

**The Influence of Transformational Leadership on
Organisational Commitment in the Banking Sector of
Pakistan**

تأثير القيادي في مجال التحول على الالتزام التنظيمي في القطاع المصرفي من باكستان

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Abstract

The purpose of this dissertation is to learn about degree of diffusion of transformational and transactional leaderships across the banking sector in Pakistan and its subsequent impact on innovation and organisational citizenship behavior that entails ramifications on employee perception of organisational commitment. As organizations try to keep pace with the ever-increasing world of competition and changing industry dynamics, a considerable pressure is being put on the leaders to ensure productivity and sustained profitability. This dissertation tries to explicate the prevailing leadership style in the banking sector that ensures this profitability.

The research general framework was exploratory in nature since a small sample of bankers from Pakistan's banking sector was chosen to be interviewed. The researcher tried to explicate subjective perspective of the interviewees to probe into the leadership style prevailing in banking sector. Questions were semi structured and few were theory-driven making the study design iterative. Twenty managers were chosen through theoretical sampling from public and government, private sector and foreign banks. A content analysis was carried out to interpret the data collected from the participants and all transcripts were diligently reviewed to identify recurrent themes.

After reviewing and discussing the leadership styles and their transformation in Pakistan's banking sector, one can understand that the prevailing style is transactional one with transformational aspects. A degree of diffusion between transformational and transactional leadership traits was found in the banking sector of Pakistan where leadership styles are greatly influenced by culture, religion and exposure to western education. From interviews with the bankers it is evident that the prevailing leadership style is transactional with a mix of transformational aspects. This inclination that is being shown towards transformational

leadership style has not only enhanced the performance of the banks in Pakistan but also introduced job and pay satisfaction as well as organisational citizenship behaviour and commitment among the employees.

The uses of totally self reported measures raise concerns over the authenticity of the results. Future studies should incorporate multiple sources of data collection. The study was based on a small sample so generalization of findings is a research constraint that researcher acknowledges. Since very limited literature is available on Pakistan and its banking sector and leadership styles, evaluating the implications of the study was another limitation.

It is concluded that policy makers and HR of banks should focus on leadership development programs and workshops to ensure institutionalisation of transformational leadership. Last but not least, conclusions are drawn from organizational study and recommendations are made to improve the situation arising due to the problem. In doing so, linkage with relevant global experiences and literature review is also carried out.

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OVERVIEW OF DISSERTATION

Study Overview

Leaders are seen as visionaries who stir motivation in cohorts elating performance echelons subsequently accomplishing the strategic corporate goals. Companies rely on leaders to steer businesses and instill growth and profitability. Globalization has brought along an era of fierce competition marking a shift from transactional paradigms to transformational paradigms to cope with market volatility and to grasp consumer perspectives.

The dissertation focuses on imperatives of leadership styles in the banking sector of Pakistan to understand how it impacts the greater interests of any organisation. It further studies the key factors and issues that entail religion and national cultures and its subsequent impact on organisational cultures that needed to be identified and analyzed in order for creating such a leadership mix, which is critical to maintain organisational citizenship behaviors and indirectly contribute to improving organizational commitment.

This dissertation focuses on Pakistan's banking sector and tries to explicate the existing leadership approaches and its impact on organisational commitment while taking into account the existing national and organisational cultures. This study involved twenty local, private and foreign banks. Middle tier and top management bankers were interviewed to find out the meaning and existing approaches these participants ascribe to leadership.

Aims and Objectives

This research study aims to explore the subjective meaning practitioners ascribe to leadership in Pakistan's banking sector and how it impacts innovation and organisational citizenship behaviours subsequently influencing organisational commitment. The flow of study has been based on building a theoretical framework (literature review), keeping in view the research relevant to a wide-ranging context so as to relate it to the industry under study.

1. To understand the leadership concept in the context of the banking industry in Pakistan.
2. To understand the transformational leadership ideology in the context of the unique national and organisational cultures in the banking sector of Pakistan.
3. To identify challenges that may exist in institutionalizing transformational leadership in the Pakistani banking sector.
4. To develop a framework that represents the varied aspects of leadership that entails transactional and transformational traits.
5. To critically analyse the empirical findings of transformational leadership and compare them with existing theoretical models of transformational and transactional leadership.
6. To study the impact of leadership style on innovation and organisational citizenship behaviors in the context of the banking industry.
7. To explicate the influence of varied traits of leadership on employee perception of organisational commitment.

CHAPTER 1

INTRODUCTION

The field of leadership has evolved and shifted its paradigm in a fundamental way from the orthodox transactional epoch point of a trait, behavioral and contingency theories towards the existing leadership paradigms of charismatic, inspirational and intellectually stimulating leadership. This dissertation tries to explicate the degree of diffusion of transformational and transactional leaderships across the banking sector in Pakistan and its subsequent impact on innovation and organisational citizenship behavior that entails ramifications on employee perception of organisational commitment.

This chapter reviews the banking sector of Pakistan in detail and later study overview is given followed by brief description of research objectives.

Pakistan's Financial Sector: An Overview

Financial Sector in Pakistan possesses a wide spectrum of financial institutions - Commercial banks, specialized banks, national savings schemes, insurance companies, development finance institutions, investment banks, stock exchanges, corporate brokerage houses, leasing companies, discount houses, micro-finance institutions and Islamic banks. Financial deepening has intensified during the last several years but the commercial banks are by far the predominant players accounting for 90 percent of the total financial assets of the system (research paper, 2011).

The aggression shown in the sector of banking development in Pakistan has perhaps

very few parallels in the world. Starting virtually from scratch in 1947, the country today possesses a full range of banking and financial institutions to cope with the multifarious needs of a growing economy. At the time of partition, total number of commercial banks in Pakistan was 38. Out of these, the Pakistani banks were 2, Indian banks 29, and exchange banks were 7 (banking industry report, 2011). Since 1990 the Government of Pakistan (GOP) has introduced various reforms in the financial services sector enhancing the level of autonomy enjoyed by the SBP. The number of banks operating in Pakistan has increased, which in turn has resulted in increased competition. The banking sector, in general, has shown good progress during the last few years. During previous five years, the combined total assets of domestic banks, showed an average annual increase of 22 percent, while combined deposits have recorded an increase of 27 percent per annum (banking industry report, 2011).

Twenty one foreign banks operating in Pakistan are playing a significant role by incorporating new technologies and providing better quality services. Policies of privatization, foreign exchange reforms and structural adjustments, have increased the inflow of foreign resources through direct and portfolio investment. Most foreign banks in Pakistan have branches only in big commercial/industrial centers, unlike local banks, which also operate in small towns (trade report, 2011). In trade financing, the role of foreign banks is even more significant, as approximately 30 percent of the total trade of the country is transacted through them. Major portion of the trade financing is for importers to establish letters of credit (research paper, 2011).

Pakistan being a developing country and having a relatively low level of income, is required growth rate is low as there is hardly any savings. The standard of living along with the quality of life is the newer concept in Pakistan, which emphasizes on individual aspects of

human nature. These have led to foreign aids, which have been the holding force to bridge the gap for us between our savings and investments. Nevertheless, these aids have become the drowning force for our country. By virtue of being a member of the most western aid consortium, the famous IMF occupies a pivotal role in our economy sphere by influencing our international financial transactions and creates the pace of our development policies. IMF's main objective for Pakistan is to maintain stable exchange rates, multi lateral credit system and international liquidity to recover the country from its worst economic crisis. However, Pakistan's economic problem can mainly be aspired by internal development and avoidance of any major international role (research paper, 2011).

Structure of the Pakistani banking sector has substantially changed in the last decade, particularly following the privatization of the state-owned banks. In 1990, the banking system was dominated by five commercial banks, which were all state-owned. Amendments done in 1990 to the Banking Companies Ordinance launched the process of financial sector reforms by allowing privatization of the state-owned banks.

Pakistan's Banking Sector can be classified under the following broad categories:

Table 1.1: Categories within the Banking Sector of Pakistan

(Source: Wikipedia, 2010)

Category	Description
State Bank of Pakistan	Central Bank is the autonomous and governing body for monetary and credit system of Pakistan. It also regulates and issues bank notes and overviews currency and credit system.
Nationalized Scheduled banks	These deal primarily in industries of banking and capital markets and provide range of services including deposit in local currency;

	client deposit in foreign currency; remittances; and advances to business, trade, industry and agriculture.
Private scheduled Banks	Banks engage in channeling funds from depositors to lenders against the primary objective of acquiring profit, i.e. Bank Spread.
Foreign banks	These concentrate primarily on International Trade Finance, Innovative Credit Orientation and Plastic Money.
Development/ Cooperative/ Investment Banks	Investment Banks act as underwriter or agent serving as an intermediary between an issuer of securities and the investing public.
Specialized banks	These banks are created with specific interest thus specializing and catering to a particular sector or industry.

The privatization of state-owned banks has been accompanied by the liberalization in the financial system and the openness to domestic and foreign competition. The number of commercial banks and various financial institutions grew rapidly in the early 1990s (the number of commercial banks increased to more than 40 by the year 1995). Concerned by the rapid growth of the newly entering smaller banks, state bank of Pakistan imposed a moratorium of the banks 1995 that sought consolidate banking capital from Rs. 500 to 750 from 2001 to Rs. 1 (around million) by end 2002. (State Bank Report, 2004)

While the ownership and management of the banks by a private sector is one pillar of the reforms, the other pillar is a strong regulatory environment. The Central Bank in Pakistan has strengthened its capacity by acquiring new skills, upgrading the quality of the existing human resources base, adopting technology and re-engineering business processes.

CHAPTER 2

LITERATURE REVIEW

Introduction to Chapter

This Chapter reviews existing theories on leadership and its impact on organisational commitment. The first section probe into meanings associated with leadership and highlights the difference between managerial competencies and leadership traits.

Though very limited literature exists on Pakistan and the prevalent leadership styles, this chapter tries to explicate the applicability of western leadership approaches within the realm of banking industry of Pakistan. National and organisational cultures are discussed at length to understand the context of rampant leadership style across banking industry.

2.1 Leadership Definitions

“Successful leaders inspire ordinary people to achieve the extraordinary.”

Christopher Rodrigues – Group Chief Executive, Bradford and Bingley Building Society (as cited in Landsberg, 2000, p.2)

Leadership has been defined in terms of individual traits, behaviour, influence over other people, interaction patterns, role relationships, occupation of an administrative position, and perception by others regarding legitimacy of influence (Yukl, 2006).

Martin Luther King, while defining leadership said “People are often led to causes and often become committed to great ideas through persons who personify those ideas. They have to find the embodiment of the idea in flesh and blood to commit themselves to it.”

Leadership is “a particular type of power relationship characterized by a group member’s perception that another group member has the right to prescribe behaviour patterns for the former regarding his activity as a group member.” (Janda 1960, p.358). Leadership is “the process of influencing the activities of an organized group toward goal achievement.” (Roach and Behling, 1984, p.46). Leadership is “interpersonal influence, exercised in a situation, and directed through the communication process, toward the attainment of a specific goal or goals.” (Tannenbaum et al., 1961, p.24)

The following table adapted from Hughes, Ginnett and Curphy (2006) explicate the meanings, various researchers associated with the term leadership.

Table 2.1: Leadership definitions

(Source: Hughes, Ginnett and Curphy, 2006, p.7)

Definition	Researcher
The process by which an agent includes a subordinate to behave in a desired manner	Bennis, 1959
Directing and coordinating the work of group members	Fiedler, 1967
An interpersonal relation in which others comply because they want to, not because they have to	Merton, 1969
The process of influencing an organised group toward accomplishing its goals	Roach & Behling, 1984
Actions that focus resources to create desirable opportunities	Campbell, 1991
The leader's job is to create conditions for the team to be effective	Ginnett, 1996
The ends of leadership involve getting results through others, and the means of leadership involve the ability to build cohesive, goal-oriented teams. Good leaders are those who	Hogan, Curphy, & Hogan, 1994

build teams to get results across a variety of situations	
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2.2 Leadership and Management – A Subtle Difference

The following Table highlights the behaviors that differentiate a leader from a manager.

Table 2.2: Leadership and managerial behaviors

(Source: Landsberg, 2000)

Leadership Behaviours	Managerial Behaviours
Leaders innovate	Managers administer
Leaders develop	Managers maintain
Leaders inspire	Managers control
Leaders have a long term view	Managers have a short term view
leaders ask what and why	Managers ask how and when
leaders originate	Managers imitate
leaders challenge status quo	Managers accept the status quo

Managers do the right thing; leaders do things right (Bennis, 1989 as cited in Hughes, Ginnett and Curphy, 2006, p.9)

“Remember the difference between boss and a leader : a boss says, 'Go!' - and a leader says, 'Lets go!' ”... (Kelly as cited in Hughes, Ginnett and Curphy, 2006, p. 6).

Thus there is a difference between asking to do and doing along with the group members. That difference can be termed as leadership and thus there exist some factors that

affect it.

2.3 Factors Determining Leadership Style ... No Single Recipe for Effective Leadership

To remain at the cutting edge leaders are moving towards organic forms creating new paradigms that incorporate the essential radical changes from hierarchies to linear forms, from rigid mind-sets to innovativeness, from power struggle to team building, from quantitative results to performance and from centralization to collaborative attributes. Leaders are trying to inculcate the values and character of organic forms in the very core of organizational culture.

To understand this shift we take a look at IBM a multinational computer technology and IT consulting corporation founded in late 19th century currently employees 388,000 people, a market giant that adhered to orthodox style of leadership with rigid culture. But to keep pace with the fiercely intense competition and global dynamics IBM brought about radical changes in the orthodox way of doing things to gain strategic competitiveness in the global economy. Company underwent a cultural shift to stimulate innovation to maintain steady growth (Business Week, 2002). With feudal style of leadership and bureaucratic culture IBM was loosing its competitive position in the market with \$ 8 billion lost in one year it was time to shake company from top to bottom. And that's where IBM brought in Louis V. Gerstner Jr. a visionary leader and a strategist as CEO of the company in 1993 who with a striking speed was able to reduce costs while keeping company intact (Lohr, 2002). Gerstner revitalized the dysfunctional culture of IBM. He realized that to remain at the cutting edge it is vital to incorporate collaborative behaviours, an informal and supportive environment where people enhance their creativity and foster team building.

Researchers assert that it has to be a combination of traits and characteristics taken

from all different styles of leadership prevalent to determine effective leadership style. Following table adapted from Randeree and Chaudhry (2007) highlights few researches that focused on the determining factors of the preferred leadership style in an organisation.

Table 2.3: Factors determining leadership styles

Researchers	Determining Factors
Tannenbaum and Schmidt, (1958)	Forces in leader himself, subordinates and those in situation.
Yukl (1981, 1994)	Level in authority hierarchy, function of the organisational unit, size of the organisational unit, task characteristics and technology, lateral interdependence, crisis solution, stages in the organisation life cycle and subordinates' competence and performance
Herbert (1981)	Need for participation, the result of commitment and closeness of supervision required
Maheshwari (1980)	Context and characteristics of the organisation, the nature of the decisions and the attributes and preferences of the decision makers
Blanchard and Wakin (1991)	Degree of difficulty of task
Whyte (1988)	Nature of task, power available to leader, experience of subordinates, the culture of the organisation, the preferred style of leader, style preferred by subordinates and time available for task completion

2.4 Leadership Styles ... Anatomy of Leadership

Early researchers believed that leaders have inherent qualities that differentiate them from the rest paving way for trait theories as Banner and Blasingame(1988) assert that leaders are born not made. Robbins et al (2004) highlighted people like The Virgin Group CEO Sir Richard Bravson, and Woolworth's CEO Roger Corbelt as charismatic and enthusiastic leaders. In the 1940s academics started looking for unique behaviors among leaders and this led to

behavioural theories of leadership. This school of thought implied that people can acquire traits; they emerge over time (Banner and Blasingane, 1988). Researchers found no consistent pattern of character and behaviours in leaders but some studies exhibited six unique rhetoric attributes that people admired in leaders; honesty, forward looking, inspiring, competent, fair-minded and supportive (Kouzes and Posner 1993, cited in Cacioppe 1997).

As times changed researchers proposed another theory called Contingency Theory bringing to fore the argument that certain situations and circumstances help people evolve as leaders widely known as Situational theory. Various authors wrote about leadership development with respect to contingent environments. Fiedler's contingency model proposed that the degree of optimal performance depends upon balance between leader's style and the degree to which situation gives control to leader (Roskin, 1983).

Another approach that gained popularity among researchers in various fields was path-goal theory classifying leadership behaviors in four categories (Yiing, 2009). 1. Directive leadership is associated with traits like initiating, structure and task oriented where leaders clearly communicates that is required of subordinates.

2. Second one is Supportive leadership where leader is seen as considerate and people oriented.

3. Third one is Participative leadership requiring subordinates to be interactive in decision making.

4. Fourth one is Achievement oriented leadership that delegates challenging goals.

Following Table gives a comparison of all the above mentioned theories.

Table 2.4: Leadership theories and their brief descriptions

VINTAGE THEORIES	DESCRIPTION
Behavioral theory of leadership	People can acquire traits and emerge as leaders over time
Contingency Theory or Situational Theory	Certain situations and circumstances help people evolve as leaders
Path-Goal Theory	Directive leadership: focus on communication Supportive leadership: people oriented Participative leadership: subordinates participate in decision making Achievement Oriented leadership: delegate challenging roles

2.5 Transformational vs. Transactional Leadership

Transactional forms prevailed till information technology revolutionized the business paving way for organic forms. Historically organizations carried hierarchies, rigid cultures and leaders behaved as dictators converging profitability with success. Transactional leadership scholars have focused on command, coordination, delegation and resource acquisition (Zhu et al, 2005).

