

# THE IMPACT OF LEADERSHIP STYLE ON THE ORGANISATIONAL EFFECTIVENESS OF COMMERCIAL BANKING INSTITUTIONS IN SRI LANKA

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## ABSTRACT

*The study was primarily aimed to find out the impact of leadership style on the organisational effectiveness of commercial banking institutions in the domestic private sector of Sri Lanka. In this study, organisational effectiveness was analysed based on competing values model while leadership style was analysed based on transformational and transactional leadership models. A structured questionnaire under the survey method was used to collect data. Data was collected from subordinates from the branches of commercial banking institutions in the domestic private sector. To represent subordinates from each branch, the stratified random sampling method was used. The study found that these commercial banking institutions in the domestic private sector that practiced characteristics of organisational effectiveness were on a satisfied or strongly satisfied level. Managers at these banking institutions were practicing the transformational leadership style and they also practiced some characteristics of the transactional leadership style. However, the study identified that transformational leadership had a positive impact on the organisational effectiveness of these banking institutions. Further, the impact of transformational leadership style on organisational effectiveness is greater than the impact of transactional leadership style on organisational effectiveness in relations in the commercial banking institutions in the domestic private sector of Sri Lanka.*

**Keywords:** *Organizational Effectiveness, Transformational Leadership, Transactional Leadership.*

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## 1. INTRODUCTION

Today, organisational effectiveness has become a dominant concept in management since the organisations are need to be effective due to the rapid and challenging business environment at present.

With the open economic system restarting in 1977 in Sri Lanka, the private sector was expected to play a major role, with its main objective being the development of the economy of the country. In line with this main objective of developing the economy, a larger number of human resources was pumped into the private sector. According to the the Labour Force Survey-Quarterly Report 2017, 4<sup>th</sup> quarter, 43.3 percent if employment was in the private sector out of 55.9 percent of total employment in Sri Lanka (Department of Census and Statistics, 2018).

The banking sector plays a vital role in developing the economy of the country. In Sri Lanka, there were 25 commercial banking institutions, as at the end of 2017 (Central Bank, 2018). they could be categorised into two: 13 domestic commercial banking institutions and branches and 12 foreign commercial

banking institutions. Of these thirteen domestic commercial banking institutions in Sri Lanka, 02 are state banks while the rest have been initiated by the domestic private sector.

As business organisations, banking institutions too can fail from time to time since they are an inherently risky business with high competition in the business environment. Therefore, these banking institutions began to face great challenges. To address these challenges, the productivity of these banking institutions had to be improved. Productivity is a combination of three basic elements: (i). Effectiveness, (ii). Economy and (iii). Efficiency. This research study considered the organisational effectiveness of these banking intuitions to improve productivity. It indicates that banking institutions should pay attention to strategies, resources, infrastructure and retaining people who are needed to achieve the organisational mission. Hence, the organisational effectiveness of commercial banking institutions in Sri Lanka is an important factor that could be studied to overcome the challenges faced by them.

Leadership is a major contributor or direct cause of

organisational effectiveness. Today, within the existing competitive business environment with globalisation, the leader of an organisation faces a great challenge in running the organisation effectively. Therefore, the leadership of an organisation is vital at all levels within the organisation and also, leadership directly affects organisational effectiveness.

Organisational culture is another vital factor for business organisations to face the challenges in the business environment. With this challenging nature of organisations, today, organisational culture is more important than ever before.

Therefore, this study seeks to examine the impact of leadership style and organisational culture on the organisational effectiveness of commercial banking institutions in the domestic private sector in Sri Lanka. However, in this study, it was assumed that the leadership style and organisational culture are mutually independent and therefore, this study has not considered the impact between leadership style and organisational culture.

## **2. RESEARCH QUESTIONS AND OBJECTIVES**

This study aimed to examine the following questions in relation to Sri Lanka's commercial banking institutions in the domestic private sector.

1. What is the existing degree of organisational effectiveness?
2. What is the specific leadership style practiced in institutions?
3. What is the effective leadership style?
4. What is the impact of leadership style on organisational effectiveness?

### **Objectives**

1. To measure the organisational effectiveness of commercial banking institutions in the private sector in Sri Lanka.
2. To identify the existing leadership style in these banking institutions.
3. To measure the impact of leadership style on organisational effectiveness.

### 3. LITERATURE REVIEW

#### 3.1 Organisational Effectiveness

The study of organisational effectiveness has long been the province of those in management science (Parhizani and Gilbert, 2004; Heerwagen and Heerwagen Associates, 2006). Therefore, today organisational effectiveness has become a dominant concept in management. According to Cameron (1981); Sekaran (1984); Lachman and Wolf (1997); and Gilbert and Parhizani, (2004), there is no universal definition or acceptable model for organisational effectiveness, since the best criteria remains to be elusive because the goals and objectives of organisations are multiple and difficult to identify (Rodsutti and Swierczek, 2002). However, organisational effectiveness has been commonly defined as the extent to which an organisation accomplishes its goal or mission (Cameron and Whetton, 1983).

