividend payment and rise and market value of the shares held by them. In the 1990s again, a number of private sector banks

entered the arena. ICICI Bank, one such new entrant, is now the second largest commercial bank in India.

Accordingly, after 1990, major changes have been taking place in the banking sector because of globalization. The main objective of the bank is to create conditions in which all who need funds for productive and viable purposes would be able to approach the bank for furthering social and economic activities. Previously bankers were operated in the world of beneficially regulated markets and comfortable cartels which restricted competitions, reduced risk and virtually guaranteed attractive profits. But the present world of banking has been influenced by three forces: deregulation, technology and growing customer sophistication (Middleton, 1994).

In order to cope with this situation, Indian banks are currently in desperate need to identify and select personnel who will be able to think and verify the rationality of demands and consequences of the transformational process, limits of creative urges as well as motivated learning, helping and team building in the change and developmental process. The enormity of the importance of banks in the global economy makes it essential that banks are led by effective leaders, who are transformational in their approach – strong on values, inspirational and intellectually stimulating. This may ensure that institutions that provide stability to the economies, characterized by unforeseen expansion, rapid changes and unpredictability, remain stable and useful themselves.

In recent times, the branch banking system has been totally revolutionized by computerization, Any Time Money facility, e-banking, easy transferability of funds between branches, etc. The banks have, it can be said, successfully managed the changes. In a year when the global financial landscape changed irretrievably with the worldwide meltdown, Indian banks surprisingly came out strongly – relatively unscathed and stable. 19 Indian

banks featured among the top 500 global financial brands in 2009 – more than tripling the Indian tally from 6 in 2007 and making India the biggest riser in the league table. (Dobhal & Pande, 2009). Some attribute this success to the fact that the emerging markets are less exposed to the global crisis (Haigh, 2009).

Though this progress is a function of several factors, it largely depends on the quality of leadership in Indian banks – both at the strategic and at the operational level. Hence the present research attempts to study the nature of leadership, more specifically leadership in the transformational process, at the operational level in the Indian banks, and to determine the extent to which it is transformational – anticipating future trends, inspiring followers to understand and embrace a new vision of possibilities, developing others to be leaders and building the organization or group into a community of challenged and rewarded learners (Anderson, 1998).

The challenge before Indian banks is to improve on customer centricity and service excellence. There is also need for innovations in products and services like microfinance and micro-housing (Unnikrishnan, 2008). In short, it is essential to innovate to secure long-term survival, profitability and growth (de Jong, 2007). Hence there is need that the leaders are measured to possess appropriate traits of *innovative work behaviour* for idea generation, idea realization and idea implementation. Along with these two personal attributes, all executives, managers and officers are required to cope with the situational crisis and develop effective problem solving strategies to avoid the risk and failures.

Of course, due to the nature of the organizational system, the leadership styles of the managers may be different in public and private sector institutions. *Public sector institutions* are generally seen as more

conservative, less risk-taking and more oriented towards social banking than their counterparts – the *private sector institutions*. Accordingly we were interested to provide data- base and insight into whether globalised and competitive market banking still allows the difference in management style to continue or the responses of both the categories of the banks to the problems have attained a degree of similarity. As a step in this direction, we attempted to study the nature of the transformational leadership style of the bank managers of public and private sector banks with respect to the selected personality attributes. We have presented an overview of the conceptualizations and theories regarding the main variables in the following section.

Leadership has been called one of the most observed and least understood phenomena on earth (Toteja, 1999). Burns (1978) reported the documentation of as many as 130 definitions of the word. It has been explained as a focus of group processes, as personality and its effects, as the art of inducing compliance or as an instrument of goal achievement (Robbins, 1993). Leadership is the interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of the members.....it occurs when one group member modifies the motivations and competencies of others in the group (Bass, 1990). A leader is a person who exhibits the key attributes of leadership – ideas, vision, values, influencing others and making tough decisions (Slocum & Hellriegel, 2007).

The first mention of transformational leadership appeared in Downton's *Rebel Leadership* (1973); later it appeared independently in James Burns' 1978 book *Leadership*. The formal theory of transformational leadership was developed in the 1980s by Bernard Bass, who saw this

concept as providing a way to bridge the gap between group dynamics and the leadership demonstrated by the world's movers and shakers (Bass, 1992).

Transformational leadership is perhaps best described in terms of its four components, popularly called the 'Four I's' (Avolio, Waldman & Yammarino, 1991; Bass, 1990; Patterson, 2008): Individualized Consideration, Intellectual Stimulation, Idealized Influence and Inspirational Motivation. Rafferty and Griffin (2004) identified five focused sub-dimensions of Transformational Leadership including *vision*, inspirational communication, intellectual stimulation, supportive leadership and personal recognition. Further investigation provided initial support for the five dimensions.