In words of Zhang and Coleman, 2000, “Transactional leadership occurs when the leader rewards or disciplines the follower, depending on the adequacy of the follower's performance.” (Zhang and Coleman, 2000: 369; as cited in Bass and Riggio, 2006)

Table 2.5: Characteristics of Transformational and Transactional leaders

(Source: Bass, 1990, p.22)

Transformational Leaders	Transactional Leaders
<i>Charisma</i> : Provides vision and sense of mission, instills pride, gains respect and trust	<i>Contingent Reward</i> : Contracts exchange of rewards for efforts, promises rewards for good performance, recognizes accomplishments
<i>Inspiration</i> : Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways	<i>Management by Exception (Active)</i> : Watches and searches for deviations from rules and standards, takes corrective actions
<i>Intellectual Stimulation</i> : Promotes intelligence, rationality and careful problem solving	<i>Management by Exception (Passive)</i> : Intervenes only if standards are not met
<i>Individualized Consideration</i> : Gives personal attention, treats each employee individually, coaches, advises	<i>Laissez-Faire</i> : Abdicates responsibilities, avoids making decisions

To keep pace with the radical changes, organizations responded by changing the orthodox cultures integrating linear structures and supportive cultures by encouraging collaborative team working creating innovative environments. Leaders remained at the forefront in inculcating these values in the very core of the organizational philosophy. Transformational leadership focuses on the broader spectrum in terms of organisational strategic goals. Followers rise beyond personal goals and vested interests to convene towards team building, organisational and environmental convergence (Cacioppe, 1997).

Bass (1990) emphasizes that transformational leaders not only influence employees and stake holders within an organisation but also have implications for corporate image:

“A firm that is permeated with transformational leadership from top to bottom conveys to its own personnel as well as to customers, suppliers, financial backers, and the community at large that it has eyes on the future; is confident; has personnel who are pulling together for the common good; and places a

premium on its intellectual resources and flexibility and on development of its people.”

(Bass, 1990, p.25)

Avolio and Bass (1991, as cited in Bass, 1999) deduced that every leader exhibits factors of both transactional and transformational leadership as quantified through Multifactor Leadership Questionnaire (MLQ) with the difference that each leaders profile displays more of one and less of other. Their empirical study manifested that leaders who are more effective are more transformational and less transactional. Bass (1990) also believes that transformational leadership traits and values can be inculcated across all management levels through effective organisational and human resource policies.

Researchers also have consensus that there is a correlation among transformational leadership, transactional leadership, organisational commitment, job satisfaction and job performance. The extent of correlation can be tested by reviewing the leadership theories in the contemporary times (Bass, 1985; Bass et al., 1987; Savery, 1991; Yammarino and bass, 1990).

2.6 Leadership in Contemporary Times

With globalisation, the field of leadership evolved and transformed in a fundamental way ensuring that leaders must have essential adroitness to tap on ever changing facets of organisations by being visionaries, charismatic and innovative. The paradigm has shifted to inculcate these changing environments towards transformational leadership. Contemporaries advocate

“...transformational leadership is about change, innovation and

entrepreneurship...we see corporate transformation as a drama that can be thought about in terms of a three-act play: Act I revitalization – recognizing the need for change; Act II creating a new vision; Act III Institutionalizing the change.”

(Tichy and Devvana, 1986, as cited in Banner 1995, p.58)

In recent times scholars have written numerous pieces on rhetorical traits and attributes of transformed leaders. Sankar (2003) explicitly writes organizational values and character must be delegated along with a well formulated vision by leader within the organizational realm. He continues to write that these values evolve and develop through value based relationship, a relationship between leader and follower based on shared and institutionalized values that are not just advocated by leader but also acted upon (Sankar, 2003).

It means that the transformational leadership activities include implementation along with advocating a principle. This aspect of considering the actions as well as proposals of a leader constitutes a significant difference between transformational and transactional leadership. One can term motivation and enabling the team members to reach the goals as one important aspect of a transformational leader. Avolio and Bass (2002) explicitly state that the leaders who motivate and enable the group members strive to create a sense of alignment. They also provide a direction that can be shared by colleagues as well as the followers. Regarding this, they quote the example of Southwest Airlines that has shown the best results in US airline industry. Avolio et al. (2002) attribute that credit to CEO and founder Herb Kelleher, who placed emphasis on humour in the organization. The authors further appreciate Kelleher's business strategy based on simplicity, efficiency and effectiveness that made employees of the airlines helpful to one another.

In this regard, Avolio and other editors of 'Developing Potential across a full range of leadership: Cases on Transactional and Transformational Leadership' tried to show the

difference between South West airlines and its competitors that also made profits. They explain that just making use of deregulation by the governments may not result in sustenance of an organization. In this regard, they cite the example of Eastern airlines, which took advantage of deregulation in 1980s but out of business in the time being. However, that is not the case with southwest airlines, and it slowly moved towards the increasing levels of profitability during the course of time. Explaining this, Avolio et al. (2002) cite the way the CEO Kelleher and his employees attribute the credit to each other. This aspect of attributing credit of success to followers by the leader and vice versa could be an example for the atmosphere that a transformational leader can create (Avolio, and Bass, 2002). The type of leadership exhibited by Kelleher can also revitalize the strategy of a company and enables it to survive in the market. The case of Timmer's success in Phillips is best example of that type.

Karsten et al (2009) wrote how the president of Phillips Jan Timmer announced a total revitalization strategy to survive and make a come back in the market. Timmer's success was attributed not just to his style but also to his effort to connect to views and visions embedded in Phillip's practices. Most of the scholars have consensus over the fact that the role of leaders has changed from directive and prescriptive style to one of power delegation – empowering; that has taken organizations toward linear structures, flexibility and team working (King, 1994).

“...Transformational leadership – occurs when leaders broaden and elevate the interests of their employees when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group”.

(Bass 2001, p.21)

Various studies have been conducted to understand the concepts behind the effectiveness of transformational leadership on variables like job satisfaction, commitment,

motivation and organizational behaviours within the realm of an organization. To understand the relationship of leader's various attributes and their subsequent impact on followers Bass (1990 as cited in Senior and Fleming, 2006) proposed the model 2.3.1.

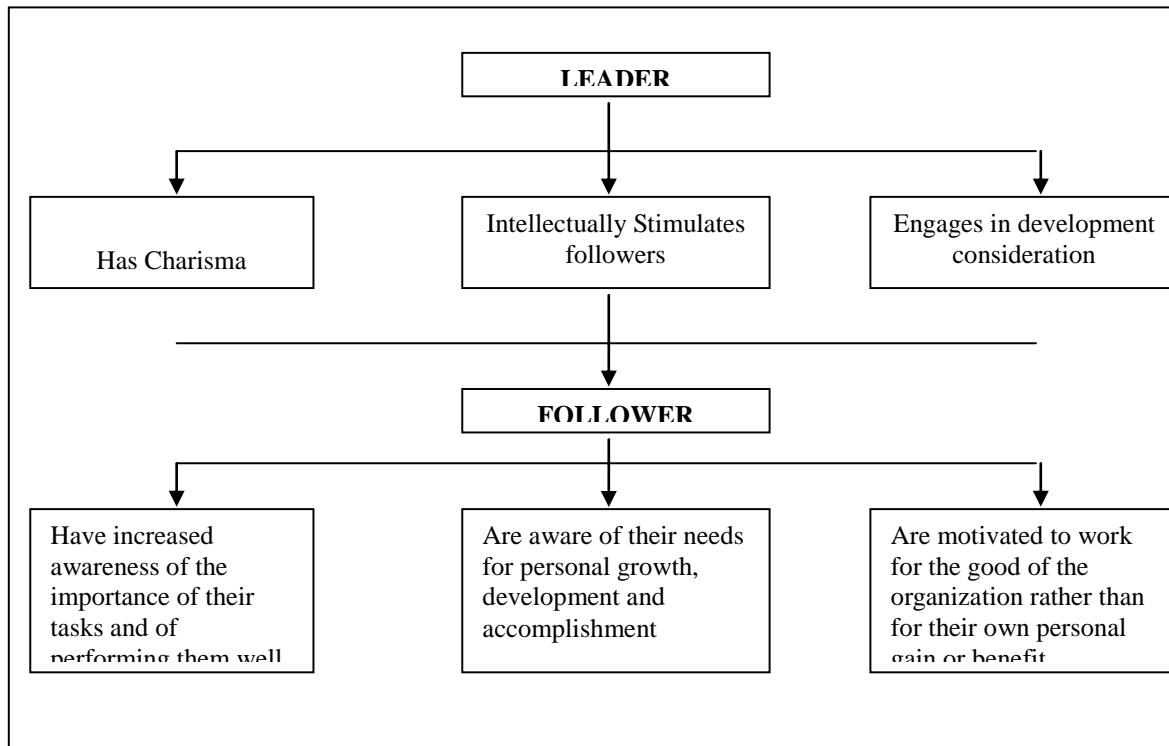


Figure 2.1: Transformational Leadership

(Source: Senior and Fleming, 2006, p.263)

2.7 Different Styles of Transformational Leadership

The aspects of transformational leadership discussed till now brings to fore the culture of an organization. It does not only substantiate the cohesion of an organization, but also depicts the prevailing leadership style and attitude. However, it does not mean that the organizational culture always develops the leader. At times, the leadership is so influential that it changes the

culture of an organization. This is the basic trait of a transformational leader. Where transactional leaders set their functional parameters within the laid down standard operating procedures of existing culture, transformational leaders believe in cultural building by creating a vision for the organization that is based on strategic thinking, which is constituted on 4 I's; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. These 4 I's help the transformational leaders in ensuring that the employees perform beyond expected levels of their performances.

One of the the4 I s, idealized influence can be understood in the context of knowledge creation within the organizations. The increase of sway of knowledge in an organization could result in open-mindedness norms as well as leader-member exchange. Regarding this, M Tse and Mitchell (2010) cited Mc Fadyen and Cannella (2004) and Un and Cuervo-Cazurra (2004) about the influence that knowledge can create and also do upsurge the interest of exploring factors. They opine that the knowledge creation should be characterized as a product. By doing so, the organization can enhance the function of social capital that is critical to organizational development as well as effectiveness. To know the effect of transformational leadership in the way of idealized influence, organizational learning as well as creativity is necessary. The learning and creativity arise from knowledge and vice versa. For confluence of knowledge and idealized influence, the authors cite Troukas (1996) and Berson et al. (2006) about distribution of knowledge systems in an organization. They explain that the knowledge systems are the ones which are constituted by individuals which are capable of creating knowledge using the relationships between them. The relationships between individuals result in social interactions when the organization deals with a larger social collective network which needs idealized influence also (M Tse and Mitchell, 2010).

Before reviewing about breaking of the old culture in an organization, it will be useful to discuss about 2nd 'I'. This is because, inspirational motivation can further explain the effectiveness of transformational leadership. The inspirational motivation arises from integration of affective and communicative mechanisms. The former will be used by the leaders to induce positive emotional experiences in the employees and the latter is used in communicating the vision of the organization to the followers and stakeholders. According to Ilies et al. (2006) the integration of the above two mechanisms results in the direction of action, intensity of effort and effort persistence in the employees due to motivation that is drawn by the inspiration that will be inculcated by the leader in the followers. This trait can be found in effective leaders as they prefer motivation to command. Ilies et al (2006) also cite Locke (1991) and Bass (1990) about comprehensive treatment of leadership that explains the term motivation. As per this comprehensive treatment, the leader behaves in a manner to create heightened motivation in followers to extract the designated outcomes necessary for an organization. While motivating the employees with inspiration the leader yet times follow the path-goal theory which can enhance the psychological states of the subordinates. This enhancement results in motivation that enables the employees to perform. In other words, leadership and motivation are linked to each other and the second 'I' works in that way (Ilies et al. 2006).

The third 'I' is intellectual stimulation can be created from principal leadership behaviours. According to Einstein and Humphreys (2001) change initiation and management can help in diagnosis of leader-follower relationships. This also includes climate, personal style preferences of a leader. Including these aspects in the functional style of a leader can further lead to causal relationships between leadership and innovation as well as change. The

type of situation that arises due to the existence of causal relationships between leadership and innovation results in support for intellectual stimulation. In this regard, Einstein and Humphreys (2001) cited Bass (1985) model of leadership, which states that it can install confidence in employees and strengthen the intention of followers to deliver their best. Thus Bass asserts that a leader who thinks innovative is necessary to achieve long term goals. The new type of thinking results in innovation, which is impossible without intellectual stimulation in the employees. This can be made possible by broadening and elevating the interests of the employees by generating the awareness and acceptance of the goals of the organization. The employees act according to goals of the organization when they look beyond their own self-interests. So the leader should act in a manner to install confidence in the employees whom their personal interests will be met. When that happens, they look beyond the personal interests and start thinking about the goals and mission of the organization (Einstein & Humphreys, 2001).

Thus goals of the organization will be the goals of the employees acting and thinking collectively, when the leader explicitly conveys the individualized consideration to employees. When a transformational leader does it, the employees see a great person in their leader and act accordingly. Consequently, focusing on the behaviour of leaders, the crux of leadership can be found in individualized consideration of the employees. Marshall (1998) placed the aspect of individualized consideration after inspiration in the list of the traits of a leader. As employees draw inspiration from the behaviour of the leader, the 'I' that symbolizes the individualized consideration follows the 'I' that represents inspiration. When the inspiration exists in the employees, the high expectations don't matter as they draw energy from the leader and knowledge from the organizational systems. The presence of such a climate in any

organization will be due to individualized consideration only and Marshall (1998) terms it as the notion of relationship behaviour. This is possible with the personal attention the leader can give to his/her followers. In doing so, the leader builds personal considerate relationships with employees. As a result, they cannot deny or reject the leader's proposals during the work related activities. However, this is not so easy and the leader has to concentrate on employees' needs to create an atmosphere of individualized consideration. This attitude of a leader can help followers to learn and develop as they get encouragement to their personal responsibility as the leader exhibits trust and respect, which make the followers to feel toward the leader. Thus the fourth 'I' individualized leadership depends on the leader-follower relationship and all the four 'I's thus affecting the culture of the organization.

Hence, the transformational leadership that concentrates and exhibits all the four 'I's can bring a change in the organization by changing its culture (Marshall, 1998). This may result in the process of breaking away from the old culture. This requires a clear and absolute vision created on the basis of comprehensive and methodical research and review, perseverance and optimism. Transformational leaders build culture through devolution of power, wherever required, and encourage employees at personal level to develop followers. Although flexibility is critical, but any routine procedure or activity that does not contribute towards achieving the objectives contributing towards implementation of new culture is abolished. However, any changes in the culture are brought by keeping in view the past strategies and vision, and implementing the ideas in an existing culture that support the new vision, in order to maintain the continuity and ensure stability of the organization.

Prevalent organizational cultures usually are extensions of national cultures, historic trends or evolve over a period of time. Historically dominant cultures were marked with

command relationship between leader and subordinate. Culture is a multi-faceted concept that embeds over time and inculcates shared values, beliefs, norms, assumptions, patterns of relationships, myths, stories and legends that are passed on from founders and top management to new entrants and guide their behaviors and attitudes (Odem et al, 1990; Yiing and Ahmed, 2009; Lund, 2003 and Akaah, 1993). Schein (1990) reiterated culture as a synchronizing factor that influences and keeps the subsidiaries and parent companies appear integrated (Anne, 2009). Hofstede et al (1990) characterized culture as being 'holistic, historically determined, anthropological concept, socially constructed, soft and difficult to change'. Kerr and Solcum (1987) also conformed to the notion that culture is a phenomenon that is pervasive in nature and hard to alter. Yiing and Ahmed (2009) assert that within the organisational paradigm leaders are charged with the responsibility of synergizing the organisational cultures to stir in spirit of shared values to provide sense of direction and translate visions into attainable goals (Anne, 2009).

Organisations that foster a culture where ample autonomy is given to employees yield higher levels of organisational commitment and job satisfaction. Empowering employees also enable organisations to hold on to valuable employees in times of downturn when focal point remains cost effectiveness (Savery et al, 1997). Risk taking refers to the degree to which organisations allow employees to take initiatives and encourage creativity (Anne, 2009). According to Lund (2003) cultures that proclaim innovation and creativity experience higher employee satisfaction. Kirkman and Shapiro (2001) argue that organisational cultures that endorse collaborative team working enhance employee job satisfaction but vary depending on the nature of work and societal perception on collectivism (Anne, 2009).

When societal perception of collectivism has to be discussed in the context of

collaborative team work, Kelly (1998) cites Mancur Olson's 'The logic of Collective Action' (1971). Kelly opines that this logic has been effective in a wide range of disciplines. They include economics, sociology and political science as well as public administration. The logic found its place even in psychology also. This theory propagates the rational choice models of organizational behaviour by starting at a point that the individual maximise his/her interests. The maximization of interests of individuals will be done here by acting according to the goals and mission of the company. The theory prefers collective organization by abandoning the mobilization theory. This has to be done by linking the individual interests of the employees with the group behaviour. This is a theory that provides some insight into problems that come in the way of developing relations in an organization. By using this logic theory, the leader identifies the conditions that workers become collectively organized. Hence, this theory found much use in trade union relations rather than organizational activities.