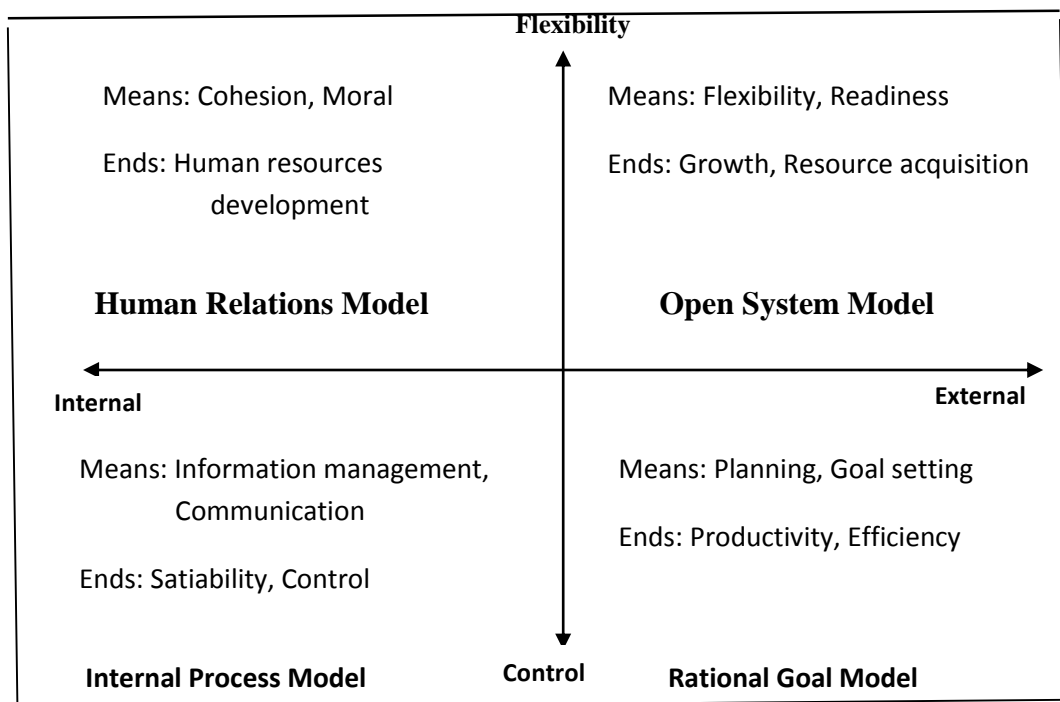
There have been three primary approaches to defining organisational effectiveness; (i). Goal attainment approach: considers as successful if the goals of the dominant coalition are satisfied (Roy and Dugal, 2005). (ii). According to

Perrow (1961) and Simon (1964), the resources control approach; this approach considers that if an organisation wants to survive, it needs to be able to attract the needed resources from the environment to produce the organisation's output and here, assumes that survival is the ultimate measure of organisational effectiveness (Roy and Dugal, 2005). (iii). Multiple constituency approach: this considers the achievement of the goals of the different constituents' such as owners, employees and customers (Roy and Dugal, 2005).

In addition to the above models of organisational effectiveness, Quinn and Rohrbaugh (1983) presented the competing values model to organisational effectiveness. Quinn and Rohrbaugh (1983) and Quinn (1988), based on competing values model, identified four models of effectiveness; (i). the human relations model, which places emphasis on flexibility and internal focus, and cohesion, morale and human resources development as the criteria for organisational effectiveness. (ii) the Open system model, which is based on the flexibility and external focus. These processes bring about innovation and creativity. (iii). The Internal process model, which places

emphasis on internal and control focus. This model brings about stability and control. (iv). The Rational goal model, which is based on control and external focus. It

places emphasis on rational action and assumes that planning and goal setting results. The Competing values model can be illustrated by Figure 1



**Figure 1: Competing Values Model**  
Source: Quinn and Rohrbaugh (1983)

**3.1.1 Measurements of Organisational Effectiveness**

Assessing effectiveness are the products of different arbitrary models of organisations, and effectiveness is a product of individual values and performance. Therefore, the best criteria for

assessing effectiveness cannot be identified (Cameron, 1986). Gilbert and Parhizani (2000a; 2000b) have identified a lack of consensus in prior literature that exists on the definitions.

According to Heerwagen and Heerwagen Associates (2006), the

first step in evaluating organisational effectiveness is understanding the organisation, how it functions, how it is structured and what is emphasised. Further, they have identified a number of factors that constantly show up in effectiveness matrix. They were: achieving the organisational mission, customer satisfaction, product/service quality and value, capacity for innovation and creativity, adaptation to organisational and technological change, effective information sharing and communication, employee attraction and employee retention, effective group and individual work, and operational efficiency.

### **3.2 Leadership**

There are several definitions for leadership. Leadership has been defined by Hersey and Balanchard (1990) as the ability to influence people to strive willingly for group effectiveness. Gardner (2005) defined leadership as the process of persuasion and example by which an individual (or leadership team) induces a group to take an action that is accorded with the leader's purpose or the purpose of all. Therefore, leadership can be identified as the process of others attempt at directing

and forcing them to achieve organisational objectives.

#### **3.2.1 Leadership Style**

Leaders tend to exhibit various behavioural patterns by how they provide direction, influence, plan and motivate people. These many behavioural patterns can be identified as leadership styles.

A dominant approach to leadership styles, based on transformational and transactional leadership, by Bass (1985) was operationalised by Bass and Avolio (1994). The models of transformational and transactional leadership is described as a single continuum from transformational to transactional to laissez-faire leadership (Ushagbem, 2004).

##### **3.2.1.1 Transformational Leadership**

Bass (1985); Bass and Avolio (1994); Den Hartog et.al. (1997); and Hinkin and Tracy (1999) defined transformational leadership in terms of four leadership characteristics: (i). Idealised influence: the leader acts as and is perceived as a strong role model for followers. According to Bono and Judge (2004) and Simic (1998), Russel and Patterson (2003),

idealised influence is about building the confidence of followers. The leader is admired, respected and trusted by followers, and provides a sense of both mission and vision that others want to follow. The leader shares risks with the followers and is consistent in conduct with underlying ethics, principles and values (Bass, Avolio, Jung and Berson, 2003). (ii). Inspirational Motivation: the leader inspires followers to pursue a shared vision over self-interest. This leader is capable of arousing in subordinates the wish to be a part of the organisational culture and environment. And the leader encourages followers to envision attractive future states that they can ultimately envision for themselves (Bass, Avolio, Jung and Berson, 2003). (iii). Individual consideration: this leadership style pays attention to reaching an individual's needs for achievement and growth by acting as a coach and mentor, (iv). Intellectual stimulation: according to Barbuto (2005), the leader of this style stimulates and encourages both creativity and innovation by questioning, assuming, reframing problems and approaching old situations in new ways. Stone, Russel and Patterson (2003) noted

that leaders in this dimension empower followers by persuading them to propose new and controversial ideas without fear of punishment or ridicule. Intellectual stimulation involves the arousal and change in follower's problem awareness and problem-solving skills through the use of the imagination with relation to belief and values (Bass, 1985). The most important aspect here is how it relates to the intelligence of subordinates.