Conger (1999) reported that transformational leaders were found to have the ability to formulate a compelling vision concerning the group's ideal future, have the ability to shift the group members' focus from self-interest to collective interest and make public demonstrations of their dedication to a cause. Transformational leaders show their group-mindedness by making more references to the collective history, the collective interest and collective efficacy than do the non-transformational and non-charismatic leaders (Shamir, Arthur & House, 1994) and tend to show dedication to the group and the mission (Kark, Shamir & Chen, 2003). Bono and Anderson (2005) found that managers who scored high on Transformational Leadership tend to score high on emotional intelligence (Bass, 2002) and hold central position on organisational advice and influence network, and informal social networks.

Transformational Leadership has a significantly greater impact than Transactional Leadership on a variety of subjective and objective organizational outcome measures, including job satisfaction, motivation,

performance of followers. It has been found to lead to lower levels of stress & burnout amongst staff, more collaborative, innovative, harmonious teams, better financial performance of organisations, and better performance in public sector organisations (Bass & Avolio, 1996). Mary (2005) reported that Transformational Leadership style and democratic (versus authoritarian) organisations were correlated with successful leadership outcomes. Further, perceived Transformational Leadership style significantly increases the frequency of the subordinate's information enquiry from superiors in a complex organisational setting (Madzar, 2005) and enhances organizational commitment among employees (Luksic, 2006).

Innovation is a necessity in the world of business today. The fiscal, industrial and market scenarios are changing rapidly, both in the affluent western nations and in the developing economies. As a consequence, innovation is no longer reserved for organizations and people doing scientific and technical work (Smith, 1993). Business firms, including banks, need to continuously innovate – renew and improve their offerings – to survive in the competition and 'secure long-term survival, profitability and growth' (de Jong, 2007).

Innovative work behaviour may be defined as the individual's behaviour to achieve the initiation and intentional introduction (within a work role, group or organization) of new and useful ideas, processes, products and procedures (Farr & Ford, 1990). In a recent research on innovative work behaviour and leadership, de Jong (2007) states that the concept of innovative work behaviour is restricted to intentional efforts to provide beneficial and novel outcomes. It entails both the initiation and implementation of innovations.

For the purpose of the present research, we defined innovative work behaviour, following Janssen (2000) and Kanter (1988), as the self-reported level of three different behavioural tasks, namely, idea generation, idea promotion and idea realization. These job-related components are recognized as important personal level factors related to innovation in the workplace (Kanter, 1988; Amabile, 1996; Scott & Bruce, 1994):

Idea generation: it refers to the pattern of activities undertaken by the managers for generating novel and useful ideas, critical thinking, searching for new methods and techniques etc., in the bank.

Idea promotion: it concerns those variables which are related to the social activities of the branch managers for acquiring approval, spreading awareness and generating support for the innovation.

Idea realization: it involves the application of innovative ideas by branch managers in the organizational setting.

These three factors are considered to combine additively to determine the nature of the innovative work behaviour of the branch managers.

While an individual's innovative work behaviour can exist independent of his/her leadership potentials, it appears that possessing transformational leadership qualities facilitates innovative work behaviour in individuals. Innovative work behaviour implies that individuals go beyond the scope of their job requirements to be innovative of their own free will. Hence it calls for a visionary stance and openness to ideas. It also includes the type of behaviours needed to implement improvements that will enhance personal and / organizational business performance (de Jong, 2007). This calls for inspirational communication, building a shared vision as well as some amount of calculated risk-taking. In addition, it

necessitates a certain amount of formal authority to initiate and implement changes.

In the light of the above observations, we find it reasonable to expect that transformational leaders are likely to emerge successful innovators at the workplace and display innovative work behaviour – both for self-enhancement and for developing the potentials of their subordinates and of the organization as a whole.

The present investigation focuses on the transformational leadership style and related personal attributes of the frontline leaders at banks – since the attitude and commitment of these leaders determine the fate of the bank (Ramakrishnan, 2009). According to Fodgen (2001), frontline managers should be developers and sharers, have superior marketing skills, and be credible, approachable and visible. The branch manager's activities may be influenced by the nature of the institution to which he /she belongs. *Public sector banks are those who have more than 50% of their shares held by the Government of India. These have lower per capita business handling and relatively lower scales of pay for their employees than their counterparts in the private sector. Private sector banks are those that have more than 50% of their shares held by private individuals and concerns.*

Hypothesis I: The level of transformational leadership of the branch managers in the public-sector banks and that of the branch managers in the private-sector banks in Kolkata reveal dissimilarities.