It is important to take recourse in rational choice theory that deals with individuals as the proper unit of analysis. In this regard, Kelly (1998) mentions '*all social phenomena*' with their structure as well as change. By doing so, the properties, goals, and beliefs as well as actions of individuals can be considered in making decisions by a transformation leader. Thus this choice views the actors as self interested agents and sees the situation from the perception of the employees also. Regarding this aspect, Kelly, cites Hardin (1982) and Hindess (1988) and Taylor (1988) about a statement that implies the motivation of the employees. Consequently, the leader has to link the interests of the employees with those of the company. Thus, when employees act according to their self interests, the company's goals will also be met (Kelly, 1998). This drives the leaders' actions towards a human resources (HR) perspective to avoid collective actions of employees who harm an organization's interests.

The HR practices focused mainly on selection, performance, appraisals, compensation and compliance with legal requirements (Zhu et al, 2005). It is asserted by Zhu et al. (2005) that transformational leadership and human capital enhancing HRM work collectively to enhance organizational effectiveness and performance to serve the strategic interests of the organization. Their empirical study manifests distinctly that collaborative efforts of transformational leadership and HRM will proclaim more cohesion, commitment, trust, motivation and performance in new organizational environment. In an interview for Harvard Business Review (1999) Jacques Naseer CEO of Ford Motor categorically expressed his views over bringing about a change in the company's mind-set to entrench it strategically in the global market. He can be viewed as a transformational leader who for the first time brought a cultural shift in company since its inception 95 years ago. He talked about his endeavor to synergize the very roots of Ford to embed culture of global mind-set, initiative knowledge of customers and strong belief in leaders as teachers and mentors.

The embedding of the global culture and initiation of knowledge is important for some researchers to influence employees towards the realization of organizational goals(Robin et al 2004) and for some contemporary academics leadership is about articulating a strategic vision, then inspiring associates through persuasive communication of this vision to achieve required goals and targets.(Zhu et al 2005). In today's dynamic markets leaders are charged with the inevitable task of revitalizing the organizations to keep pace with the business hostilities.

The revitalizing of the organization depends on the relationship of employees with an organization. In saying so, one has to understand that the relationship is with the leader they are dealing with in the organization. The leader's actions constitute a series of conversations, and this leads the employees to develop a relationship with the organization. This relationship

prompts the employees to act according to change and in this regard, Herriot (2001) mentions the range of difference in organisational forms that approaches to changes in the activities. One of the revitalization aspects is the use of IT and the interconnection of stock and money markets in the globalized market. These aspects when combined with alliances that manage the supply chain better and achieve economies of scale will bring vigour in the organization. However, these are the external factors that can be used by a leader to revitalize the organisation. There are internal factors such as reducing the levels of hierarchy for devolution of responsibilities and also increases interactions between employees and leaders. When these two aspects are combined the activities and relationships in an organisation will be flexible and this activity can be improved with new employment contracts.

Nevertheless, these changes should be easily noted and adapted by employees and the activities of a leader should be common responses to the drivers of change. Regarding this, Herriot (2001) mentions middle management that is offered tempting targets regarding cutting costs and to get a greater outcome in terms of workload. To do so, if leaders want to get labour flexibility, the employees may see it as job insecurity. Hence, the first step in revitalizing the organisation is to remove insecurity in employees. This in turn develops interaction with a leader and thus causes the enhancement of relations (Herriot, 2001).

Hence, organic forms of leadership like transformational types provide organizations with the opportunity and viability to institutionalize essential changes in the organizations that keep organizations at the forefront. This will be possible when leaders think progressively.

2.8 Transformational leadership and corporate structures

As discussed earlier, leaders have to think progressively to cope up with the radical internal and external changes. According to Bass (1990) companies facing turbulent marketplace, where products life span is limited every member has to be a transformational leader within the realm of the organization. And it can be achieved with minimal structured layering, sapiential authority, creating learning environments and incorporating informal cultures. Mitsubishi website says that Mitsubishi Motors revised its organizational structure in 2004 by bringing 230 departments down to 131 to speed up decision making and to make job delegation process simple. This enabled employee participation and opened vistas for innovation.

2.9 Transformational Leadership and Innovation

As discussed earlier organisations today operate in extremely volatile and dynamic environments, it has become imperative to constantly innovate and be more creative to hold and grasp large market shares. Transformational leadership influences creativity entailing enhanced innovation at an individual as well as at an organisational level (Gumusluoglu and Ilsev, 2009). According to Gumusluoglu and Ilsev (2009) transformational leaders provide supportive supervision which is a vital determinant of intrinsic motivation in an employee leading to creativity.

Transformational leaders facilitate skill development and continuous learning of their employees and convene ways to guide subordinates towards achievement of goals through intellectual stimulation ensuring employees exhibit enhanced interest in their tasks.

Gumusluoglu and Ilsev (2009) research validated that transformational leaders not only promote creative activity within the realm of their organisation but also ensure market success of innovations. It can be deduced from Jung, Chow and Wu (2003) empirical research that transformational leaders assert positive influence in enhancing organisational innovation and creativity through institutionalising a culture that empowers employees and provides them with an opportunity to experiment innovative ideas and approaches. For innovation to sustain it is vital that top management is committed to change and inculcate values that encourage individual growth and development.

2.9.1 Success of Organisation

The success of an organisation is determined by the extent of adeptness at institutionalising and fostering innovations and banking industry being a service oriented sector is well aware of the need for improved innovative processes and services to compete in the market place (Sciulli, 1998). Following table has been adapted from Sciulli's (1998) work the divides innovation for banks in four broad categories.

Table 2.6: Types of innovation from bank's perspective

(Source: Sciulli, 1998)

Innovation Type	Description
Incremental	Minor product or process modification (e.g. outsourcing)
Product	Major product modification (e.g. Investment and mutual fund services)
Process	Major process modification (e.g. Optical imaging)
Radical	Major product and process modification(e.g. PC Banking)

It is asserted that incremental innovations focus on economies of scale and mass market development and does not necessarily require special motivation. However, academic researchers believe that transformational leaders exert influence on innovation through organisational characteristics such as culture, strategy, structure or through their charismatic flair that impacts employees' behaviour subsequently asserting influence on their motivation and creativity that stimulates their intellect and broadens interest in assigned tasks (Gumusluoglu and Ilsev, 2009).

PROPOSITION: Transformational leadership accentuates innovative behaviours among employees that determine the opportunities to add value to existing practices and is capable of leading to citizenship behaviour.

2.10 Transformational Leadership and OCB

Citizenship behaviour cannot be directly inculcated into the employees. It develops from within the culture based on the employees' satisfaction level, their organizational commitment, perception of fairness in the managerial decisions and their trust on the leaders with regards to their support and assistance (Bass & Avolio, 1993). These perceptions and behaviours generally revolve around the seven behaviours stated below (Podsakoff et al, 2000).

1. Helping Behavior: Voluntarily helping others
2. Sportsmanship: Willingness to tolerate inevitable inconveniences without complaint
3. Organizational Loyalty: Promoting organization to outsiders, defending against external threats and remaining committed to the organization in adverse times

4. Organizational Compliance: Acceptance and adherences of organizational rules and regulations
5. Individual Initiative: Volunteering for taking extra responsibility, and encouraging others to do the same
6. Civic Virtue: Commitment to organization as a whole, and looking for its interest even at personal cost
7. Self Development: Improving knowledge, skills and abilities through training courses, research and studies

Podsakoff et al, (2000) continues that there are many factors that can contribute to the determination of Organizational Citizenship Behaviour which include Altruism (helping co-workers), Conscientiousness (doing an exceptional job on one's role), Civic Virtue (following of company policies), Sportsmanship(not complaining about little inconveniences in the workplace), and Courtesy (being kind to co-workers) (Bokhari, 2008; Ali et al., 2008). Several researches have shown that dispositional variables like agreeableness, conscientiousness, positive and negative affectivity are indirect contributors of OCB. Whereas role perceptions that include role ambiguity and role conflict, directly affect altruism, courtesy and sportsmanship but have no or lesser impact on conscientiousness and civic virtue. However, gender in particular has no material impact on OCB. Task characteristics (task feedback, task routinisation & intrinsically satisfying tasks) are directly related to OCB.

One such task characteristic is individual behaviours that are observed in the social and psychological context. The social and psychological contexts affect the task performance of a job of individual and OCB acts as a lubricant in the machinery of organisation. In this regard,

Todd and Kent (2006) cite Podsakoff, Mackenzie, Paine, and Bachrach (2000) who outlined the OCB with a range of variables that influence it. This can be observed in work related outcomes and these depend on the relationship with the OCB construct in an organisation. Hence, the situation of functional activities demands relevant relationship between task variables in an organization with OCB. Todd and Kent opine that the real problem in this situation is undefined nature of relationships mentioned above. The presence of transformational leader results in making use of correct relationship by developing them during the time in an organisation. This situation that rises between leadership and OCB has been mentioned by Todd and Kent (2006) as serendipitous discovery. Thus the relationship between OCB and tasks gives rise to substitutes to the conventional or transactional leadership. However, the task variables related with OCB may also have indirect effect and the tests of OCB are challenging due to paucity of evidence for direct effects of task variables, and only the previous literature can help in mediating between task and OCB. However, there exists a direct effect model that suggests the direct relationship between task and OCB. In this regard, Todd and Kent (2006) cite Settoon and Mossholder who tested a model that establishes quality and relationship as antecedents of citizenship behaviour in an organisation. Nevertheless, this argument depends on the assumption that the central positions in an organisation have to process adequate levels of knowledge and information.

As a result, transformational leaders play a critical role in developing citizenship behaviours by organising the information as knowledge in an organisation. The culture they develop on the basis of their vision has a consistent impact on behaviour of the employees. If transformational leader also carries a general perception of giving due consideration to OCB's while evaluating their employees for rewards, then these rewards also influence the OCB's.

Hence personal evaluation comes to the fore in this situation and OCB has a considerable positive relationship with performance evaluation, job dedication and the contextual performance of the employees in an organization when it comes to managerial decision on the overall evaluation. Organizational performance and success is also directly related to OCB, and determines the effectiveness of organization to a fair extent. Helping behaviour that enhances the performance of employees also has a positive impact on organizational performance and success.

This helping nature in the employees can be inculcated by a leader when he/she affects the subordinate motivation by improving the ways that make the attainment of outcomes easier. In this course of action when a transactional leader gives coaching and guidance, the transformational leader attaches the employees' self concept to vision. According to Chemers (1997) this link can be attained when the leader states the vision of the company in ideological terms. When the leader is successful in doing so, the goals of the company are placed in the moral and spiritual context for the employees. Simultaneously, the organisation also raises the attention of collective interests and group goals. The authors claim that these activities can further enhance self esteem of the employees and maintain personal identity for them along with the intrinsic value of effort. When these aspects are raised simultaneously in employees, they help each other in the activities of the company to attain goals. The leader also will do his/her best in making employees each other by making use of symbolic communication. When the employees engage themselves in self concept and increase the intrinsic valence of goal accomplishment and act collectively, the mutual helping can take place whenever necessary. The collective goal accomplishment combined with mutual helping is part of goal directed efforts by the leader and the employees. This further state the leader's confidence in

follower's abilities and this cannot be observed in leadership forms observed in Pakistan as they follow transactional leadership styles. In this regard, Chemers (1997) cites House and Shamir, who maintained that the charismatic leader's vision is not negotiable. They mean that the basic features of the leader's personality cannot be changed, and thus they influence the employees with the values inculcated. The authors further cite House's contingency leadership theory that can lead to charismatic effects of vision, which can arouse motivation in the employees. The presence of motivation makes them draw inspiration from the leader and will make the individual perceptions of the employees compatible with that of the leader (Chemers, 1997). As a result individual considerations and inspirational motivation are provided by transformational leaders to their employees (Chemers, 1997).

This leads to positive influence of leaders on employees' organisational citizenship behaviour (Cho and Dansereau, 2010; Ali et al., 2008). Cho and Dansereau (2010) study on a large multinational bank in South Korea revealed that transformational leader's individually considerate behaviour that entails recognition of varied needs and capabilities of followers and provision of tailored support for the employees, yields higher and positive organizational citizenship behaviours by the follower. They also promulgate that charismatic leadership behaviours that encompasses articulation of a compelling vision and provision of inspiration for collective identity and spirit ensure followers view themselves as equal and consistent parts of a whole subsequently leading to group cohesion. Cho and Dansereau (2010) study findings also supported the theoretical notion that transformational leadership is universally effective leadership behaviour. Hence, the proposition from the review till now is as follows:

PROPOSITION: Transformational/charismatic characteristics among leaders can inculcate

and foster organisational behaviours among followers through a well articulated vision and through provision of inspiration for collective identity. The collective identity arises from organisational commitment.

2.11 Organisational Commitment

Researchers have been striving for years now to explicate the significance and determinants of developing commitment within organizational realm. Organizational commitment is vital for success of any organization (Anne, 2009). Nijoh et al (1998, p.243) affirm this phenomenon that

“...the success of any organization depends not only on how the organization makes the most of human competence, but also how it stimulates commitment to an organization.”

In recent decades commitment has emerged as an imperative for enhanced organizational performance (Suiman and Iles, 1999). Commitment is viewed as an attitude which is an extension of employee participation and willingness to remain in that organization (Silverthorne, 2004). Though this paper focuses on commitment in a holistic manner it is critical to look at component conceptualization of commitment. That will make us understand the fundamental impacts of these components on employee perception of commitment in position to his bonding to the organization.

Suliman and Iles (1999) highlight four approaches to conceptualize organizational commitment (Anne, 2009).

1. The Attitudinal Approach: according to this approach employee develops a feeling of belongingness that keeps him glued to organization.
2. The Behavioral Approach: this approach asserts that employee evaluates the costs associated with leaving the organization and this investment keeps him committed to the organization.
3. The Normative Approach: this approach focuses on employee values and organizational goals. If they are in align employee feels obligated to stay in the organization.
4. The Multidimensional Approach: this approach suggests that commitment should be viewed as a combination of emotional attachment, perceived investment and obligation. All these concepts together form a holistic view of organizational commitment.

While talking about organisational commitment and four approaches, the review of HRM by leader is important. Regarding this aspect, Sheehan, C., & Scafidi, A (2005) cite Fisher et al (1999) and Michelson & Kramar (2003) about strategic HRM by analysing the content of wording. This content used by leader while doing his/her job seeks to attract the relevant or suitable applicants in the context of recruitment (Sheehan, C., & Scafidi, A, 2005).

In this regard, Hasbullah, N. (2008) asserts that organisational commitment has three basic components: Faith and acceptance of the organisational goals and values (identification), willingness to make efforts on behalf of the organisation (involvement), and strong intent to remain with the organisation (loyalty).

After recruitment, looking at the work climate to assess the degree of various elements

determining organizational commitment first to gain attention is corporate culture (Anne, 2009). Organizational cultures have a great impact on people's perceptions regarding goals, performing tasks and administration of resources to achieve these goals and tasks and ultimately exerting influence on organizational commitment and satisfaction (Lok and Crawford, 2003). According to Lok and Crawford (2003) innovative and supportive cultures have a positive influence on levels of commitment (Anne, 2009).

Another vital factor effecting employee commitment is the prevailing leadership styles in the organization. Bass (1990) imply that to elate commitment among employees leaders should develop a well articulated vision shared by all and then communicate it to all levels to achieve established goals. Cacioppe (1997) emphasizes that leaders with their charisma and inspiration can bind employees and followers to rise beyond personal goals to convene towards team building and organizational convergence (Anne, 2009).

Empowerment appears to be a strong motivational tool that can be exercised to enhance commitment levels giving employee ample room to innovate. Empowering employees also enable organizations to hold on to valuable employees in times of crunch when focal point remains cost effectiveness (Savery et al, 1997). Salancik (1997) argued that employee participation makes company goals achievable because involving employee in the process ensures their support (Anne, 2009).

Job enrichment, employee involvement and career development are few of job characteristics that foster commitment at all levels within the realm of organization (Nijof et al, 1998). They continue to emphasize that effective HR policies and practices are indispensable for employee career growth. Mayer and Smith (2000) also assessed that organizational commitment is positively related to employee perception of HRM policies and

to what extent those policies are implemented and practiced in the organization (Anne, 2009).

Stum (2001) explores what elements within an organization have most impact on employee commitment. He refers to need hierarchy of ‘commitment needs’ that leads to enhanced performance. From job security to intrinsic need of belongingness towards team building leading to individual growth and finally towards work-life harmony, this pyramid proposes that it is organizational policies inculcated by leaders, that will eventually either elate or restrain employee commitment (Anne, 2009). ‘Commitment needs’ hierarchy is shown in the following figure 2.1.