However, Tichy and Devanna (1999) noted that transformational leaders share a number of common characteristics; (i). they identify themselves as change agents. Their professional and personal image seeks to make a difference and transform the organisation for which they have assumed responsibility. (ii). they are encouraging individuals. These transformational leaders are risk takers and are individuals who take a stand. (iii). they believe in the people. They are powerful yet sensitive of other people and ultimately, they work towards the employment of others. (iv). they are value driven. Transformational leaders can articulate a set of core values and exhibited behaviour that is congruent with their values and

positions. (v). they are lifelong learners. They view mistakes as learning experiences. (vi). they can deal with complexity, ambiguity and uncertainty. (vii). they are visionaries. Transformational leaders can dream, and are able to translate those dreams and images so that others can share them.

### 3.2.1.2 Transactional Leadership

Bass (1985) noted that transactional leadership behaviours aimed to monitor and control employees through rational or economic means. Bass (1990) and Bass and Avolio (1994) argued that transactional leadership is an exchange process between leaders and followers. In this leadership model, the leader identifies the specific followers' desires and provides goods that meet those desires in exchange for followers' meeting specific objectives or performing certain duties (Ushagbem, 2004). On the other hand, leaders are benefitted by the completion of tasks while followers receive rewards based on job performance (Northhouse, 2001). The behaviours and traits of followers are influenced by the incentives offered by the leader (Politis, 2003).

According to Bass (1985); Bass and Avolio (1994); Hater and Bass (1998); Den Hartog et.al. (1997); and Bono and Judge (2004), the dimensions of transactional leadership are; (i). Contingent rewards: the leader provides rewards based on followers' achievements of a specified performance level. Bono and Judge (2004) noted that contingent rewards refers to leadership behaviours and is focused on the exchange of resources, with the leader providing tangible and intangible support and resources to the followers in exchange for their support and performance. (ii). Active management by exception: the leader actively seeks out variations from the desired performance on the part of followers with a view to taking corrective action (Pounder, 2001). (iii). Passive management by exception: the leader does not seek out deviations for desired performance and only takes action when problems present themselves (Pounder, 2001). This leadership model is inactive, and may be required and effective in some situations when it is necessary to supervise a larger number of followers who directly report to the leader.



### 3.2.1.3 Laissez-faire Leadership

This is other end of the continuum of transformational and transactional leadership model. In this leadership model, the leader minimises exchange with followers and allows them to do their own thing to achieve outcomes with minimal intervention, feedback and support. Laissez-faire leadership represents non-transactions. This is the avoidance or absence of leadership and is the most inactive, as well as ineffective, according to almost all research studies on leadership styles. Here, the necessary decisions are not made, actions are delayed, responsibilities are ignored and authority remains unused (Bass, 1998).

In this study, the selected organisations were in the commercial banking sector, and in the current competitive business environment, it was assumed that this type of leadership style might not work in such institutions. Therefore, the laissez-faire leadership style was not considered further in this study.

### 3.2.3 Transformational, Transactional Leadership and Organisational Effectiveness

Avolio and Howell (1992); Bass (1985); Selter and Bass (1990); Ross and Offerman (1997), and a few other studies have examined the link between the exercise of transformational and transactional leadership, and overall organisational effectiveness (Pounder, 2001). Brunes (1998) and Lachman and Wolf (1997) noted that the examination of the link between transformational and transactional leadership and organisational effectiveness is hampered by the absence of general an agreed definition of organisational effectiveness (Pounder, 2001). Thus, Bass and Avolio (1994) and Brunes (1998) have argued that transformational leadership is more proactive, and ultimately more effective, than transactional, corrective or avoidant leadership in terms of motivating followers to achieve a higher performance (Berson and Avolio, 2004).

The literature on leadership has demonstrated the relationships in transformational leadership. According to Bass (1985), transformational leadership increases the confidence and motivation of followers to achieve

performances beyond expectations (Politis, 2003). A study on leadership done by Geyer and Sterer (1998) evaluated Austrian bank branches and reported stronger, positive relationships between transformational leadership and long-term versus short-term performance. Thus, they found a strong relationship between transformational leaders and long-term performance, as transformational leaders created more inspired, committed and cohesive performances in their banks (Bass, Avolio Jung and Berson, 2003). According to Power and Bastman (1977), transformational leaders use their component abilities of inspiring and stimulating intellectually, and demonstrating an individually considerate leadership to motivate followers to attain higher levels of achievements. Further, they also achieve greater organisational performances by aligning individuals with the strategic vision, mission and collective goals of their organisation (Berson and Avolio, 2004). As found by Kirkpatrick and Lock (1996), critical organisational outcomes such as satisfaction, organisational performance, group performance and commitment are associated with the transformational

leadership style. Thus, Meta-analyses conducted by Lowe, Kroeck, and Sivasubramaniam (1996); and Patterson, Fuller, Kester and Stringer (1995) have confirmed the positive relationship between transformational leadership and performance, which is noted in leadership literature (Bass, Avolio, Jung and Berson, 2003).

The transactional contingent reward leadership model relates positively to performance in that such leaders clarify expectations and recognise achievements that positively contribute to higher levels of performance (Bass, Avolio, Jung and Berson, 2003). On the other hand, transactional leadership and the performance context may elevate the importance of the role that transactional leadership plays in contributing to effective leadership (Bass, Avolio, Jung and Berson, 2003). The effective leadership model positively relates to organisational performance and effectiveness. However, Burnes (1998) has described transactional leadership as representing the lower type that transformational leadership should add to in predicting performance.