Hypothesis II: Irrespective of the type of bank (public and private), the nature of the innovative work behaviour of the branch managers varies in terms of their levels of transformational leadership (high and low).

Hypothesis III: The nature of the interrelationship between the two variables – transformational leadership and innovative work behaviour of the branch managers –

varies in terms of their level of transformational leadership (high and low).

Method

Sample:

We collected the data from the branch managers of 60 public-sector banks and branch managers of 60 private-sector banks in Kolkata. The banks and their respective branches were randomly chosen from among the public –sector and private-sector banks in Kolkata.

Measures:

Transformational Leadership Questionnaire: developed by Sashkin (1997), this 24-item tool measures six basic leader behaviour patterns as well as a set of emotional responses usually associated with transformational leadership. The reliability of the scale was computed to be 0.732. The item-total correlations ranged from 0.36 to 0.68, indicating that the scale is internally consistent.

Innovative Work Behaviour Scale: developed by Janssen (2000), this 9-item scale measures self reported level of three different tasks, namely, idea generation, idea promotion and idea realization. The reliability of the scale was computed to be 0.704. The item-total correlations ranged from 0.35 to 0.79, indicating that the scale is internally consistent.

Results

There was no significant difference existed among the Branch Managers of Public-sector Banks (N=60) and the Branch Managers of Private Sector Banks (N=60) with respect to their transformational leadership styles. Hence we accepted Hypothesis I, i.e., the level of transformational leadership of the branch managers in the public-sector banks and that of the branch managers in the private-sector banks in Kolkata reveal dissimilarities.

Table 1. Mean, SD and t-values of the scores obtained in each domain of the Transformational Leadership Questionnaire by the Branch Managers of Public-sector Banks (N=60) and Private Sector Banks (N=60).

Domain	Mean(Public)	SD(Public)	Mean(Private)	SD(Private)	Value of 't'
Attention	17.77	1.92	17.47	1.66	0.52
Meaning	17.36	1.54	17.23	1.89	0.22
Trust	17.67	1.69	17.67	1.89	1.13
Self	17.83	1.53	17.67	1.92	1.12
Risk	17.63	2.199	17.7	1.56	1.116
Feelings	17.4	1.83	17.61	2.16	0.62
Transformational Leadership	104.63	8.66	101.33	13.9	0.601

*p>0.01

For the verification of Hypothesis II, we collected the data by administering the Innovative Work Behaviour Scale. We determined the nature of the dissimilarities in the level of Innovative Work Behaviour of branch managers with high levels of transformational leadership and that of branch managers with low levels of transformational leadership by using the statistical technique of ANOVA. The F ratio indicating variation in innovative Wrok Behaviour as a result of variation in levels of Transformational Leadership is 131.91 ($p > 0.01$). With regard to domainwise scores, the F-ratios for the domains of Idea Generation, Idea Promotion and idea Realization are 9.9, 17.34 and 31.9 respectively ($p > 0.01$). The relationship is presented in figures 1 and 2

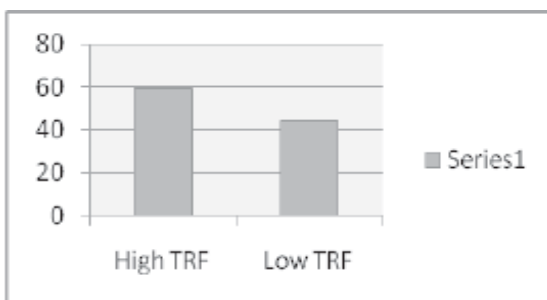


Figure 1: The Levels of Innovative Work Behaviour of Branch Managers with High and Low Levels of Transformational Leadership (High TRF and Low TRF)

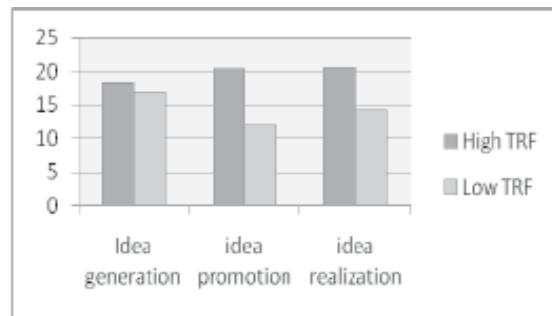


Figure 2: The Levels of Idea Generation, Idea Promotion and Idea Realization of Branch Managers with High and Low Levels of Transformational Leadership