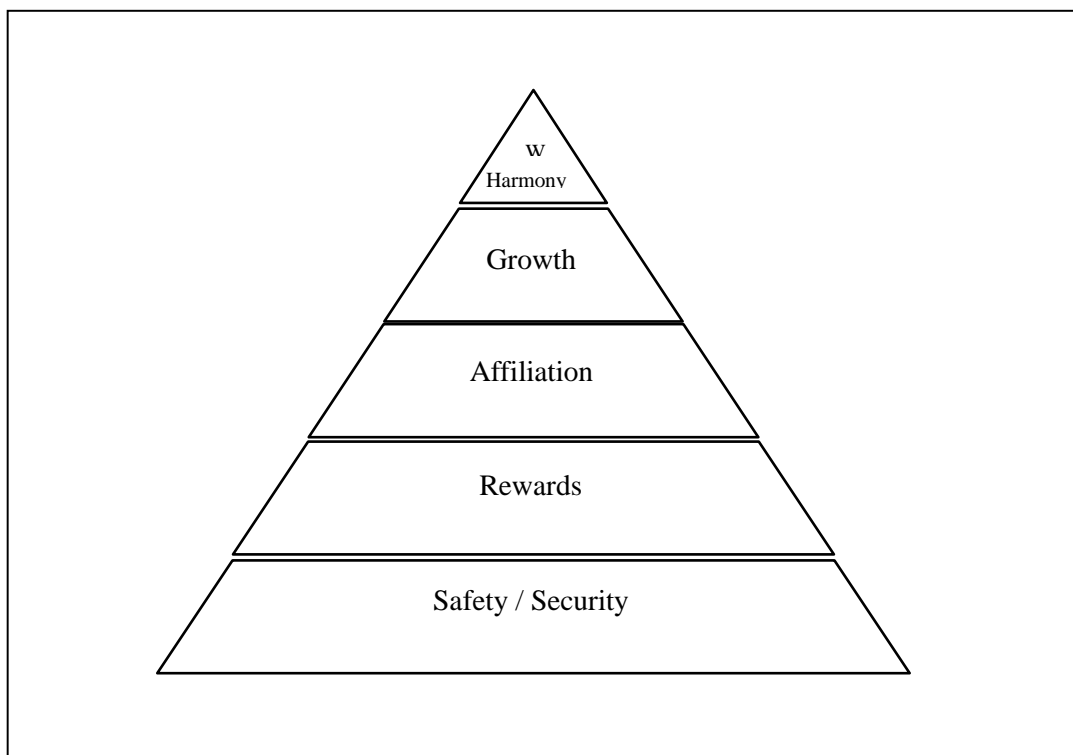


Figure 2.2: ‘Aon Consulting’s Performance Pyramid’

(Source: Stum, *Maslow Revisited: building the employee commitment pyramid*. Strategy and Leadership, 2001)

Burns (1978) defined the transformational leader as someone who not only ensures followers movement along Maslow's hierarchy but also move them to transcend their own self-interests by role modelling citizenship behaviours such as altruism, conscientiousness, sportsmanship, courtesy and civic virtue (Bass, 1999).

Another concept that emerges in context of employee commitment is psychological contract. It is implicit or implied expectations of employee from organization and vice versa and is a significant aspect of determining work attitudes and subsequent commitment levels. Mullins (2000) explains concept of psychological contract saying that it is a set of unwritten mutual expectations developed through employee-organization relationship. Stalker (2000, as cited in Mullins, 2000) proposed a formula to keep a balance between unwritten needs of employee with that of organization to ensure commitment within work environment. He says five attitudes caring, communicating, listening, knowing and rewarding through moderating role played by a transformational leader can significantly effect commitment from employee's perspective (Anne, 2009).

2.12 Leadership and Organisational Commitment

“...commitment is a strikingly powerful and subtle way of coopting the individual to the point of view of the organization.”

(Salancik, 1997, p. 80)

For almost a decade now world business economies are perplexed over ever elating employee turnover figures making it a challenge for companies to attract and retain competence and competitive valuable human resource capital. In recent times of global economic crisis business markets have become turbulent and volatile. It is extremely imperative for

organizations to retain valuable human capital in times of crunch and capitalize on available knowledge, experience and adroitness to evade tangible and intangible costs associated with dwindling levels of commitment resulting in high turnovers (Anne, 2009).

Keeping pace with the turbulent and volatile external environment calls for progressive and adaptive thinking where every member is a transformational leader who aspires for simplified informal cultures, team oriented and flexible structures with traverse communication and collegial decision making (Anne, 2009).

According to a research conducted by Berson and Avolio (2004) in a large telecommunication organisation in Israel that included 2200 employees, revealed that transformational leaders disseminate strategic visions to ensure that their followers and subordinates manifest elated levels of commitment towards organisational goals, willingness to contribute more and work with greater zeal and vigor as highly cohesive groups (Avolio, 1999; Bass and Avolio, 1994; Burns, 1978).

PROPOSITION: The leader should be visionary, flexible and willing to delegate the authority to make the subordinates share the responsibilities, to let them own the decisions they make at different levels to ensure higher level of commitment among employees.

2.13 National and Organisational Cultures in Pakistan

Organisational cultures are usually seen as extension of national and societal cultures. According to Hofstede (1983) Pakistan carries a collectivistic culture, rates high on both uncertainty avoidance and power distance, posses both masculine and feminine qualities and rate extremely low on long term orientation.

Table 2.7: National Cultural dimensions of Pakistan

(Source: Hofstede, 1983)

Hofstede Cultural Dimensions	Pakistan
Power distance index	High
Individualism vs collectivism	Collectivistic
Masculinity vs Feminism	Half way
Uncertainty Avoidance Index	High
Long term Orientation	Zero

To understand the impact of important national factors on determining leadership styles in Pakistan following matrix is adapted.

Table 2.8: Cultural aspects and their subsequent impact at work place.

(Source: Budhwar and Debrah, 2004)

ASPECTS	IMPACT
Large power distance (hierarchies)	Centralized decision making Communication gap, a dyadic relationship between supervisors and subordinates. Low autonomy that stifles participation, managers believe that employees do not seek responsibility and should not be empowered. Unquestioning respect for authority Hampers upward mobility of citizens.

Elitism (distinct social classes)	People in influential positions are favored with relatively high salaries, promotions and training opportunities. Decisions are cascaded down. Biases evident in HR policies.
Low trust	Organisations are seen as out-groups and that results in low commitment and high turn-over rates. Family and co-workers are considered in-groups. (managers usually take their employees with them when they leave organisation)
Uncertainty avoidance	Rule-oriented environment with laws, regulations and controls in order to reduce the amount of uncertainty.
Collectivism	People are integrated as cohesive groups and they are emotional.
Masculinity	Pakistan rates mid way on masculinity scale. People are aggressive, competitive as well as modest, caring. In reality masculinity ratio is way higher.
Social clout	Referrals and knowing the management is the most common source of recruitment, rewards and good performance appraisal. Loyalty rewards

2.14 Pakistan's Corporate Culture

Khilji (2004) provides a recent cultural analysis asserting that typically Pakistan carries a collectivist character where people are extremely status conscious and manifest large power distance. Government organisations reveal bureaucratic culture with formal hierarchies where power is centralized and exhibit pervasive distinction between elite and non-elite (Anne, 2009). Employee autonomy, participation and bottom-up communication are alien concepts. Even in private sector firms adhere to transactional forms preserving a culture that manifests positional authority, rigid structures and formal bureaucratic cultures (Anne, 2009).

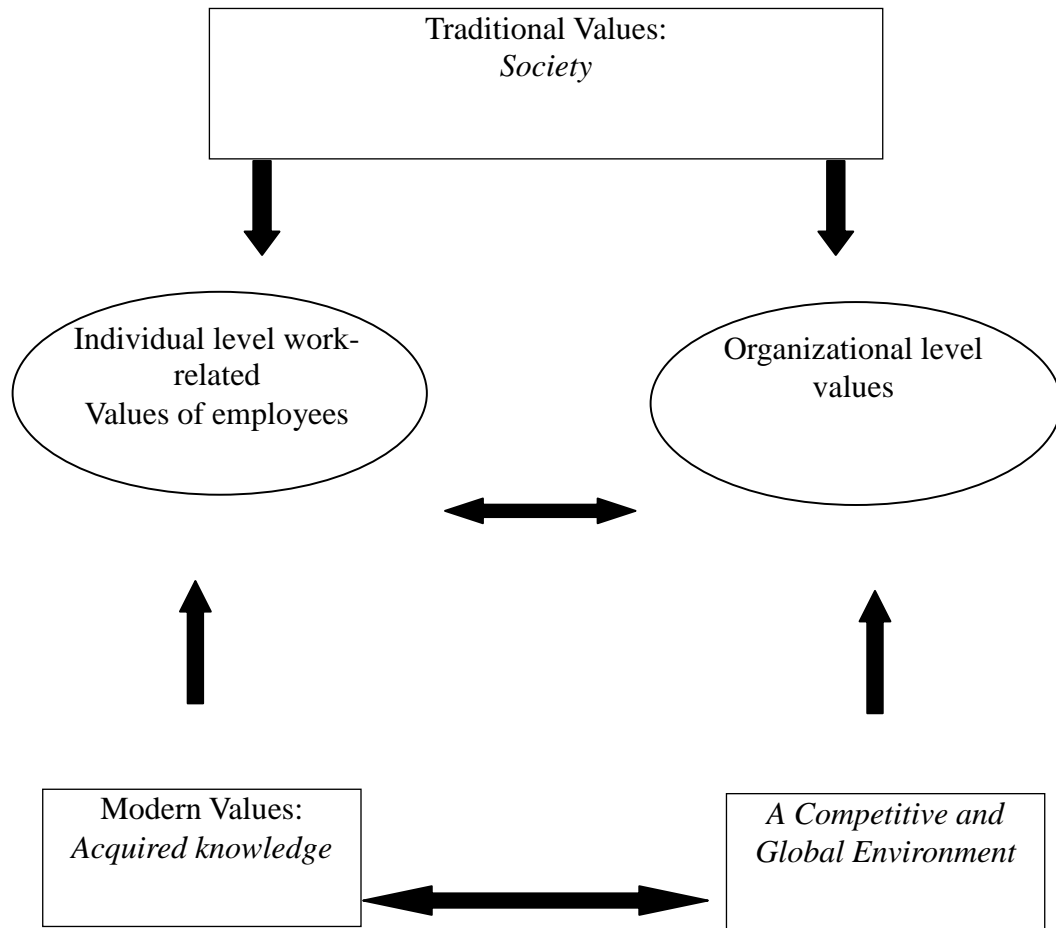


Figure 2.3 : Source Khilji(2004) Wither Tradition p.144

In Pakistan HR being in evolution phase, structured HR policies and practices subsist creating a vacuum. There are unsatisfactory salary plans, improper feedback mechanisms, lack of career development progression and no viable performance management mechanism.

Multinationals operating in the country have brought the prevalent culture under scrutiny and intense critique but Khilji (2003) argues that in Pakistan national culture is ingrained to an extent that parent company of multinationals fail to institutionalize corporate values shared in home country. Khilji (2004) asserts that with globalization and a decade of

deregulation though national values remain embedded in tradition but a shift in work-environment related values is emerging (Anne, 2009).

Her empirical study validates that younger groups of employees exposed to and inspired by American corporate values grasped through business studies syllabi have brought along a transition towards transformation but face resentment from older cohorts of employees. She hopes that when these young entrants occupy senior managerial positions, they could converge the traditional work-related values with the contemporary practices. This results in a transformed culture that opens vistas for decentralized decision making policy that aspires for autonomy and substantial participation effectively allowing channels for communication (Anne, 2009).

This can be better depicted in following framework in Figure II which was developed by Khilji (2003) for her research on multinationals and their practices in Pakistan. She asserts that most of MNCs operating in Pakistan have taken an initiative to develop new practices and systems that entail national values and parent company vision. She strongly implies that cultures are converging where subsidiaries adapt to local needs and requirements while preserving essence of parent company strategies and policies. With the influx of multinationals, an effective human resource management is becoming a strategic partner in organizations taking on a more proactive role.

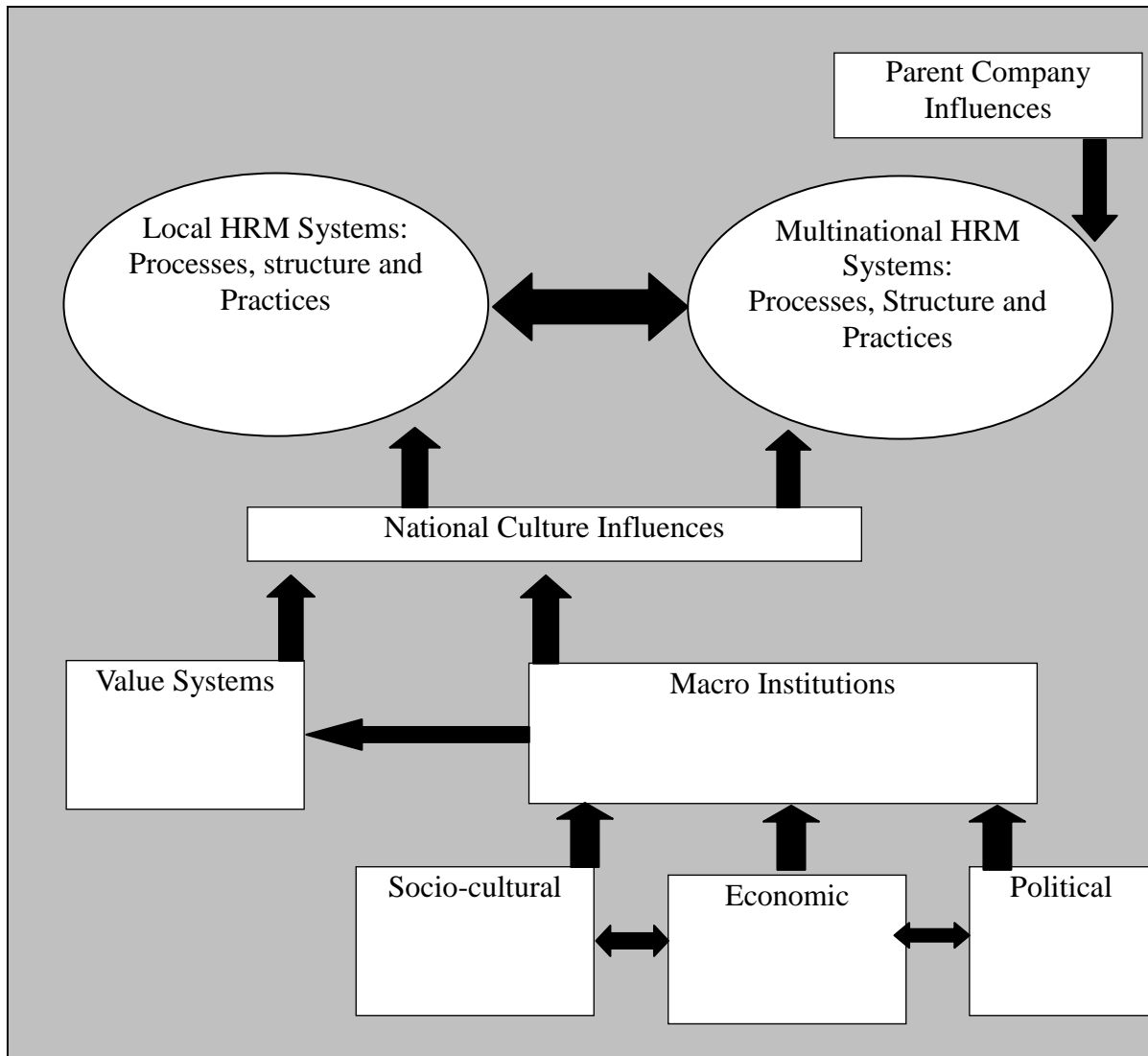


Figure 2.4 : Source Khilji, S. (2003). To Adapt or not to adapt, p.113

In Pakistan orthodox style of leadership prevails where leaders are usually seen as dictators who exercise positional authority and bureaucracy is considered the eminent way of controlling and directing as discussed earlier. But with the influx of multinationals the trends appear to be diverging, towards a more congenial relationship between managers and

employees challenging the concept of elitism.

2.15 Universality of Management Practices and Leadership Styles

Newman and Nollen's (1996) study focused on financial performance outcomes for work units in 18 countries and they argue that multinational enterprises need to adapt to the local host country national values and cultures to achieve business strategic objectives. They proclaim by quoting that quality circles were institutionalised in Japan to ensure consistency and excellence, but the same concept failed to appropriate same results when adopted in the U.S.

This school of thought (Hofstede, 1980; Trompenaars and Hampden-Turner, 1994; Nelson and Gopalan, 2003) argue in favor of convergence of cultures and management practices towards localization for business efficiency. Hofstede (1983) reckoned that management is '*culturally dependent*' and for optimization, management practices should '*fit the local culture*' but also acknowledges that there have been instances where multinationals successfully institutionalised divergent organisational cultural values (Hofstede, 2001). Recent study of GLOBE (House et al, 2001) also opine that national cultures play a vital role in shaping organisational environments while explicitly using the term '*mirroring*'. Pieper (1990) appears to comply with House et al. (2001) when he says “...*organisational cultures neither dominate nor erase national cultures, rather in the case of MNCs appears to accentuate it*” (p.251) but emphasize that for MNCs to build corporate image cultural diversity must be managed effectively “...*under the rubric of organisational culture firms require foreign nationals to accommodate to parent company – and implicitly to parent cultures style of interacting harboring professionals who are beyond 'passport'.*” (p.251)

In the case of MNCs national cultures are usually seen as a constraint on management practices but Gerhart's (2008) recent empirical study on contrary to the popular notion depicts least variance in organisational cultures due to national or societal values and insinuates “... *organizations may have more discretion in choosing whether to localize or standardize organization culture and related management practices than is suggested by conventional wisdom.*”

Similarly when Toyota went global, many believed that its Eastern culture was more conducive to high quality manufacturing and western countries would not be able to replicate the Toyota Production System due to deviating perception of quality and control mechanism between individualistic and collectivist societies but Toyota proved that its approaches can realise similar results everywhere and became a global manufacturer (Evans and Lindsay, 2005; as cited in Naor et al. 2009). In an era of globalization when multinational corporations invest overseas by initiating '*startups and entering into joint ventures, mergers and acquisitions*', Naor et al. (2009) argue that plants *can* establish an organizational culture that is different from the national culture in which they are embedded.