### **3.2.3.1 Transformational and Transactional Leadership and Commercial Banking Institutions in the Domestic Private Sector of Sri Lanka**

Currently, Sri Lankan banking institutions are facing some challenges, including the need to improve staff cost effectiveness. Therefore, management should pay attention to the organisational effectiveness of their institutions. Thus, management is required to motivate, as well as build the confidence of their subordinates to higher levels of performance and effectiveness.

Transformational leaders are expected to enhance the performance capacity of their followers by setting higher expectations and generating a greater willingness to address more difficult challenges (Avolio, 1999; Bass, 1998). Transactional contingent reward leadership also relates positively to performance by these leaders are clarifying expectations and recognize achievements that positively contribute to high level of organizational effectiveness (Bass, Avolio, Jung and Berson, 2003). Therefore, based on prior literature, there is sufficient justification to propose transformational and

transactional leadership models to test the leadership style of commercial banking institutions in the domestic private sector of Sri Lanka.

Therefore, considering the dimensions of transformational leadership and organisational effectiveness, it can be argued that the degree of transformational leadership of the managers of these banking institutions positively affects their organisational effectiveness. Hence, the following hypothesis was developed for the study.

H<sub>1a</sub>: A transformational leadership style impacts positively on organisational effectiveness.

Thus, considering the dimensions of a transactional leadership, as well as the literature related to the relationship between transactional leadership and organisational effectiveness, it can be argued that the transactional leadership of the managers of these banking institutions positively affects the organisational effectiveness of their banking institutions. Hence, the following hypothesis was developed for the study.

H<sub>1b</sub>: A transactional leadership style impacts positively on organisational effectiveness.

**Conceptual Framework**

The conceptual framework of the study attempts to establish the relationship between the variables of the study. In this study, the dependent variable is organisational effectiveness. The independent

variable is leadership style. Therefore, based on the literature, the conceptual framework seeks to establish the relationship between leadership and organisational effectiveness. The appropriate conceptual framework for the study can be elaborated by Figure 2.

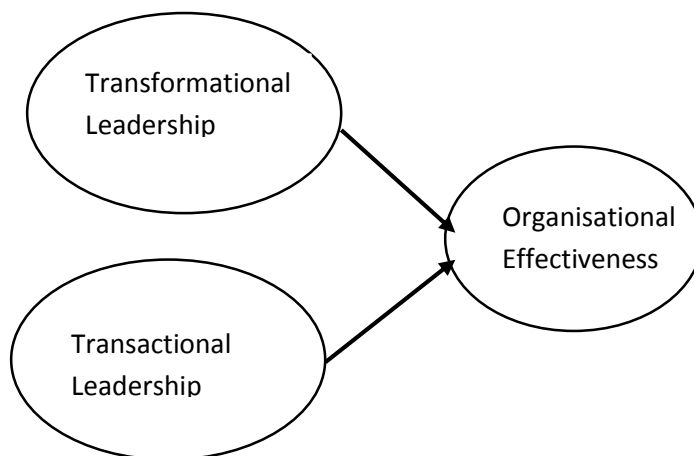


Figure 2: Conceptual Framework of the Study

**4. METHODOLOGY**

dimensions and it is elaborated in Table 1.

**4.1 Measurements of Variables**

In this study, the dependent variable was measured by the following

**Table 1: Measurements of Organisational Effectiveness.**

Attribute	Indicators
a) Achieving organisational mission	Activities are aligned with the mission of the bank Institution achieved its goals; guided mission to its optimal level
b) Capacity for innovation and creativity	Institution has sufficient capacity to innovate to cope with the changing environment

c) Adaptation to organisational and technology change	Institution changes or adopts its organisational structure from time to time to cope with the business environment Institution brings or adopts new technology to achieve organisational objectives
d) Effective information sharing and communication	Sufficient communication and sharing of clear information on time between the institution and leader to achieve the institutional objectives Sufficient communication and sharing of clear information on time between the leader and subordinates to achieve institutional effectiveness Sufficient mutual support between the leader and subordinates to achieve the targets of the institution
e) Satisfaction	Self-motivated, and works willingly and effectively
f) Employee attraction and retention	Seeking another place of work and attempts to leave

Thus, the independent variable of the study, the leadership style, was measured by the following dimensions and is elaborated in Table 2.

**Table 2: Measurements of Leadership Style**

Leadership style	Dimensions	Indicator
Transformational Leadership	Idealised influence <sup>2</sup>	Manager always tries to build subordinates' confidence Subordinates admire, respect and trust the manager Manager always shares risks as well as credits with subordinates
	Inspirational motivation	Manager directs subordinates to pursue a shared vision rather than self-interests Manager always inspires team spirit As the leader, the manager always displays enthusiasm and optimism

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	Intellectual stimulation	<p>Manager always considers individual differences in terms of needs and desires</p> <p>Manager always tries to develop subordinates for higher levels of potential</p> <p>Subordinates can understand the manager believes that the delegation of authority is the most important aspect to achieve targets successfully</p>
	Individual consideration	<p>Manager encourages creativity and innovation</p> <p>Manager empowers subordinates by persuading the proposing of new and controversial ideas in problem solving</p> <p>Manager seeks different perspectives when solving problems</p>
Transactional Leadership	Contingent reward	<p>Manager recognises and appreciates the achievements of each subordinate</p> <p>Manager provides tangible and intangible resources to subordinates for their efforts and specified performance levels</p> <p>Manager pays attention to what subordinate can receive for their performance</p>
	Management by exception	<p>Manager always monitors deviations from subordinates' desired performance</p> <p>Manager always monitors subordinates' mistakes and errors</p> <p>Manager takes immediate corrective action for mistakes and errors by subordinates</p>

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#### 4.2 Construction of Questionnaire

The survey method was used to collect data for this study and a questionnaire was used to collect data from respondents. The questionnaire was built based on major concepts of literature and

of consists of two sub sections. Part one consisted of questions relating to the respondents' demographic and general data. Part two was to measure the variables of the study, organisational effectiveness and leadership style.