Hence we accepted Hypothesis II, i.e., *irrespective of the type of bank (public and private), the nature of the innovative work behaviour of the branch managers varies in terms of their levels of transformational leadership (high and low).*

For the verification of hypothesis III, the sets of scores for the two variables, namely, transformational leadership and innovative work behaviour were processed for the inter-correlation matrix. The significance of the difference between the correlation values was tested using t- test. The results are shown in table 2:

Table 2. Inter correlations of Transformational leadership and innovative work behaviour for different levels of transformational leadership (high TRF and low TRF)

Variables	High Level of Transformational Leadership	Low Level of Transformational Leadership	R difference
Innovative work behaviour	0.81	0.28	1.963*

* $p > 0.05$

Table 2 shows that the difference between the inter correlations of transformational leadership and innovative work behaviour for different levels of transformational leadership was significant. Hence, we accepted Hypothesis III, i.e., the nature of the interrelationship between the two variables – transformational leadership and innovative work behaviour skills of the branch managers – varies in terms of their level of transformational leadership (high and low).

Discussion

Transformational leadership is a form of leadership which one or more persons engage with others in such a way that the leaders and the followers raise one another to higher levels of motivation and morality (Burns, 1978). Transformational leaders provide individualized consideration and intellectual stimulation to their subordinates, helping them to look at the old problems in new ways- thereby changing their awareness of issues and inspiring them to put out extra effort to achieve group goals (Robbins, 1993).

The nature of the central tendency values (mean) and dispersion values (SD) for scores of the two sample groups (branch managers of public and private sector banks in Kolkata) for scores on the components of and for the total score on Transformational Leadership Style, showed slight differences. The t-test results indicated that the level of Transformational Leadership between of branch managers in the public sector banks and the private sector banks was not

significantly different (Table 1). The pattern of homogeneity in scores indicate that the globalization of markets, technological advancement, and innovative changes in the new age banking (all affecting both the public and the private sector banks equally) demand almost uniform levels of transformational leadership and similar patterns of job activities in the public and the private sector financial institutions. Moreover, in India the banking sector (public and private alike) is under the strict controls imposed by the Reserve Bank of India. This is likely to work as a leveling factor and necessitate similar patterns of behaviour from the branch managers of both the public and the private sector banks, especially in the domain of Risk.

Regarding Hypothesis II, the F ratios (significant at the 0.01 level) highlighted that the level of Innovative Work Behaviour of the branch managers varied significantly with the level of transformational leadership of the branch managers (high and low) . The findings are consistent with previous research in this field – notably, with the findings of Jung, Chow, and Wu (2003) – a positive relationship has been found between transformational leadership and innovative endeavour. The findings are consistent with previous research in this field – notably, with the findings of Howell and Higgins (1990) – charisma, inspirational motivation, and intellectual stimulation serve to differentiate emergent informal leaders who take the role of product champions, involving technological innovations, from those who do not play this role.

Although the interaction effects between the type of bank and the level of Transformational Leadership were insignificant for the domain of Innovative Work Behaviour ($F=5.9$) as well as for the sub-domains of Idea Generation ($F= 2.22$) and Idea Realization ($F= 2.1$), the level of idea promotion was significantly higher among the transformational branch managers of public sector banks than among their counterparts in the private sector banks ($F = 12.19$, $p>0.01$). We attribute the significant interaction effect to the fact that the level of job security is somewhat higher in the public sector banks than in the private sector banks, and hence managers are more willing to take risks and implement innovative changes. The findings go against the traditional ideation of the public sector banks as more conservative and less open to changes than their private sector counterparts. We may infer that technological advancement, expanding markets and multiplication of competitors have reversed the traditional patterns of banking in many cases.

Conclusion

The findings of the present research are notable in that they confirm many of the trends identified by social scientists worldwide regarding the main variables in question in the Indian banking scenario. Further, it draws attention to the reducing differences in the private sector and public sector organizations in the current globalized economy which demands almost uniform levels of transformational leadership and similar patterns of job activities in both settings. It is also of interest to note that in the dimension of idea promotion, managers of public sector banks score higher than their counterparts in private sector settings. This result goes against the prevailing view of public sector institutions as conservative and shunning innovations, and draws attention to the role of a secure environment and lack of fear of criticism in encouraging workplace innovation.

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Received: April 4, 2010

Revision received: November 25, 2010

Accepted: November 30, 2010

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