2.16 Transformational Leadership in the Banking and Financial Sector

Empirical studies in the banking and finance sector of many countries by academic researchers affirm that transformational leadership positively effect organisational commitment and job satisfaction (Walumbwa et al. 2004; Walumbwa et al. 2005; Wang and Walumbwa,2007; Emery and Barker, 2007) and negatively related to job and work withdrawal (Walumbwa et al. 2004; Kark and Shamir, 2002 as cited in Walumbwa et al. 2004). Their research across varied cultures from China, Thailand, India to Kenya in Africa

and to USA revealed similar results.

Emery and Barker (2007) while conducting empirical study on service industry chose banking sector and a national food chain in USA to garner the understanding of impact of leadership style on organisational commitment and job satisfaction. Their research sample comprised of 77 branch managers from three regional banking organisations and 47 store managers from the national food chain. Their study reflected the findings of Bass and Avolio (1987) that transformational leadership is a behavior process and entails three factors: charisma, individualized consideration and intellectual stimulation and that these factors do impact how employees view organisational commitment, job satisfaction and their relationship with the leaders.

Emery and Barker (2007) results contradicted the findings of Bass (1985) model that suggested that transformational leadership is more predictive of individual and group performance in organisations that have high propensity for risk taking and receptivity to change. Their data of the study affirmed that transformational leadership style was even preferred by the managers of service industry that is viewed as stable and having mechanistic structures.

Additional findings of Emery and Barker (2007) study conferred the notion that charisma adds unique variance beyond contingent reward behaviour in relation to leader effectiveness and they further assert that charismatic flair has its influence across all management levels and is not necessarily imperative for top tier only.

Emery and Barker (2007) study sample had a relatively even distribution of both genders, thus asserting that female managers like their male counterparts prefer institutionalising transformational leadership style that contains similar levels of charisma,

individual consideration and intellectual stimulation. Previous study findings found women to be receptive and, in some research studies, more receptive than men to transformational leadership as compared to transactional leadership behaviors (Druskat, 1994; Bass et al., 1996; Bass and Riggio, 2006). Their findings indicate the results can be generalized across similar organisational service structures.

Walumbwa et al. (2004) studied that impact of various transformational leadership constructs on work outcomes like organisational commitment and job satisfaction in the banking and finance sectors of China and India while exploring the mediating role of collective efficacy. Collective efficacy referred to each individual assessment of his/her group's collective capability to perform job related behaviors and plays a vital role in elating motivational levels since employees rely in some context on others to accomplish their assigned tasks (Walumbwa et al., 2004). Their study was inspired from the earlier study of Bass (1985) and results of the study affirmed that transformational leaders motivate their subordinates to converge their own self interests towards collective interests by imparting necessary empowerment instilling a sense of responsibility and accomplishment among all varied cohorts of followers.

It is interesting to note that though the transformational leadership constructs used in this study were developed and analysed in the West, its applicability and transferability to Asian cultures, where societies score high on collectivism and power distance (Hofstede, 1980) raised doubts in the minds of the researchers. Building on research of Bass and Avolio (1987), Walumbwa et al. (2004) used all four constructs of transformational leadership including charisma, inspirational motivation, intellectual stimulation and individualized consideration but dealt with these construct as a unidimensional factor since these constructs

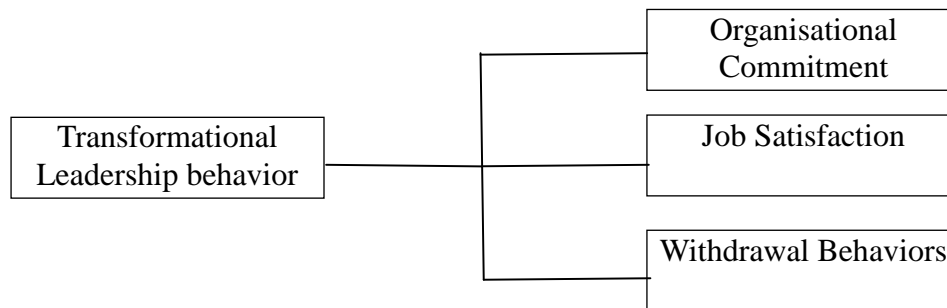
are highly correlated.

Walumbwa et al. (2004) research findings are consistent with the previous studies conducted in the West and endorse that transformational leadership style that entails charismatic flair, inspires motivation in subordinates, stimulate innovation and creativity and encourages collective performance, substantially influence organisational commitment and job satisfaction and curtail withdrawal behaviors in employees. Their research also proclaims universality of transformational leadership behaviors across cultures and borders within banking and financial organisations, notion supported by Global Leadership and Organisational Behavior Effectiveness (GLOBE) research program that elements of charismatic-transformational leadership are valued leader qualities in all countries and cultures (Bass and Riggio, 2006; Dorfman et al., 2004; House et al., 2004). Though there can be cultural contingencies, as well as organisational factors, that can substantially effect the impact of transformational leadership in particular instances, however authentic transformational leadership tend to have a positive impact in all cultures and organisations because transformational leaders have goals and values that transcend their own self-interests and strive towards collective tasks and goals of the followers (Burns, 1978; cited in Bass and Riggio, 2006)

In another study Walumbwa and Lawler (2003) studied the relationship between transformational leadership constructs, work-related attitudes and withdrawal behaviors in the context of cultural orientation in banking and financial sector of three emerging economies of China, India and Kenya.

Walumbwa and Lawler (2003) studied affective organisational commitment that ascribes to individual's psychological attachment to the organisation. In this study Walumbwa

and Lawler (2003) focused only on one cultural dimension, collectivism as it is one of the most widely studied dimension and have been found to be related to leadership styles and outcomes (Adler, 2002; Agarwal et al., 1999, House et al., as cited in Walumbwa and Lawler, 2003). For this study horizontal and vertical dimensions were used where horizontal collectivism refers to cultural pattern in which the individual sees the self as an aspect of the group and vertical collectivism is a cultural pattern in which the individual sees the self as an aspect of the group, but individual differences within the group are acknowledged and recognized. Their theoretical model is presented below:



Their study manifested that through intellectual stimulation among subordinates; transformational leaders permeate psychological attachment with the organisation and encourage employees to transcend their individual interests to achieve collective goals thus ensuring long term elated levels of organisational commitment subsequently reducing withdrawal behaviors and positively influencing perception of job satisfaction.

In a similar study Schaubroeck et al. (2007) studied how transformational leaders inspire through well articulated vision, encourage through empowerment, stimulate cognitive behaviors and motivate followers to realize mutual goals in in 218 financial services teams in various branches of a bank in Hong Kong and the United States. Their research substantiate

the early findings that transformational leadership behaviors and traits stir team values by communicating high level of confidence in team's ability to achieve desired outcomes, encouraging analytical behaviours and by promoting cooperation and reliance of members within a real work team parameters.

This study further supports Walumbwa et al (2004)'s findings that transformational leadership behaviours can be inculcated in all organisations and that it can be embedded in multifarious cultures across continents. This nature of multifarious cultures to embed can be understood by Wang and Walumbwa (2007)'s empirical study of 45 different local banks located in China, Kenya and Thailand. They assert that supportive supervisory behaviours exhibited across all management levels yield higher commitment towards organisation where leaders or supervisors attend to followers needs, provide guidance and act as mentors. The focus of their research was to identify the moderating effect of transformational leadership style on employee's organisational commitments and their perception of family-friendly human resource policies. They (Wang and Walumbwa, 2007) proclaim that leadership is considered as an imperative factor that determines employee perceptions in the work place subsequently influencing followers work attitudes and behaviours.

To achieve and sustain competitive advantage, banks should be receptive to change and innovation and Khandelwal (2007) and Ejaz et al (2009) assert that this trend of constant innovation require a leader who has transformational leadership traits. Like other industries and sectors, banks also need to differentiate their services and products from their competitors.

Summary of Chapter

Transformational/charismatic characteristics among leaders can inculcate and foster

organisational behaviours among followers through a well articulated vision and through provision of inspiration for collective identity.

In essence it can be argued that within banking and financial sectors across countries and cultures, transformational leadership substantially stirs higher levels of organisational commitment in employees entailing enhanced job satisfaction and organisational performance. Empirical studies in the banking and finance sector of many countries by academic researchers affirm that transformational leadership positively effect organisational commitment and job satisfaction.

In Pakistan orthodox style of leadership prevails where positional authority is still exercised in most of the government organisations but with the influx of multinationals and exposure to western education trends are diverging towards autonomy, congenial relationship between leaders and employees, open channels of communication and transparency.

Research propositions developed through analysis and review of existing literature, discussed at length in this chapter, are briefly stated below:

1. Transformational leadership accentuates innovative behaviours among employees that determine the opportunities to add value to existing practices and is capable of leading to citizenship behaviour.
2. Transformational/charismatic characteristics among leaders can inculcate and foster organisational behaviours among followers through a well articulated vision and through provision of inspiration for collective identity. The collective identity arises from organisational commitment.
3. The leader should be visionary, flexible and willing to delegate the authority to make the subordinates share the responsibilities, to let them own the decisions they make at

different levels to ensure higher level of commitment among employees.

4. As there is a gradual shift from the transactional style of leadership style to transformational one in Pakistan, it can enhance HR processes and performance of local banking and financial institutions.

CHAPTER 3

REASEARCH METHODOLOGY

The research general framework was exploratory in nature since a small sample of bankers from Pakistan's banking sector was chosen to be interviewed. The researcher tried to explicate subjective perspective of the interviewees to probe into the leadership style prevailing in Banking sector of Pakistan and how it impacts commitment.

3.1 Research Approach

Cooper et al (2005) affirm that when the extent of research on a particular issue is not substantive enough to build a hypothesis upon, a qualitative approach is imperative. Following this line of argument, it was decided to undertake a qualitative research study for analysing the constructs of transactional and transformational leadership from the Pakistan's perspective. Inductive research (Saunders et al, 2009) was arrogated due to lack of availability of literature on Pakistan in general and on Pakistani banking sector, in particular. This enabled the researcher to understand the meaning bankers ascribe to leadership and its subsequent significance in influencing their perceptions and behaviours.

Furthermore an interpretive stand point (Saunders et al., 2009) was adopted based on the understanding that a phenomenon as complex as leadership requires gaining a qualitative and a philosophical insight in an attempt to understand the underlying subjective realities and their ramifications on human behaviours and perceptions.

Using Flick (2009) elements and typology of non standardized interviews, semi structured interviews were used as data collection tools providing the necessary flexibility. A list of

themes and questions to be covered was formulated prior to the interview; however the order of questions and the questionnaire content varied from interview to interview i.e., depending upon the conversation flow some questions were omitted and in some cases additional questions were asked. A pilot study was conducted by interviewing one manager from a public sector bank to face and measurement validity (Saunders et al., 2009) of the questionnaire and after analysis of the responses the questionnaire was finalised and twenty managers were interviewed. Interview responses and answers were documented in the form of notes for analysis later in the discussion section.

3.2 Methods of Data Collection

Semi- structured questionnaire was utilized to conduct interviews from twenty managers from the banking sector of Pakistan. Questions were semi structured and few were theory-driven (Flick, 2009) making the study design iterative. Some aspects of study were flexible, as in addition, exclusion or rephrasing of questions to gain a greater insight into the interviewee's thoughts, experiences and perceptions. Open ended questions allowed greater spontaneity and adaptation of the interaction between researcher and study participants. Analytical objective of the study were to enable interviewees to explicate and describe individual experiences and their implicit knowledge (Flick, 2009).

3.3 Design of Interview Schedule

Interview questions were categorized in 5 sections that covered all the aspects of research entailing the prevalent leadership styles in the banking sector of Pakistan, impact of western

approaches of leadership, impact of current leadership style on OCB and Innovation and significance of leadership styles for organisational commitment.

Following definitions were e-mailed to all the interviewees before the interview to ensure they understand the conceptualization of the terminologies enabling them to easily explicate the meaning they associate with transactional and transformational leadership concepts

Characteristics of Transformational and Transactional Leaders from Bass (1990, pg. 22).

Transformational Leaders	Transactional Leaders
<i>Charisma:</i> Provides vision and sense of mission, instill pride, gains respect and trust	<i>Contingent Reward:</i> Contracts exchange of rewards for efforts, promises rewards for good performance, recognizes accomplishments
<i>Inspiration:</i> Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways	<i>Management by Exception (Active):</i> Watches and searches for deviations from rules and standards, takes corrective actions
<i>Intellectual Stimulation:</i> Promotes intelligence, rationality and careful problem solving	<i>Management by Exception (Passive):</i> Intervenes only if standards are not met
<i>Individualized Consideration:</i> Gives personal attention, treats each employee individually, coaches, advises	<i>Laissez-Faire:</i> Abdicates responsibilities, avoids making decisions

3.4 Interview Schedule

Interview schedule was categorized in five sections to cover all aspects of research constructs.

List of categories and questions asked are given below:

Personal Information

This section was to get the basic personal information of the interviewees that entailed years with the current organisation, years at the current position and their ranking in the hierarchy along with information on their professional departments in the bank. These details were recorded on a documentation sheet. It can be accessed in the appendices for reference purposes.

Interviewees of pilot study and subsequent telephonic interviews were ensured confidentiality and anonymity. Their names were changed while quoting them in this dissertation.

Prevalent leadership Style

This section explains the prevailing leadership style in the banking sector and its subsequent impact on the performance of the bank in terms of its ability to compete in the market.

Following questions were asked:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?
2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

Western Approaches

This section was to garner the impact of western leadership theories on the banking sector of Pakistan. Following questions were asked from the interviewees to enable them to explicate the applicability of western ideology on the prevalent leadership style.

1. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?
2. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

Prevalent leadership Style and its influence on innovation

This section was to understand the impact of the prevailing leadership style on innovation and the meaning leaders associate with the concept on innovation in the context of banking industry.

1. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?
2. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Organisational Citizenship Behaviours:

This section covered how leadership attitudes influence organisational citizenship behaviours of the employees in the organisation.

1. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviours in any organisation?
2. What other factors foster and reinforce organisational citizenship behaviors among employees?

Factors affecting organisational commitment

This section was designed to study the role leaders play in institutionalising and fostering organisational commitment within the realm of a bank. Following questions were asked to understand the varied constructs and traits of leadership behaviours that influence organisational commitment.

1. How consequential is the role of a leader in inculcating organisational commitment among employees?
2. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?
3. Apart from leadership style what other factors influence employees perception of organisational commitment?
4. What are the leadership challenges that banking sector faces today.

3.5 Sample Selection

Banking Sector

To understand leadership style and its impact on various constructs of the research twenty managers were chosen through theoretical sampling from public and government, private sector and foreign banks. Inspired from Taylor and Bogdan (1998) a small sample was chosen who state that while opting for theoretical sampling the number of sample becomes irrelevant rather it is the substantial input from each case and interview that counts. Accessibility and willingness of bankers to participate were other factors that were considered while sampling.

Following is the list of Banks with their brief history and background that were selected for the research purposes along with the designation of the interviewees.

Table 3.1: Sample Banks and their brief description

BANKS	DESCRIPTION	INTERVIEWEE
Habib Bank Limited	Public limited company founded in 1941 with 1450 branches in Pakistan and 55 branches worldwide. Holds 40% domestic market share.	Interviewee 1 (Pilot Study), VP and Unit Head. Interviewee 2, Relationship Manager, Corporate Banking Group, Lahore.
Zarai Tarakiyati Bank	Specialized bank established in 1961 geared towards development of agriculture sector. It has 27 branches throughout the country.	Interviewee 3, Executive Vice President, Islamabad.
Askari Commercial Bank Ltd	Incorporated in 1991 as a public limited company.	Interviewee 4, Senior Relationship Manager,
Allied Bank of Pakistan Ltd.	Formed by the Australasia Bank in 1974 followed by nationalization in 2001 and in 2004 its ownership was transferred to Ibrahim Group. Has 735 branches connected to an online network.	Interviewee 5, Associate Origination and Client coverage.
United Bank Ltd.	Established in 1959, UBL is one the largest commercial banks in the country with over 1000 branches. It was nationalized in 1971.	Interviewee 6, Assistant Vice President.
Faysal Bank Ltd.	Established in 1994 as a public limited company engaged in commercial, consumer and corporate banking services, now with a branch network of 136 branches nationwide.	Interviewee 7, Regional Head.
Asian Housing Finance Limited	Incorporated in 1994 as a public limited company and is one of the three specialist private sector financial institutions carrying out	Interviewee 8, Assistant Vice President.

	the business of Housing Finance.	
National Bank of Pakistan	Largest government owned commercial bank with 1200 branches was founded in 1949.	Interviewee 9, Senior Vice President - Regional Head.
Bank of Punjab	Established in 1989 as a scheduled commercial bank. Has a network of 272 branches spread throughout the country.	Interviewee 10, Corporate head north. Assistant Vice President.
Barclays Bank Pakistan	Barclays Bank is a public limited company, incorporated in Great Britain, started its operations in 2008 in Pakistan. It has 15 branches in major cities of the country.	Interviewee 11, Relationship Manager.
Citi Bank Pakistan	Commenced its services in 1990 and has 13 branches in major cities of the country.	Interviewee 12, Senior Relationship Manager.
Al Baraka Bank	Started its operations in Pakistan in 1991 as an Islamic Commercial bank.	Interviewee 13, Senior Relationship Manager.
Bank Alfalah	Incorporated in 1992 as a public limited company under the ownership of Abu Dhabi Group.	Interviewee 14, Team Leader Corporate Centre, Islamabad.
Standard Chartered Bank	It is the oldest and largest foreign bank that started its operations in 2006 with 162 branches now in Pakistan.	Interviewee 15, Director Organisation and client coverage
Dubai Islamic Bank Pakistan Limited	Commenced operations in Pakistan in 2006, offers Shariah compliant products, owned by Dubai Islamic Bank PJSC (Public Joint Stock Company).	Interviewee 16, Senior Relationship Manager, Corporate and Investment Banking
Hongkong and Shanghai Banking Corporation Bank Middle East Limited (HSBC)	Started its operations in Pakistan in 1982 and currently has 12 offices. In 2008 HSBC sold Pakistan Banking Business to HSBC Bank Middle East Limited.	Interviewee 17, Deputy Director, Sales and Marketing.
Dawood Islamic Bank	Sixth Islamic bank commercial bank started its operations in 2007 under the umbrella of First Dawood Group offering diversified range of Shariah	Interviewee 18, Assistant Manager, Business Banking.

	compliant funded and non-funded products.	
Lloyed TSB	Started its operations in 2009 with branches in 3 major cities, Karachi, Islamabad and Lahore. As of January 1 st 2011 it has been taken over by Faysal Bank Limited.	Interviewee 19, Director Regulatory.
MCB Bank Limited	Incorporated in 1947 by Adamjee Group as a limited company. Privatized in 1991 and purchased by a consortium of Pakistani corporate groups. Customer base of 4million with 1081 branches nationwide.	Interviewee 20, Corporate Head North Region.
Bank Al Habib	Founded in 1991 as a public limited company run by the Dawood Habib family group of companies with 270 branches in major cities of the country.	Interviewee 21, Team Leader.