### **4.3 Sample and Sample Procedure**

Data was collected from subordinates of commercial banking institutions in the domestic private sector of Sri Lanka. The subordinates of these banking institutions consisted of executives, junior executives, banking and graduate trainees, banking assistants and support staff. To represent subordinates from each branch, a stratified random sampling method was used. The sample size of the survey was set at 380 subordinates, according to the table developed by Krejcie and Morgan (1970).

### **4.4 Pilot Study**

According to Luck and Rubin (1987), a pilot study sample should be around 10 to 30 members of the population. The developed research instrument was distributed among 20 selected members of the sample as a pilot test before moving to the main study. In this pilot study, the overall responses were satisfactory.

### **4.5 The Data Collection**

With the satisfactory responses of the pilot study, 420 questionnaires were distributed

among the subordinates of commercial banking institutions in the domestic private sector of Sri Lanka with the intention of meeting the target of collecting 380 questionnaires from the respondents. The response rate was high and a total of 382 completed questionnaires was collected. After checking the quality of the responses, 4 cases were omitted due to missing values and 378 usable, completed questionnaires were obtained. The analysis was carried out based on these 378 completed cases.

### **4.6 Data Analysis**

The selection of the most suitable statistical analysis is a very important part of research study. To explore the research problems, objectives and data characteristics, the most appropriate statistical analysis must be selected. Therefore, to analyse the data for the purpose of finding answers for the research questions, descriptive statistics and appropriate inferential statistical techniques were used.

#### **4.6.1 Reliability**

Internal consistency reliability was used to assess the reliability of a summated scale

where several items were summated from the total score (Bricks and Malhotra, 2006). Conbach's Alpha value for transformational leadership was 0.620 while it was 0.60 for transactional leadership. Conbach's Alpha for organisational effectiveness was 0.67.

#### 4.6.2 Validity

The Kaiser – Mayer – Olkin Measure (KMO) value of the 'idealized influence' dimension of transformational leadership had recorded a lower value than the standard value of 0.5. However, since all the other test measurements were adequately satisfied and the value was 0.50, this dimension was accepted for further analysis. Other than that dimension, all other dimensions of independent variable and dependent variable received values greater than 0.5.

Discriminant validity is the extent to which a scale item does not correlate with other constructs from which it is supposed to be different (Birks and Malhotra, 2006). Discriminant validity is assessed by comparing the shared variances (Squared Correlation) with respective AVE (Average Variance Explained) values, and then discriminant validity is evidenced.

(Fornell and Larcker, 1981). Discriminant validity can be assessed by comparing the Squared Pearson Correlation among constructs with the AVE on the individual construct and any other construct (Fornell and Larker, 1981). The discriminant validity of the main constructs were satisfied.

## 5. DATA ANALYSIS

As indicated in Table 3, the mean value of the distribution for organisational effectiveness was 4.2948. Therefore, the organisational effectiveness of the respondents can be identified as 'good' since it was greater than 3.

**Table 3: Descriptive Statistics Results for Organisational Effectiveness**

Organisational Effectiveness	Value
Mean	4.295
Median	4.333
Mode	4.444
Std. Deviation	.308
Skewness	-.737
Kurtosis	.402

Both the median and mode values were higher than 4 and it has emphasised that the majority of respondents were satisfied or



strongly satisfied with the statements that were used to measure organisational effectiveness. The Skewness and Kurtosis of the distribution were  $-.737$  and  $.402$ ,

which indicated that the data recorded for organisational effectiveness was approximately normally distributed.

**Table 4: Descriptive Statistics Results for Organisational Effectiveness Dimensions**

	Mean	Median	Mode	Std. Deviation	Skewness	Kurtosis
Achieving Organisational Mission	4.184	4.000	4.000	.465	-.256	.321
Capacity for Innovation and Adaptation to Organisational Change	4.627	5.000	5.000	.447	-.812	-.560
Information Sharing and Communication	4.297	4.000	4.000	.411	.302	.930
Employee Satisfaction and Retention	4.069	4.000	4.000	.474	-1.029	2.229

After the factor analysis, six organisational dimensions were combined in to four. When considering these dimensions, as shown in Table 4, the combined variable ‘capacity for innovation and creativity’ and ‘adaptation to organisational and technological change’ recorded the highest mean value at 4.627. The median and

mode values for that dimension were 5. This indicates that most of the respondents were strongly satisfied with the remaining statements (one statement was eliminated) that were used to measure this combined dimension.

All other four dimensions recorded higher mean values than 3, and both the median and mode

values were stated as 4. Kurtosis values for the combined dimension of 'satisfaction' and 'employee attraction and retention' were higher than the standard range. However, other values of Skewness and

Kurtosis for all dimensions were between +2 and -2. Therefore, it can be considered to be approximately normally distributed.

**Table 5: Descriptive Statistics Results for Leadership Styles**

		Mean	Median	Mode	Std. Deviation	Skewness	Kurtosis
Mean	Transformational Leadership	4.240	4.250	4.250	.200	.043	.188
	Transactional Leadership	4.137	4.167	4.170	.255	.188	-.035

The mean values of the distribution of transformational and transactional leadership styles were 4.240 and 4.137, respectively. Thus, as indicated by Table 5, both leadership styles can be identified as 'good' since the values were greater than 3. However, transformational leadership has recorded a higher mean value than transactional leadership. Both the median and mode values recorded higher for

transactional leadership. It indicated that most respondents were satisfied or strongly satisfied with the statements that were used to measure transformational leadership. The Skewness and Kurtosis of the two distributions were laid between +2 and -2, which indicated that the distributions of leadership styles were normally distributed.

**Table 6: Descriptive Statistics Results for Transformational Leadership Dimensions**

		Mean	Median	Mode	Std. Deviation	Skewness	Kurtosis
Mean	Idealised Influence	3.7425	3.6667	4.00	.42485	.077	.386
	Inspirational Motivation	4.5644	4.6667	4.67	.30357	-.790	1.561
	Intellectual Stimulation	4.0247	4.000	4.00	.49338	.454	.191
	Individual Consideration	4.6278	4.6667	5.00	.41001	-.802	-.286

When considering each dimension of transactional leadership, as shown in Table 7, management by exception (TSL.f) recorded the highest mean value than the contingent reward (TSL.e) dimension. It received the higher median and mode values. This indicated that most of the respondents were satisfied or

strongly satisfied with the statements that were used to measure the management by exception dimension. Kurtosis and Skewness values for both dimensions were between +2 and -2 and therefore, it can be considered to be normally distributed.

**Table 7: Descriptive Statistics Results for Transactional Leadership Dimensions**

		Mean	Median	Mode	Std. Deviation	Skewness	Kurtosis
Mean	Contingent Reward	3.9850	4.000	4.00	.29747	.674	5.052
	Management by Exception	4.2884	4.3333	4.33	.41278	-.449	1.887

### 5.1 Demographic Profile of the Sample

Demographics are the most contemporary statistics characteristics of a population. Commonly examined demographics include gender, race, age, employee statue etc. Hence, part I of the questionnaire covered the demographic characteristics of the

respondents, such as gender, age, educational level and working experience, as well as some background data, such as employment status and the number of colleagues. Thus, personal data will be helpful to contextualise the findings and formulation of appropriate recommendations to the subject matter.

**Table 8: Demographic Profile**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
<b>States of Employment</b>				
Junior Executive	126	33.33	33.33	33.33
Clerk	103	27.25	27.25	60.58
Banking Assistant	149	39.42	39.42	100.00
Total	378	100.00	100.00	
<b>Gender</b>				
Male	294	77.78	77.78	77.78
Female	84	22.22	22.22	100.00
Total	378	100.00	100.00	
<b>Age</b>				
30 and under	137	36.24	36.24	36.24
31-35	67	17.72	17.72	53.96
36-40	51	13.49	13.49	67.45
41-45	49	12.96	12.96	80.41
46-50	33	8.73	8.73	89.14
51-55	31	8.21	8.21	97.35
56-60	8	2.11	2.11	99.46
60 and above	2	0.54	0.54	100.00
Total	378	100.00	100.00	
<b>Education Level</b>				
GCE O/L	11	2.90	2.90	2.90
CGE A/L	102	27.00	27.00	29.90
Diploma	124	32.80	32.80	62.70
Bachelor's Degree	52	13.80	13.80	76.50
Other	89	23.50	23.50	100.00
Total	378	100.00	100.00	
<b>Professional Education</b>				
	14	3.70	3.70	3.70

Institute of Chartered Accountants (ICA)				
Chartered Institute of Management	18	4.80	4.80	8.50
Accountants (CIMA)				
Institute of Bankers in Sri Lanka (IBSL)	305	80.70	81.30	89.80
Others	3	0.80	0.80	90.70
None	35	9.30	9.30	100.00
Missing	3	0.80	-	
Total	378	100.00	100.00	
<b>Working Experience</b>				
0-5 Years	78	20.63	20.63	20.63
6-10 Years	112	29.63	29.63	50.26
11-15 Years	98	25.90	25.93	76.19
16-20 Years	56	17.81	14.81	91.00
More than 20 Years	34	9.00	9.00	100.00
Total	378	100.00	100.00	
<b>Number of Colleagues</b>				
1-5	9	2.40	2.40	2.40
6-10	38	10.10	10.10	12.40
11-15	98	25.90	25.90	38.40
16-20	127	33.60	33.60	72.00
More than 20	106	28.00	28.00	100.00
Total	378	100.00	100.00	

Around 40% of the respondents were banking assistants, which was 149 in number, 33.3% junior executives while 27.5% were clerks. Among the sample of 378, 294 were male employees and 84 were females, as shown in Table 8. As a percentage, the sample had 77.78% was males and 22.22% was females.

In this study, the respondents were categorised into seven age levels as 30 and under, 31-35, 36-40,

41-45, 46-50, 51-55 and 56-60. Within the selected sample, the highest percentage (36.24%) of respondents were in the age limit of 30 and under (see Table 8). Further, 17.72% respondents were from the age category of 31-35 years. The remaining respondents were distributed among the other five categories.

According to Table 8, the majority of respondents had a Diploma, amounting to 32.8% of the

total sample. Moreover, 27% were educated up to GCE Advanced Level, while around 14% had degrees. Further, 23.5% had other qualifications while the remaining 2.9% had completed GCE Ordinary Levels.

As per Table 8, 80% of respondents have an IBSL (Institute of Bankers in Sri Lanka) qualification. Only 14 had ICA (Institute of Chartered Accountants) qualifications while another 18 had completed CIMA (Chartered Institute of Management Accountants). Further, 35 respondents had not followed any professional qualification.

As shown in Table 8, 112 (29.63%) respondents had work experience of between 6-10 years. Moreover, 98 (25.90%), had 11-15 years' work experience while 78 (20.63%) had below 5 years of work experience in the banking field.

The majority of the respondents had 16 to 20 or more than 20 colleagues at their working place. This was accounted as 33.6% and 28%, respectively. 25.9% of respondents had stated that they had 11 to 15 colleagues.

## 5.2 Impact of Leadership Style on Organisational Effectiveness

The linear regression model was used to examine the impact of leadership style on the organisational effectiveness of these private sector domestic commercial banking institutions of Sri Lanka.

The regression coefficient of transformational leadership was 0.240 (see the Table 9), which highlights that the level of organisational effectiveness increased by 0.240 when the transformational leadership increases by one unit, while the other dimensions remained constant.

**Table 9: Regression Analysis (Coefficient Table)**

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.006	.048		.115	.908
	FAC_ Transformational Leadership	.240	.054	.241	4.444	.000
	FAC_ Transactional Leadership	.056	.053	.056	1.044	.297

a. Dependent Variable: FAC\_ Organisational Effectiveness

H<sub>1a</sub>: Transformational leadership impacts positively on organizational effectiveness.