Samples of few selected interviews are attached in appendix for reference purposes.

3.6 Data Analysis

A content analysis was carried out to interpret the data collected from the participants and all transcripts were diligently reviewed to identify recurrent themes. Grounded theory coding (Charmez, 2006 as cited in Flick, 2009) was used for analysis purposes that aimed at categorizing concepts and for theory development. Strauss and Corbin's (1987) approach to open coding was adapted to interpret data into concepts. This interpretation method provided the necessary flexibility to decipher the open-ended subjective perceptions and viewpoints regarding leadership and its conceptualisation.

3.7 Limitations of the Research Design

Several caveats need to be taken into consideration when interpreting the findings of this research study. The use of totally self reported measures raise concerns over the authenticity of the results but it has been suggested that method-driven inflation is not as severe as generally claimed (Crampton and Wagner, 1994). Future studies should incorporate multiple sources of data collection. It was an exploratory study based on a small sample to analyse the subjective perspectives of bankers over leadership styles, so generalization of findings is a research constraint that the researcher acknowledges.

Since all bankers were part of either middle tier or top management it is difficult to draw inferential conclusions about leadership perception across all levels of hierarchy. It was difficult to persuade people to agree to a candid interview since they did not want to be quoted talking about their seniors and bosses. It was suggested to participants to allow the use of recording device to ensure all answers and feedback is properly documented, to which all participants showed reservations. Another probable limitation of the research is that the participants may have imperfectly stated personal interpretation of the leadership conceptualization due to language barrier.

CHAPTER 4

DATA ANALYSIS

Overview of the data

The sample constituted 21 managers across the banking industry representing local, private and foreign banks of Pakistan. Participants in the sample were three females and seventeen males where all three females were representatives in consumer banking and working as line managers and associates. Bankers working for foreign financial institutions spoke in detail with somewhat greater spontaneity compared to people working in local banks. The majority of bankers in foreign financial institutions hold degrees from western educational institutions, which is one of the major reasons for successful implementation of transformational leadership approaches in foreign and private banks.

4.1 Prevailing Leadership Styles

Table 4.1: Responses for Prevailing Leadership Style

	Transformational leadership	Transactional leadership	Diffusion of both
Local Banks	2	3	6
Foreign Banks	8		2

The banking sector in Pakistan generally follows a transactional leadership style primarily due to the nationalization of this sector that started in the early 70's and continued thereafter for almost two decades. However, since the initiation of processes of privatization in the 90's, the

banking industry has seen improvement in the banking environment, both from employees' and clients' perspective. Globalization has made the environment very competitive. People are aware of the changes taking place not only around them but from a global perspective as well. Today, organisations are not confined to one particular market, or regional segment as emphasized by one of the interviewee

“Transactional leadership style can become a disadvantage for the organization, especially in service industry, as we are dealing in a more diverse environment, which is constantly transforming in one way or another.”

Most of the local banks have a transactional orthodox way of leading employees since cultural and religious values are deeply embedded within the prevailing managerial ideology. One of the bankers working for a local private bank explicitly stated that *“banking sector in Pakistan follows the traditional leadership style where leaders strictly follow the laid down procedures in an autocratic style.”*

According to Usman, manager of an MNC bank in Pakistan, the prevailing leadership style in Pakistan's local banking sector is transactional. However, Barclay's Bank being a foreign bank has transformational leadership, and the workplace and work activities exhibit innovation. Usman also states that another MNC bank in Pakistan; Citi Bank exhibits aggressiveness. These two banks are exhibiting diffusion of western values of leadership into Pakistan's banking sector that has a predominantly bureaucratic style of functioning (Usman, 2011). He continues that,

“My bank, being a foreign bank, is oblivious of this prevailing government like culture. The leadership style is also different as leaders are encouraged to be more flexible and innovative, and are allowed to take decisions on their own as

long as they contribute towards achieving organizations visions and objectives”.

The reason for the prevalence of transactional leadership in the Pakistani banking sector may be due to the Islamic financial industry in the country, which resulted in a lack of necessary cohesive and overarching governance structure in banks. According to Robbins (2010) the international Islamic financial market has been created by a group of countries that includes Pakistan and this has promoted the Islamic Capital and Money Market Segment in the country. Although the international Islamic financial market issued trade guidelines as well as best practice procedures along with standardized financial contracts, the vigor that is present in transformational leadership style and agility necessary for growth are absent.

Another management level employee Shabana also expressed the same opinion as Usman that their leaders in their bank express both transformational and transactional leadership styles according to the demands of the situation. This indicates the Pakistani banking sector is at the crossroads of transactional and transformational leadership and is travelling towards the latter due to the presence of MNC banks in the country over the last decade

“...transformational leaders can be seen in business units, especially corporate banking/ treasury etc., transactional leadership is more common in consumer & retail banking and in support offices....the prevailing styles have been developed & evolved as per respective markets, hence working well with respect to competitiveness”.

Shabana (2011) opines that the mixed style of leadership is important to maintain competitive advantage. The application of transformational leadership styles that are adapted due to the influence of foreign banks in the country developed professionalism, dynamism and

charismatic personality traits among the leaders. This professionalism and dynamism helps with attaining quick growth and the charismatic personality of leaders motivates staff to attain the goals of the organization. Shabana's opinion is that religion and cultures in no way affect the profession and thus the theories applicable abroad can be used in Pakistan. This means that the people in Pakistan are inviting and accepting new ideas, theories, methods and organisational behaviours which are capable of enhancing the productivity and professionalism of organisations. This type of attitude can lead to complete transformational leadership in future that promotes innovation. This can be understood from the response of Shabana to the next question about transformational leadership and innovation. She feels that *"...Pakistan has innovative talent and can adapt itself to transformational leadership."* According to her, the OCB can be inculcated by the required extent of autonomy at all levels combined with ownership of work that results in team work.

Her responses are linked up to each other as she opines that the leader is the person responsible to make the organisational commitment happen by listening to subordinates and promoting team work as well as by making tough decisions whenever necessary. However, she finds that the transactional leadership qualities that are embedded are making the leaders who try to follow the transformational theories also to engross themselves in taking credit for all the successes in order to present themselves gloriously before management and people. This may hamper the progress of implementation of transformational leadership in Pakistani banks (Shabana, 2011).

Shabana's opinions about the organisational atmosphere in Pakistani banks emphasize the need for public management for *good governance*. According to Zafarullah, & Huque (2001) one can expect that good governance is capable of streamlining the role of the

government and other organisations. The banks can be the type of organisations in Pakistan where good governance encourages transformational leadership qualities in the management.

Another manager, Saleem has different opinions and explicitly stated that transactional leadership style prevails in the Pakistani Banking sector, but the same is transformational in the case of Barclays Bank. Though the prevailing leadership style is transactional it is clear from the response to the second question that transformational leadership is thought to be the need of the moment to sustain a global franchise in Pakistan. He expresses that

“Transformational style of leadership is need of the hour to sustain adverse affects of diminishing global financial crunch. Western banks in Pakistan applying transactional style of leadership has already ceased their operations in Pakistan, while acquisition of domestic operations of foreign banks are being taken over by the Pakistani banks, who are shifted towards transformational style of leadership.”

Another interviewee Faheem observed that collective attitude, professionalism and dynamism of employees in local banks have increased due to the shift in leadership style. However, Faheem also expresses the same opinion about the effect of religion and culture in ideologies that they matter the least though there exists some minor culture adjustment. He further stresses the necessity of transformational leadership and argues that the Pakistani corporate sector along with banking one is ready for adapting it

“... there are few exceptions in corporate sector of Pakistan which are working under the transformational leadership style for e.g. Engro group, Mansha Group, Dawood Ibrahim Group etc who have proven to the rest of the corporate sector in Pakistan that Transformational leader ship style is much better than transactional leadership style”.

He opines that the transformational leadership promotes innovation in banking by introducing

new products like car leasing, home finance and new cards. That means the transformational leadership better understands the needs of customers than the transactional leaders. This is because of the fact that the transformational style of functioning encourages freedom to work and to take decisions. This increases professionalism in the staff and transparency in working as well as teamwork.

The following Table indicates the important characteristics and traits that participants thought to influence employees within an organisation.

Table 4.2: Vital Characteristics or traits of leaders identified by participants

Characteristics and Traits	Local Banks	Foreign Banks
Inspires through Compelling Vision	3	8
Empowerment	6	9
Encourage Team building	6	8
Change Agent	4	10
Institutionalise Supportive Culture	5	9
Communication	6	10

In Faheem's opinion, teamwork and collectivism is possible when the team is molded by a transformational leader. He supports the idea that transformational leadership increases the trust of employees in the company's performance and results in an increase in their confidence levels. This increases the probability of communicating and instilling vision in employees with the consequence that some of them strive to be promoted into top positions which helps to enhance the performance of the company (Saleem, 2011).

Saleem's responses give rise to understanding the evolution of market state systems.

Since the banking sector is under consideration here, one can take stock from the ideas expressed by Fort & Schipani (2003) who support innovation being shaped through law to create and reinforce key institutions such as multinational banks as the instruments of peace promoting sustainable business activities.

4.2 Transactional Leadership in Domestic Banking Sector of Pakistan

Though, the information until now indicated the need for deregulation, a clear indication of transactional leadership emerged from the interview of a senior manager in Al Baraka Bank in Pakistan. The question posed to him, regarding the prevailing style of leadership in the banking sector resulted in an answer that has the key aspects of transactional leadership. The manager answered that the *“leaders watch and search for deviations from rules and standards and will take corrective actions if necessary”*. This is a clear indication of transactional leadership.

One can observe that there is a difference in perceptions of the prevailing leadership style in the banking sector of Pakistan, when the researcher is interviewing leaders of domestic and foreign banks in Pakistan. The domestic banks still consider that transactional leadership is very important, while foreign banks are implementing transformational styles. Though both types of banks are following different leadership styles, the manager from Al Baraka Bank expresses the same opinion that has been established until now. That is, the value efficiency of domestic banks has been increased and inspired by the transformational leadership activities in foreign banks and thus resulted in enhanced performance, but they are still far away from adoption of transformational style. It is clear from the responses of the manager of Al Baraka Bank that the religious values and culture in Pakistan are obstacles to

implementation of transformational leadership as he opined that the western theories of management and leadership have limited application in a third world country like Pakistan. Moreover, his answer is an assertive 'no' for the question of the possibility of transformational leadership and these responses put into doubt the recommendation for deregulation issued by the Central Bank of Pakistan to institutionalise the transformational style in leadership in the Pakistani Banking sector. Another response that simplifies the innovation in the banking industry as tailor- made flexible products for clients can be termed as another obstruction for implementing transformational leadership as expressed by a banker

“Only once the corporate sector is given the opportunity to expand beyond the thinking laid down by conservative institutional policies can transformational leadership be born. Transformational leadership is not acquired, it is attained.
(Nasir, 2011)

The responses of the Senior Manager from Al Baraka Bank indicated the gap between the domestic thoughts and perceptions of leadership in Western banks. This is clear from the research of Khan (2008) that the innovation in the banking sector of Pakistan resulted in micro finance institutions to cater for the needs of rural people. Different institutions are the subsidiaries of commercial banks and one can understand that the domestic banks in Pakistan are catering for the needs of rural people through micro finance institutions. As the rural areas of a third world country like Pakistan have not been explored by foreign banks, the domestic banks in Pakistan found it an area that can be explored without changing the leadership style in their organisations. As there is no external turbulence in this sector that can be created by the entry of foreign banks, the domestic banks in Pakistan are still sustaining their transactional leadership style to a larger extent though there is competition from foreign

banks. The realm that makes this continuity possible is the rural area in which the foreign banks in Pakistan did not enter (Khan, 2008).

4.3 Applicability of Western Approaches

Table 4.3: Summary of responses on western ideology and its applicability in Pakistan

	Western ideology has influenced leadership style in Pakistan	It is possible to institutionalize transformational leadership
Local Banks		
No. of managers that agreed	9	6
Foreign Banks		
No. of managers that agreed	10	10

Foreign banks have helped local banks in understanding a different viewpoint, and a new ideology when it comes to dealing with employees in context of appraisals, rewards and recognition. Earlier, the leaders in local banks would avoid taking any decision directly to stay clear from any responsibility, and would primarily focus on the rules and procedures laid down. However, now the leaders in local banks think beyond these parameters and interact more with their employees, and give them more responsibility to develop confidence in them as is evident from this quote by a banker “...western ideology, being highly customer oriented, has influenced the local banks to adopt similar approach to remain competitive.” Another interviewee suggested that western approaches will gradually have greater influence in the

society since

“...post graduation education system in Pakistan itself is influenced by the western theories, the western corporate culture has already been adopted and the market is driven by large western MNCs.”

Local banks have definitely become more robust and efficient while expanding their services and platforms. Foreign banks have definitely raised the bar and gave real competition to local banks, specifically at the corporate levels. As a result, many CEO's were forced to assimilate to the new standards; however, even foreign banks understand the importance of local cultures. And this is demonstrated by the fact that most foreign banks are managed by Pakistani's as quoted by a banker working in a foreign bank *“The West can provide systems and products, but I don't think their arrogance also extends to how we should be lead.”*

Few bankers on the other hand opined that it is difficult to institutionalise western ideologies and approaches in Pakistan's corporate environment that is greatly influenced by national culture and religious values. One of the bankers very confidently implied this while saying

“Banking sector is still not an equal opportunity employer in Pakistan. Moreover conventional banking in Pakistan contradicts with the interest based principles of our religion too. Western style of management is more of principle based style where as Pakistani people behave more rationally under rule based management. Therefore there are very strict banking guidelines in Pakistan as compared to western banking companies.”

And another interviewee from a local bank while acknowledging the fact that western approaches focus on promoting intelligence and rationality providing individualised consideration and giving immense importance to effective communication and collective

effort, still feels it is premature to assimilate western ideologies in Pakistan's banking sector,

“... application of western theories in totality may not be possible due to the wide gap in moral and ethical values. However, good governance and strong regulatory framework has been able to somewhat bridge this gap, providing for a more effective management and leadership platform.”

Restricted by the local market conditions, it is unfortunate that the local banking system still relies on traditional means of leadership where decision making power is centralized, a large gap exists between the top decision makers and middle management and deviation from rules along with risk taking behavior is condemned.

4.3 Organisational Commitment

Table 4.4: Summary of factors that impact Organisational Commitment

Factors that Impact OC	Local Banks	Foreign Banks
Leadership Style	5	8
Training and Development	5	10
Salary, benefits and rewards	9	4
Organisational Culture	5	8
Well placed HR policies	6	10

The above mentioned factors were the common points mentioned in almost all interviews while talking about factors that determine or effect organisational commitment. As seen leadership style seems to be a vital determinant of commitment levels among bankers working

for foreign banks while, for local banks, it seems to have only had some level of impact since only five out of eleven participants thought leaders and their styles, vision and approaches aid towards raising commitment levels among employees.

After observing and analysing the responses from 21 managerial level employees who are acting as leaders in Pakistani Banking sector, it can be interpreted that the local banks in Pakistan are in a transitional mode regarding leadership style, but are open to transparency and democratic work styles while foreign and a few private banks enjoy more of the benefits of transformational leadership.

CHAPTER 5

DISCUSSION

Analysis of the data gathered from the responses of managers in local and foreign banks in Pakistan indicate a mixed style of leadership that has transformational and transactional qualities. Even in the presence of global competition, the Pakistani banks are not completely converging towards transformational style of leadership as the risks of not doing so is not prohibitive in the present situation. However, the occurrence of transformational leadership characteristics that are observed in Pakistani banks along with transactional ones are enhancing the performance of employees, offering innovative solutions to clients and facilitating attempts to attract new customers. Bankers working for foreign and private banks emphasised greatly on a leader who can articulate an inspiring vision, can communicate eloquently, can inspire through attitude, can stimulate intellectually through challenging goals, and can empower employees to build trust and sense of collectivism to develop organisational commitment.