Table 9 indicates that the Sig value of transformational leadership to be 0.000, which was less than 0.05 (P<0.05). Thus, it indicates that transformational leadership statistically predicts the dependent variable of organisational effectiveness significantly well. Further, the B value of transformational leadership was recorded at 0.240. Therefore, it can be concluded that transformational leadership impacts positively on organisational effectiveness. Hence, the developed hypothesis for the study H<sub>1a</sub> was accepted.

H<sub>1b</sub>: Transactional leadership impacts positively on organisational effectiveness

Table 9 indicated that the Sig value of transactional leadership at 0.297, which was greater than 0.05

(P>0.05). Thus, it indicates that transactional leadership could not statistically predict the dependent variable of organisational effectiveness well. Therefore, it can be concluded that transactional leadership does not positively impact organisational effectiveness. Hence, the developed hypothesis H<sub>1b</sub> for this study was rejected.

Furthermore, this study sought to identify what leadership style of managers has a greater impact on the organisational effectiveness of the banking institutions.

As per the multiple linear regression analysis, the F value was 36.174, which is good. According to Table 10, the P value was depicted as 0.000, which was less than 0.05. Thus, it indicates that the fitted model statistically predicts the dependent variable of organisational effectiveness significantly well.

**Table 10: Regression Analysis (ANOVA Table)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.797	1	32.797	36.174	.000 <sup>a</sup>
	Residual	339.988	375	.907		
Total		372.785	376			

a. Predictors: (Constant), FAC\_ Transformational Leadership

b. Dependent Variable: FAC\_ Organisational Effectiveness

Table 12 depicts the P value for transactional leadership at 0.704, which is greater than the standard level of 0.05. It was eliminated from the developed regression model for

leadership styles and organisational effectiveness.

**Table 11: Regression Analysis (Coefficient Table)**

Model	Unstandardised Coefficients		Standardised Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	.005	.049		.111	.912
FAC_ Transformational Leadership	.295	.049	.297	6.014	.000

a. Dependent Variable: FAC\_ Organisational Effectiveness

**Table 12: Regression Analysis (Excluded Variable)**

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
					Tolerance
FAC_ Transactional Leadership	.020 <sup>a</sup>	.381	.704	.020	.881

a. Predictors in the Model: (Constant), FAC\_ Transformational Leadership

b. Dependent Variable: FAC\_ Organisational Effectiveness

As shown in the Table 11, transformational leadership had recorded a P value at 0.000, which was less than 0.05, and the B value was 0.295. Consequently, it can be concluded that in the commercial banking institutions in the domestic private sector of Sri Lanka, the impact of the transformational leadership of managers on

organisational effectiveness is greater than the impact of transactional leadership style on organisational effectiveness in these banking institutions.

## 6. CONCLUSIONS

In terms of the organisational effectiveness of the commercial



banking institutions in the domestic private sector of Sri Lanka, the institutions were practicing it and employees knew about organisational effectiveness to a satisfactory level. In general, they was a good practice of organisational effectiveness. The analysis showed that both mean and modes values for all the dimensions of organisational effectiveness were more than 4.00. The information sharing and communication accounted mode value was at 5.00. This reflected that all practices in relations to the organisational effectiveness of these commercial banking institutions indicated a satisfied or strongly satisfied level. One reason that could explain this situation is the educational qualification and the professional qualification levels. Two-third of subordinates in these banking institutions had diploma-level education or a higher level. Thus, more than 90 percent of subordinates had an IBSL professional qualification. The academic and professional qualifications of employees directly affect their organizations' effectiveness. Another reason is that subordinates in these banking institutions worked with a large number of colleagues in a majority of the branches. The analysis

indicated that one-third of subordinates worked with more than 20 colleagues. Thus, the analysis indicated that information sharing and communication in these banking institutions were at the strongly satisfied level. The satisfied level in information sharing and communication among a larger number of colleagues passively affects their organizations' effectiveness

The analysis of this study depicted that the transformational leadership style statistically predicted the organisational effectiveness significantly well. Moreover, the B value of the transformational leadership style was recorded as .240. In terms of the transactional leadership style, the Sig value was greater than 0.05. Thus, the transactional leadership style did not predict the organisational effectiveness (see Table 9). Therefore, it can be concluded that transformational leadership positively impacts organisational effectiveness of the commercial banking institutions in the domestic private sector of Sri Lanka.

This finding of the study was supported with the finding of a study by Geyer and Steer (1998) in relation to Austrian Banks. It's researchers

reported a stronger positive relationship between leadership and performance. Another study by Kirkpertrick and Locke (1996) found that critical outcomes such as satisfaction, organisational performance and commitment are associated with transformational leadership. The analysis of this study also depicted that subordinates' satisfaction and their retention in these banking institutions were at a higher level (see Table 4). Meta-analyses conducted by Lowe, Krok and Sivasubramaniyam (1996) and Patterson, Fuller, and Stringer (1995) confirmed a positive relationship between the transformational leadership style and organisational performance.

The study found that a majority of managers in these banking institutions were practicing characteristics of transformational leadership style. Within these characteristics, managers actively listen and care about the individual needs of their subordinates. Thus, subordinates are raised to higher levels of potential. Due to these leadership characteristics of the managers of these banking institutions, the morals of subordinates, especially in of younger subordinates, increased to a higher level and positively affects

organisational effectiveness. Moreover, when considering the professional educational levels of subordinates in these banking institutions, more than 60% of the subordinates had an IBSL professional qualification. This reflected their need of career development. Therefore, the managers who are exhibitedw this type of leadership characteristics ere more effective in these institutions. In terms of the other dimensions of the transformational leadership style, managers act as a strong role model for their subordinates. Moreover, the manager provides a sense of both the mission and vision that subordinates want to follow. Thus, with the inspirational motivation dimension of transformational leadership, the manager encourages subordinates to envision an attractive state that they can ultimately envision for themselves (Bass, Avolio Jung and Berson, 2003). This is a primary need of younger subordinates. Therefore, these characteristics of leadership of managers encourage subordinates to achieve the organisational objectives. According to Stone, Russel and Patterson (2003), under the intellectual stimulation dimension characteristic of the transformational

leadership style, the manager empowers subordinates by persuading them to new and controversial ideas without fear of being punished or ridiculed. Since the majority of subordinates in these banking institutions had an IBSL professional qualification that focused on the banking industry, these characteristics of managers were effective and leads to the organisation's effectiveness. Hence, it can be concluded that transformational leadership suits commercial banking institutions in the domestic private sector of Sri Lanka.