5.1 Degree of Diffusion ... Mixed Style of Leadership

Another approach that is rather different but practical was explained by the team leader of one of the local banks of Pakistan. He/she states that the local banks in Pakistan still follow the autocratic type of leadership that is transactional and the employees have to respect the hierarchy. One respondent asserted that local banks are being influenced by the successful implementation of transformational leadership strategies and policies by foreign banks:

“Local banks have adopted the techniques followed by these foreign banks, especially in policy making and developing the working environment of these local banks. The local banks have not totally transformed according to western ideology but the process has begun, and I feel that with time, these foreign banks will bring more positive change to the prevailing leadership style in local banks”.

However, this is not the case in foreign banks, which are more democratic in nature and in turn a team leader in Alfalah Bank indicates that the management in his/her bank is opting for both types of leadership depending on the department and the exposure to customers as well as the leadership capabilities and attitudes of the person who is heading it. Thus, the autocratic nature has been reduced, but still the leadership is not completely transformational. However, it seems that the responses of the various managers depend on the banks they work. For example, the managers working in banks like Barclays expressed the transformational views and team leader in Alfalah Bank expressed the view that the local banks are willing to accept the change from a transactional to transformational style of leadership, but in a gradual way. This is clear from his view that the religious and cultural atmosphere of Pakistan remains open to transformational leadership in its banking sector. The argument in his/her response lies in the point that the western leadership theories and changes are capable of minimising the influence of stringent cultural and religious factors in local banks of Pakistan. However, his/her view is that a completely transformational style of leadership is not viable and an autocratic leadership approach is necessary to some degree in the local banks of Pakistan.

Apart from the mixed level of transactional and transformational leadership styles, the VP Unit Head of Habib Bank Limited opines that the public sector banks in Pakistan before the entry of foreign banks exhibited a transformational leadership style. Though they yielded profits, the growth is negligible and the entry of foreign banks in Pakistan forced the private

local banks to adapt transformational leadership style to some extent. Though the Unit Head of Habib Bank Limited opined that transformational leadership is necessary for the private banking sector in Pakistan, there are no successes for the foreign banks, which can be termed as an example, as the market has not been fully open and big five banks are still dominant in the country, though albeit with steadily decreasing the profits. This view gathers strength from the response of the unit head about the religious and cultural background of Pakistan. He/she feels that transformational leadership implementation has been hindered by religious and cultural values in Pakistan and opines that this hindrance should be removed in his further responses regarding the queries of OCB and organisational commitment. It is clear that he is mentioning the need for organisational change as well as deregulation without naming them (Unit Head, 2010).

Clearly, Asim talks about organisational necessity for local banks in Pakistan, as he opines that the religious and cultural values in Pakistan are a hindrance to implementing the transformational leadership. Moreover, he cites the instances of failed private banks without mentioning the style of leadership in them. However, he responded that most of the private banks before the entry of foreign banks were implementing a transactional leadership style. His opinion is that to enhance the performance of the private banks in Pakistan transformational leadership style should be adopted, since it is capable of precipitating organisational change. Regarding this aspect, Reilly (2009) opines that sustainability can be linked to organisational change. That means the communicating a focus on sustainability can be implemented through the activities of human resources development, and this is more visible in the banking industry as the organisational change can be a result of the mix of strategy and HR practices that involve transformational leadership (Reilly, 2009).

After Asim, Rabbani an assistant manager in Business Banking, also expressed views, which indicate the necessity of organisational change but in a slightly different way. One striking difference in his opinions that is not found in other interviewees is that the religious and cultural values of Pakistan also have the same characteristics that are present in transformational leadership. He observes that

“... religion and cultural values can be used effectively to motivate the banking sector to perform better & most honestly as the same is prescribed in their religion and a part of their cultural values.”

That implies, though there are elements of transformational leadership in the country, but the banking sector, for some reasons, did not reflect the same in the activities of the organisations. They only respected a hierarchical and autocratic type of leadership, and this has been changed due to entry of foreign banks that are more democratic and open in their executive and management activities (Rabbani, 2010).

This means, the western banks in Pakistan are now more open and democratic in their activities involving their employees whereas the local banks of Pakistan are not. However, this seems to be true in the case of foreign banks that do not belong to Western countries. For example, when a deputy director of HSBC was interviewed, he/she opined that there is relaxation in transactional leadership, which is resulting in a shift towards a transformational style of leadership. In contrast, he further supports the prevailing style of a mixed style of leadership, to yield long term benefits by inclining to common basics and banking fundamentals.

However, he/she emphasises that western theories and ideology enhance quality and

also lead to technological innovation in solutions offered by banks, but he does not completely rely on western theories of management. This is due to the opinion that the western theories are impossible in a country like Pakistan, as there exists a gap between moral and ethical values. As an added advantage, he also like Rabbani supports the Pakistani religious and cultural values as the ones that are capable of accepting and implementing a transformational leadership style in the banks.

Thus, he/she wants the management style to encourage OCB as well as OC. This means the banks from third world countries like Pakistan and some other states from the Middle East, mostly favor a transactional style of leadership and the economic reforms in these countries have resulted in a mixture of both the styles (Deputy Director, 2011).

Another senior manager from Dubai Islamic Bank in Pakistan again inclined towards a mix of transactional and transformational style of leadership as a prevailing style in the Pakistani Banking Sector. His/her opinion is that the present style of a mixed type of leadership is imperative due to the demand of the situation that cannot take any more risks that may result in losses for the banks. However, he/she agrees the influence of western ideology has changed the way the Pakistani local banks work, and feels that religious and cultural ideology will be replaced by Western leadership theories due to global competition and Western advancement. He, like other leaders and managers interviewed opined that the organisational commitment and OCB can be inculcated due to the behaviour of the leaders with the employees and their commitment towards work (Manager, 2011).

5.2 Influx of Foreign Banks in large numbers

According to Seelig (2003), the development of markets for the banking sector has been

evolutionary and developed economies mostly western ones were successful due to the internationalisation of financial services. However, this is not the case in third world countries and Seelig (2003) opines that the financial markets in those countries are at an early stage and the developments in them and in the western countries will not be the same. Hence, in this context, it is important to consider the banking sector in the developed world by focusing on the changes occurring in the financial sector in Western countries.

Seelig (2003) cites an annual conference on bank structure and competition by the Federal Reserve Bank of Chicago on 'The Declining role of Banking'. In this conference, it has been realised that non-banking financial intermediaries are on the increase, and this development is capable of reducing the role of commercial banks as the primary source of provision of funds. Hence, the banks in Chicago as well as those in US and other Western countries have started investing in the countries like Pakistan. This is because, in third world countries, the banks are still the main sources of funds and non-bank financial intermediaries are almost non-existent in the countries like Pakistan (Seelig, 2003). Hence, the Western approach to the banking sector in Pakistan can lead to the rise of institutions that are present in European States and US. For example, in France, banks specialise in certain operations. For example, out of various types of banks we can mention two; deposit and investment banks. The first type can be found in countries like Pakistan, and the second type is still at an evolutionary stage in third world countries. The increase in the western approach in the banking sector of Pakistan may result in the rise of investment bankers in the country in search for profits as the present type of commercial banks are seeing a decrease in their profits. The establishment of banks specialised in a particular type of operations may take time, but in the meantime, the banks in Pakistan due to the competitive influence of European

ones may diversify their operations. The diversification of operations needs motivation, inspiration as well as a specialised knowledge base and transformational leadership can help to mitigate the problems that arise during the evolution or diversification of banks and banking activities (Wilson, 1962).

5.3 Leadership Style and Innovation

As has been argued, it is established that the western approach to the banking sector of Pakistan resulted in a mix of transactional and transformational leadership styles. In addition to that, it is understood that, unless western type of initiatives are taken in the banking sector, it cannot flourish in Pakistan in an era of globalization and international financial crisis.

The propositions developed from analysis of the existing literature seems to be supported by the participants that transformational leadership accentuates innovative behaviours among employees that determine the opportunities to add value to existing practices and is capable of leading to citizenship behaviours (Proposition 1). At this juncture, leadership style and innovation can help. In the previous chapter, it has been estimated that the western approach to the Pakistani banking sector has resulted in increased diversity in banking activities. Further diversity in activities requires a transformational leadership approach that influences the followers' performances as well as stimulating innovation since according to Gumusluoglu and Ilsev (2009) transformational leaders provide supportive supervision which is a vital determinant of intrinsic motivation in an employee that leads to creativity and increased productivity. For example, the investment banking institution is a different institution from commercial banking in US which is not the case in European countries. As the Pakistani banking sector is in the early stages of development when compared to Western countries, the banks may undertake both types of activities in a single bank. In this type of

situation, the leadership has to deal with employees that are involved in both types of banking operations and activities. The first types are the ones, who deal with the regular activities like deposits, loans and other activities, the second type have to look after investment banking. This diversification of the bank's activities puts the onus on the leader to succeed or risk stagnancy or bankruptcy. As established a mix of leadership style exists, which seems appropriate since a commercial bank's routine activities can be dealt with through transactional approaches and the investment banking activities can be managed with transformational leadership. It has been observed from the data analysis that the mix of leadership styles has decreased the amount of risk in banking activities in Pakistan and continuing the same can motivate positive and receptive attitudes of employees towards the further institutionalisation of transformational leadership approaches (Boerner, Eisenbeiss & Griesser, 2007).

5.4 Leadership Style and OCB

While analysing the participants' responses to factors that determine OCB it becomes evident that bankers do believe that transformational leadership styles and approaches inculcate OCB among employees and help to create a collective identity.

“They should be the CHANGE AGENT so that they can communicate down the line to inspire to stimulate intellectuality and to consider each employee individually & coach them, advise them to unleash their maximum potential for their ultimate career planning.”

Organizational citizenship behavior is also seems to be affected by training and development opportunities, work-life policies and empowerment. Such practices prevailing within the organization may have a direct impact on organizational commitment which means the

enhancement of one determinant causes the in organizational development which is the intervening variable to improved organisational performance.

The transformational leadership style that is to be adopted in local banks can increase OCB through learning and indirect compensation for employees, which includes effective performance appraisal, encouragement to increase confidence and self-esteem as well as vacation trips as incentives (Proposition 4). The values that one of the team leader listed that are vital to organisational commitment are “*honesty, inspiration, forward looking, intelligent, motivation, encouragement, taking an initiative, owning to the work of its sub ordinates and taking stand*”, which are more transformational than transactional.

Thus it is clear that the Pakistani local banks are trying to induce transformational style in their leadership (Proposition 4). However, consistent with the research of Gibson, & Marcoulides (1995), individualism is low in countries like Pakistan and the banking sector also represents the same predominantly collectivist national culture. This has resulted in a mixed style of leadership that is a combination of transformational and transactional the former due to the presence of Western banks and the latter arises from an autocratic style of management in local banks before the deregulation of the banking industry (Gibson & Marcoulides, 1995). Thus it can be deduced that transformational leadership is a predominant factor to induce organisational citizenship behaviours among employees but when considering collective identity, cultures and religion also a strong role to play (Proposition 2).

In line with the leadership behaviours discussed until now, the significance of organisational citizenship behaviour (OCB) comes to the fore. The reason is that the transformational leadership or when it is mixed with transactional style, the standardisation of jobs is necessary. According to Chen et al. (2009) OCB receives a great deal of attention as it

results from extra role behaviours from employees. In this regard authors cite Organ who defined OCB as an approach that cannot be recognised by a formal reward system. Cho and Dansereau (2010) also promulgate that transformational / charismatic leadership behaviours that encompasses articulation of a compelling vision and provision of inspiration for collective identity and spirit ensure followers view themselves as equal and consistent parts of a whole subsequently leading to group cohesion. As the reward system is part of a transactional style of leadership, the OCB emerges from transformational style, which in the aggregate promotes the efficiency of the system. Moreover, OCB stems from pro-social and ethical behaviour of the leader and thus depends on the relations of the leader with employees. This aspect is necessary in the banking industry as the staff have to exhibit voluntary behaviour to retain and attract new customers. The OCB, in a bank or any organisation, results in customer satisfaction regarding its quality of products and services. This can be achieved by job standardisation in which the employees need to follow certain operating procedures in performing their jobs. As the banking industry does not have a tangible product to deliver and the quality lies in the services as well as solutions offered, the standardisation can positively contribute to OCB so that altruism, conscientiousness, sportsmanship, courtesy and civic virtue will all be characteristics of the team that exhibit OCB (Chen et al. 2009).

5.5 Leadership Style and Organisational Commitment

Apart from all the virtues mentioned in the literature review chapter, job satisfaction is another imperative that results in OCB. One can understand that virtues like altruism, conscientiousness, sportsmanship, courtesy and civic virtue can result in job satisfaction,

which in turn results in OCB. According to Whitman et al. (2010), organisational scientists consider customer satisfaction and productivity while assessing organisational citizenship behaviour. The organisational citizenship behaviour concept is inclusive of the idea of inherent commitment (Whitman et al. 2010).

The effectiveness of the psychological contract of employees depends on the way the leaders behave with employees and exhibit leadership qualities through transformational leadership. The transactional qualities of rewards and incentives may become mandatory, when leaders exhibit transformational styles and the commitment, intelligence of the leader and the consideration he shows to the employees matters and that results in job satisfaction as well as organisational commitment (Hughes and Palmer, 2007).

It can be analysed after reviewing the responses of the participants charismatic leaders influence levels of organisational commitment through their vision. Most participants of foreign banks thought communication, empowerment and training and development are the most important factors that induces organisational commitment while on the other hand, for local bankers salary packages, rewards and swift promotions were more important. This trend in local bankers has led to high turnover ratio making knowledge retention a challenge. There is strong support for the proposition that leaders who are visionary, flexible and willing to delegate does ensure higher levels of organisational commitment (Proposition 3).

The formation of the psychological contract of the employees with the company brings to the fore the challenges faced by leaders while they try to provide ethical leadership with requisite knowledge. The knowledge of them should be enough to meet the challenges faced by the company and to advise the employees about solving problems during daily work activities. However, in the banking sector, these challenges regard providing new solutions

and creating a platform to execute them efficiently. The leader can execute these responsibilities efficiently when he/she understands the interface between societal culture and ethical leadership. Understanding ethical leadership depends on the culture of the country, and so a leader should have sufficient knowledge about the culture of the employees. Representing ethics that are related to culture as part of transformational leadership will be difficult, when the leaders are working in a foreign country that has a different culture from their home country. This is because perceptions of ethical leadership vary across societies, and organisational commitment depends on ethical leadership as well as organisational innovation (Proposition 2 and 3). Without ethical leadership innovation may just result in a perception of employees that it is just a result of technological advances. For example, if the society is individualistic in nature, the employees view behaviour that involves equalitarian commitment as ethical and this is suitable to Pakistan in so far as it can be termed as an individualistic society.

Hence, the equalitarian commitment in a leader is the one that puts aside the self interests and results in working towards the group's shared goals. These types of collectivist traits in leaders are capable of sowing the seeds of organisational commitment in employees. It happens so when the positive endorsement of a collective motivation and encouragement features in ethical leadership exhibited by the leader (Keating et al. 2007).

5.6 Emergent Themes from Interviews

5.6.1 Entrepreneurial Model

While analysing models like the entrepreneurial model, mercantile model and managerial model, one can understand that the entrepreneurial model is suitable for the Pakistani context of the banking sector where a transactional leadership style mostly prevails. The

entrepreneurial model can encourage the institution of transformational leadership styles in Pakistani Banks. One such activity that can institutionalise transformational leadership is opening the banking sector of Pakistan to increased foreign competition, which has already been commenced. The next issue that comes to the fore from the responses of many managers is transparency in the banking sector of Pakistan. The answer lies in adopting an entrepreneurial model in the banking sector and institutionalising the transformational leadership as according to Fort & Schipani (2003) the mercantile model is less concerned with transparency. Within the entrepreneurial model and in favour of the adaption of transformational leadership, Fort and Schipani cite the US shareholder primacy model that created a corporate governance system that valued transparency and disclosures. This situation can result in fostering of the democratic virtue of giving voice to employees that will be considered by their leader and thus develop OCB culture in banks. This is possible when employees are equipped with participative voice and when they face their leader in discussion rather than simple obedience which they have to exhibit in the context of the transactional leadership structure. Hence, communication and giving value to the employees' views and opinions as well as the team is important for transparency and innovation in an organisation. This is possible in Pakistani banking sector when the banks opt for transformational leadership in the place of transactional one that prevails now (Fort & Schipani, 2003).

5.6.2 Management by Exception

After transparency and innovation, an interview with Nasir (2011) answers in a more practical way to the questions about leadership style, approaches, OCB and organisational commitment. According to Nasir, the leadership style is management by exception and in the context of the banking sector, the leadership provides facilities to the employees and monitors that they do

not resort to fraudulent acts. Regarding the aspect of learning from foreign banks, there is not much to learn from them except for the operational and marketing activities that offer new solutions according to the needs of clients as well as customers and prospective customers. Nasir was also more pragmatic about the adaptation of leadership styles as he notices that the banks act according to the regulations framed by the Central Bank of Pakistan and the adaptation or implementation of leadership styles depends on the nature and extent of banking and financial regulation. However, he made it clear that OCB is implemented by up to 90 percent if the banks that adopt transformational leadership and that enhanced working environment as well as incentives and appreciation from higher management are all aspects that were not observed by previous managers (Proposition 3). The practicality in thinking of Nasir also has been reflected in the responses to the questions about organisational commitment. He linked organisational commitment to incentives, increases in salary like retention incentives as well as promotion and its financial rewards. However, he like Osman opines that it is becoming difficult for young people to rise up the hierarchy in the banking sector which indicates a lack of overall growth (Nasir, 2011).