With regard to the transactional leadership style in relation to these banking institutions, the dimension of management by exception recorded the highest mean and mode values. It reflected that the managers of these banking institutions were practicing the characteristics of the management by exception dimension of the transactional leadership style. In this leadership dimension, managers actively seek out deviations from the desired performance of their subordinates with a view to taking corrective actions (Pounder, 2001). However, management by exception tends to be less effective than the contingent reward dimension, the

other dimension of transactional leadership. In this study, the mean and mode values for contingent reward dimension was less than the management by exception dimension, which is less effective than the contingent reward dimension. While managers practiced the transformational leadership style, they were practicing management by exception characteristics of the transactional leadership style as they had to achieve their organisational objectives with a majority of the younger subordinates in these banking institutions.

With regard to the fourth research question of the study 'what is the impact of leadership style on organisational effectiveness?' for commercial banking institutions in the domestic private sector of Sri Lanka, transformational leadership recorded a P value at 0.00 and B value at 0.295 (see Table 11). Thus, Table 12 depicts that the P value of transactional leadership at 0.704, which is greater than the standard value. Therefore, it can be concluded that the impact of the transformational leadership style on organisational effectiveness is greater than the impact of the transactional leadership style on organisational effectiveness in

relation to the commercial banking institutions in the domestic private sector of Sri Lanka. Thus, this finding was supported with the findings of the study conducted by Bass (1985); Bass and Avolio (1994); and Brunes (1998). They argued that the transformational leadership style is more proactive than and, ultimately, more effective than the transactional leadership style.

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## BOOK REVIEW

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**Title:** Tea and The Plantation Community in Sri Lanka- 150 Years (1867-2017)  
**Publisher:** Express Newspaper of Ceylon (Pvt) limited  
**Language:** Tamil  
**Edited by:** A. S. Chandrabose & R. Ramesh  
**Total Pages:** 526  
**ISBN:** 978-955-0811-15-1

This book is a collection of 28 research articles, exclusively written in commemoration of the 150<sup>th</sup> anniversary (1867 – 2017) of the tea industry in Sri Lanka. It details the real story of the Black Gold (tea) produced from ‘Red Tears’ (drudging plantation workers’ labour) that made the nation: Sri Lanka. There are already a few books on this topic, such as the attractively presented work by D. M. Forrest entitled *A Hundred Years of Ceylon Tea - 1867-1967*, which provides an understanding about the tea industry during the first 100 years of tea in Ceylon, as the island was then known. In 1967, to mark 100 years of tea, the Tea Research Institute of Sri Lanka published a special issue of the Tea Quarterly

Journal, to which prominent tea researchers at home and abroad had contributed articles from various aspects of the industry and its changing dynamics. Recently, another book was published by the Tea Traders Association, Colombo, in commemoration of 150 years of tea in Sri Lanka. Similarly, the Institute of Policy Studies, Colombo, published a volume edited by Dr. Janaka Wijayasiri, Dr. Nisha Arunatilake and Dr. Saman Kelegama, which documents the changes that have taken place in the tea industry over time, and look at future prospects for the industry. Both these books speak more about the industry, production, market trends, challenges faced by the

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industry etc. and very little about the tea plantation workers.

Apart from the invaluable contributions of several ‘overseas researchers’, which cannot be underestimated, it must be acknowledged that the impact of the work written by them in English is negligible in terms of awareness creation among the educationally deprived plantation Tamil workers due to the inevitable language barrier. Although the English publications have been playing a significant role in understanding the socio-economic and political status of this community, the content of this work has not reached that community in full. Undoubtedly, much of the work available in English is very influential, and widely used at home and abroad to study the community and the industry, mainly by those who can understand English, while no attempt has been made to make these publications available in Tamil in a manner as to provide better access. Thus, the present volume is not just another book about the plantation industry and plantation workers. What makes this book different is that it is written by several experienced researchers, scholars and civil society activists of all levels from different perspectives.

They were authored not only by academics but also by on-the-ground activists. This book offers a vast amount of detailed information on the origins and evolutions of the tea industry, and the history of the Malayaga Tamils (people whose origin is traced to the plantation industry of Sri Lanka). It also reflects one of the most significant developments in the history of the Malayaga Tamils: the emergence of a new indigenous intelligentsia that think and speak about their community in their own right.

Every care has been taken to make intelligent partitioning of chapters, innovative chapter titles, felicitous writing style and to incorporate relevant references to inspirational sources. The extensive usage of reliable statistics and data makes these articles more authentic. It is, therefore, hoped that the use of this - well researched and key challenges identified - book will go beyond providing an understanding about the history of 150 year of Sri Lanka tea. Importantly, much of the articles in the volume are written based on empirical and theoretical evidence, therefore, we anticipate that the volume would make a policy implication over the years and pave the way for future research from different perspectives that are

unexplored in this volume. We do find some gaps in some of the articles and in the volume as a whole, for instance, land issues, cultural changes, youth, child labour, politics etc. are not fully captured – therefore, there is a need to fill these gaps in the future through scientific inquiry. The collection of research articles in this book are divided into six thematic chapters as follows: 1) The introduction and evolution of the tea industry, 2) Education and health, 3) Social conditions of the Malayaga Tamils in transition, 4) Human rights, governance and politics, 5) Social conditions and labour mobility of Malayaga women, and 6) Cultural identity and literature.

The edited volume of this book offers readers to get some new experience of the plantation sector and of course it is a valuable contribution to the field.