5.6.3 Control and Transparency

According to one of the participants leadership styles are decided by the extent of regulation controlling the banking business in Pakistan. Hence, if the extent of control of regulation is less, the adaption of transformational leadership in the banking sector will be more. In this context, Walsh, Best & Rai (1995) assert that the administrations should have an open door policy. Though the context used by Walsh, Best, and Rai is not the banking sector, the way they argued for openness and explored the ways of growth can be used for the context of the Pakistani banking sector. They argue that reforms in different sectors can result from growth

in the economy and that in turn is capable of sustaining growth in the banking sector. Hence, transparency is the key to growth in banking as well as other sectors and the market should be open to all players, including domestic and foreign ones so that, customers can find more solutions from bankers tailored according to their needs. Faheem's answers indicate the nature of scope of change that is necessary for growth and transformation in the banking industry. The commitment of the employees is impossible without the positive attitude from the side of management and in the absence of that, transformational leadership becomes impossible. Though the banking sector in Pakistan has been open to foreign investment, one can understand that the growth is not up to mark as the young executives feel the lack of opportunities to grow though there are more incentives and they are better than they were in the past. Hence, Faheem's assertions further state the mixed application of transformational and transactional leadership in the Pakistani banking sector.

Hence, to ensure growth opportunities for young executives, the Pakistani banking sector should maintain the industry growth rate, and that is possible with the introduction of new solutions for clients and new finance and banking products that can attract more prospective customers to use banks. This further emphasises the necessity for innovation, which is possible with the adoption of transformational leadership. An increase in openness and transparency in any sector reduces corruption when the leadership considers the personal goals of the employees as the goals of the organisation. This situation demands for some restructuring of the banking sector, and that is not complete as some banks still rely on transactional leadership approaches that do not concentrate on new products but attempt to offer old products in a better and safer way.

5.6.4 Rewards for Efforts

After Nasir, an interview with a Director of Standard and Chartered Bank is more practical about the application of leadership styles in Pakistan. He responded that exchange of rewards for effort, and promises of rewards for good performance and recognition of accomplishments are present in leadership styles applied within the Pakistani banking sector. When the above aspects are mentioned, one can understand that the leadership style is transactional one, but has been implemented in an excellent way but still is far removed from transformational leadership, which makes the points mentioned by the Director of Standard and Chartered Bank as mandatory that leaders think beyond these contingent rewards and employee recognition aspects to enhance the overall performance of their organisations. However, one can understand that even the enhancement of implementation of transactional leadership is due to transformational styles implemented in banks like Barclays in Pakistan.

The presence of banks like Barclays further affected the quality of service and efficiency of resource utilisation in other banks and paved the way for the better implementation of transactional leadership. The western theories of management and leadership are applicable in Pakistan, and the religion and culture has not hindered their implementation. Even though the corporate sector in Pakistan, including the banking sector, is influenced by the presence of banks that use transformational leadership, many domestic banking organisations did not institutionalise that aspect. However, they have shown their impact on the innovation of banks and innovative products from all banks were increased though they are less than the ones that are present in banks like Barclays. However, organisational culture and values as well as norms have all affected organisational commitment in a positive way and are helping to achieve organisational growth (Director Standard and Chartered Bank, 2011).

5.6.5 Privatization

After analysing the data of a Director working in Standard and Chartered Bank in Pakistan, it is evident that the Pakistani Banking sector is at the crossroads of framing regulations for privatisation. This has resulted in a mixed style of leadership that contains both transactional and transformational forms. The understanding and monitoring of the regulations occur in the early years of realising of foreign investment in any sector, and it is true in the banking sector of Pakistan also. Hence, in this regard, one can take a cue from UK's experience written by Gray (1994). In this work Gray opines that incentive design is an axiomatic principle, and one can come out of the transactional leadership mindset, when one understands that the incentives and rewards for employees are imperative and just monitoring them and assessing the performance of the Bank cannot sustain growth. Gray further mentions an ancillary strategy in the form of reduction of central control and encourages the dissipation of power. To do so, it is important for the Central Bank of Pakistan to deregulate after allowing greater foreign investment in the banking sector and privatisation of former state monopolies which can all help to pave the way for institutionalization of transformational leadership in Pakistani Banks (Gray, 1994).

5.7 Limitations of the Empirical Research

There were a number of interesting aspects that could have been included in this research, for instance, impact of leadership style on individual performance and later on organisational performance, or how leaders influence organisational climate. These aspects were not pursued for this dissertation due to time and resource constraints. Since very limited literature is

available on Pakistan and its banking sector and leadership styles, evaluating the implications of the study was another limitation. Due to lack of available resources to gather data and lower number of participants, quantitative analysis was not included to interpret the data and draw inferential conclusions.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

After reviewing and discussing the leadership styles and their transformation in Pakistan's banking sector, one can understand that the prevailing style is transactional with transformational aspects with few exceptions as seen in case of foreign banks. The inclination that is being shown towards transformational leadership has not only enhanced the performance of the banks in Pakistan but also introduced and enhanced job satisfaction as well as organisational citizenship behaviour and commitment among the employees. A degree of diffusion of transformational and transactional leadership concepts exists among the leaders in most of the banks since they understand that it is through intellectual stimulation and through inculcating sense of collectivism among employees, that leaders can permeate psychological attachment with the organisation and encourage bankers to transcend their individual interests to achieve collective goals thus ensuring long term bond of organisational commitment subsequently reducing withdrawal behaviors and positively influencing perception of job satisfaction and organisational commitment.

Today the banking sector in Pakistan is facing quite a few challenges that include political instability, terrorism, deteriorating economic situation of Pakistan and overall global recession. In this situation, leaders in banks have to be very flexible and innovative but completely focused towards the vision of their respective banks. In other words, a transformational leadership style is required to sail through these challenging times. Pakistan, like any other country, is constantly going through a transformational phase as a consequence of globalization and interaction with so many foreign entities, either directly or indirectly.

Foreign companies bring their own style of management and leadership, and apply it with a few changes keeping in view the local culture and religious values. However, the basic ideology does not change. Success of foreign companies and their management style in Pakistan proves that their leadership style can be implemented successfully in Pakistan. In addition to this, the activities of banking industry are being diversified and soon there will be separate banks for deposit and investment banking. This can be attributed to the fact that the leaders and managers in Pakistan's banking sector opine that the western leadership theories and styles are applicable in Pakistan.

It may take time for Pakistan's banking sector to transform completely into the Western style of functioning as Nasr (2001) mentions that the military regime changed the banking system into interest free banking altering the very foundation of financial institutions operating in Pakistan. Government exerted greater control over financial system and policies and used interest free banking to improve relations with stake holders of the allied governments as well as with people (Nasr, 2001). The world is globalizing at an increasing rate. Religious and cultural values are replaced by global competition and western advancement. With education and exposure to the world market playing a vital role, it appears important for Pakistan to start applying western theories and leadership ideology in its working environment. To encourage transformational leadership in banks, the researchers support 'market state' theory of Bobbitt and quote "*maximising the opportunity means protecting domestic industries so that future generations will have a full array of employment opportunities.*"(Fort and Schipani, 2003)

Strategies for Way Forward

It appears imperative for Pakistan's local banks to implement transformational leadership style in their organisations to compete in this era of globalisation and fierce competition. While organizations need to devise focused policies and implementation framework to ensure transformational leadership, the role of policy makers and HR is of paramount importance in meeting the said objective.

1. The success of an organisation is determined by the extent of adeptness at institutionalising and fostering innovations and banking industry being a service oriented sector is well aware of the need for improved innovative processes and services to compete in the market place (Sciulli, 1998). Management of local banks needs to focus on innovation as a key to success. As it is evident that the innovation was not a priority until the entry of foreign banks into Pakistan, it is necessary to induce innovation in the solutions offered to the clients. Innovation implies structural change and change is brought by the leaders. Innovation depends entirely on leadership skills and qualities. The banking sector is becoming saturated day by day. With the financial meltdown in the recent years, it is innovative strategies to introduce new products, rationalize risk taking decisions and increase investment incentives that differentiate between successful banks and failed ones. Hence, it is necessary to adapt transformational style of leadership to remain competitive in the market and also to attract and keep valuable human capital. The innovation in the activities and products of the local banks in Pakistan should be combined with diversity. The diversity in local banks of Pakistan is less when compared to the western ones. Hence, to compete with their western counterparts, it is important for commercial banks to take up investment

banking activities to retain and acquire greater market share. After doing so, the interested local bankers can start separate subsidiaries that are wholly dedicated to a particular type of banking. For example, a bank will deal either with deposit or investment banking, but not both.

The transactional leadership while doing so may lose the new market as the attitude can only consolidate the old market but cannot attract new customers to the banks. Hence, the further deregulation of the banking sector is necessary as that can reduce the reliance of banks on central bank and when they are forced to earn more profits, they have to resort to innovation that is possible only with transformational leadership (Walsh et al. 1995).

2. The gradual shift from transactional leadership to transformational style is slower than expected in the local banks evident through the responses of managers of various local and foreign banks. Though there are various regulatory bodies that can decide the course of activities in banks, which can prompt the managements to decide on leadership styles, there are difficulties in giving a cohesive message. The necessity for compliance of Sharia may also be a reason for transactional leadership style in Pakistani banks. In addition to these obstacles, the structural and organizational gaps in the Islamic financial system resulted in differences between national norms and international standards resulting in traditional hierarchy system in banking sector (Robbins, 2010). One of the interviewed bankers explicitly stated that “*success stories of Western financial markets has made them a role model worldwide, as also witnessed in Pakistan. However, our religious and cultural values have hindered full scope*

application of western theories of management in Pakistan.” The policy makers and regulatory bodies in the banking sector must reach a consensus regarding the principle guidelines in context of interest free banking since religious theories and modern financial approaches collide leading to delusional leaders and clients.

3. In a first step to implement complete transformational leadership style, the banks have to concentrate on organisational culture. Organizational cultures have a great impact on people’s perceptions regarding goals, performing tasks and administration of resources to achieve these goals and tasks and ultimately exerting influence on organizational commitment and satisfaction (Lok and Crawford, 2003) and innovative and supportive cultures influenced by transformational leaders have a positive influence on levels of commitment. OCB develops from within the culture based on the employees’ satisfaction level, their organizational commitment, perception of fairness in the managerial decisions and their trust on the leaders with regards to their support and assistance (Bass and Avolio, 1993). To encourage this progressive and adaptive thinking from leaders, it is suggested to policy makers to introduce simplified, team oriented, spontaneous and flexible structures with lateral direction of communication and collegial decision making.
4. It is suggested to the banking industry associations to focus on acquiring talent and developing this talent into leaders who can inculcate organisational citizenship behaviour and are able to stir organisational commitment among the employees to yield higher profits and productivity. The situation after inculcating OCB and OC in

the employees will enable the bank to function in a more democratic way than in the past.

5. After taking the above measures, the stage is completely set for transformational leadership. If necessary, the banks can create separate departments and modify their HR wing. The suggested department that strengthens the transformational leadership style is the one that stores and recalls the knowledge that is necessary for the organisation. It is asserted by Zhu et al (2005) that transformational leadership and human capital enhancing HRM work collectively to enhance organizational effectiveness and performance to serve the strategic interests of the organization. Thus it is imperative for policy makers and HR to focus on leadership development programs.
6. It is recommended to the executives in the banking and finance industry that proper communication among departments and teams can yield higher commitment towards achievement of goals, thus liaison officers are necessary. They can ensure that various problems faced by teams and individuals can be known and solved. Moreover, this increases openness in the activities and also can be used as a system that gives inputs about the necessary innovation in solutions and products offered by the banks to the customers. The transformational leadership that arises from good governance efforts can enhance the quality of services and can increase the quality of accountability in the staff. This can pave the way for a situation that expresses the ownership of work that promotes teamwork instead of activities for individual glory (Zafarullah and Haque,

2001). It is also suggested that to ensure institutionalisation of OCB and employee commitment, it is recommended to ensure required extent of autonomy at all levels combined with ownership of work that results in team work.

7. The revitalizing of the organization depends on the relationship of employees with an organization. In saying so, one has to understand that the relationship is with the leader they are dealing with in the organization. The leader's actions constitute a series of conversations and guidelines that prompts the employees to develop a relationship with the organization (Herriot, 2001). Thus it becomes important for banks to focus on communication workshops for leaders and managers.
8. It is suggested for academic researchers that for future studies multiple sources of data collection should be incorporated in research to ensure generalization of the findings across the banking industry. Also future research in this field should be conducted with a larger sample group to ascertain validity of results.

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APPENDIX

APPENDIX 1

DOCUMENTATION SHEET

Date of Interview:

Interviewee Name:

Bank Name:

Department/ professional field:

Years with the organisation:

Years at the current position:

Duration of the interview:

Notes:

APPENDIX 2

Transformational Leaders	Transactional Leaders
<i>Charisma</i> : Provides vision and sense of mission, instills pride, gains respect and trust	<i>Contingent Reward</i> : Contracts exchange of rewards for efforts, promises rewards for good performance, recognizes accomplishments
<i>Inspiration</i> : Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways	<i>Management by Exception (Active)</i> : Watches and searches for deviations from rules and standards, takes corrective actions
<i>Intellectual Stimulation</i> : Promotes intelligence, rationality and careful problem solving	<i>Management by Exception (Passive)</i> : Intervenes only if standards are not met
<i>Individualized Consideration</i> : Gives personal attention, treats each employee individually, coaches, advises	<i>Laissez-Faire</i> : Abdicates responsibilities, avoids making decisions

Interview Schedule

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?
2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

Western Approaches:

1. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?
2. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

Transformational Leadership and Innovation:

1. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?
2. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Organisational Citizenship Behaviors:

1. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation?
2. What other factors foster and reinforce organisational citizenship behaviors among employees?

Organisational Commitment:

1. How consequential is the role of a leader in inculcating organisational commitment among employees?
2. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?
3. Apart from leadership style what other factors influence employees perception of organisational commitment?
4. What are the leadership challenges that banking sector faces today.

APPENDIX 3

INTERVIEW SCHEDULES

INTERVIEW 1

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

Generally, a transactional leadership style is followed in banking industry in Pakistan since most of the institutions of Pakistan are being run in a bureaucratic manner for a very long time.

My bank, being a foreign bank, is oblivious of this prevailing government like culture. The leadership style is also different as leaders are encouraged to be more flexible and innovative, and are allowed to take decisions on their own as long as they contribute towards achieving organizations visions and objectives.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

The leadership style followed in my bank allows leaders to adapt to new changes taking place in our environment, make employees understand the need to change, and showing flexibility while remaining committed to the vision and making all the employees to do the same. In this way, the whole organization remains focused, and understands well its objectives. Thus, both individual objectives of employees (achieving targets, etc.) and overall company objectives (company's vision) remain in focus. This gives our bank a competitive edge.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

I have worked for both local and foreign banks. The cultures are totally different. With influx of foreign banks, the local banks have realized that their orthodox method of leadership does not contribute towards the growth of their banks. Now the local banks are also adopting techniques followed by foreign banks when it comes to developing culture, devolution of powers, employee appraisals and their commitment towards the organization.

4. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

My bank works in the same environment and follows western theories, which are implemented the way they are implemented in its homeland. The bank is doing well in

the industry. Employees are satisfied and their retention level is high. We have a sense of commitment for our bank, and our leaders encourage us to contribute to the growth of the bank in whatever way we can. Hence, I strongly believe that the western ideology of leadership is not only applicable but can prove to be successful in Pakistan.

Transformational Leadership and Innovation:

5. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?

This may take some time as we have a long history of a different kind of leadership style in almost all organizations of Pakistan. It has always been an authoritarian kind of leadership style. But with more foreign companies coming into Pakistan, and as people become more aware of their success stories, the significance of transformational leadership will become clear and organizations will have no option but to institutionalize it.

6. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

In my bank, the leaders encourage new ideas and methods that can help in achieving the bank's objectives. They are more flexible and communicate with the employees even at personal level. With this kind of confidence and liberty offered by the leaders, the employees are more likely to come up with innovative ideas and solutions.

From banking perspective, the leader can be innovative in creating new products, or develop new internal programs for employees to encourage them to work more dedicatedly and to increase their level of commitment towards the bank.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation?

Significance of OCB depends on the leaders. My leader considers OCB important for growth of an organization. Therefore, we are encouraged to give due consideration to OCB as it is also a part of our appraisal program. The leaders in our bank evaluate our OCB's during our periodic reviews for increments.

8. What other factors foster and reinforce organisational citizenship behaviors among employees?

Leader's personal interaction with employees, and encouraging them to focus on other things apart from routine work that could contribute positively towards organization's growth, helps in fostering and reinforcing OCB in organization.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees?

The leaders in our bank show their commitment towards the organization by their performance. They lead us while making sure that the bank's vision and objectives are absolutely clear to all the employees at all times. We are encouraged to take decisions, discuss issues with the leaders, and they interact with us at personal level. Such leadership style definitely helps in increasing organizational commitment among the employees.

10. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?

A leader who is absolutely clear about company's vision, develops a culture accordingly, is flexible to accept any change, encourages employees by interacting with them, facilitating them through different reward programs and empowering the subordinates to take decisions, can increase the organizational commitment of employees.

11. Apart from leadership style what other factors influence employees perception of organisational commitment?

The prevailing culture, company's overall attitude towards employees, different employee benefit schemes, and appraisal methods also influence employees' perception of organizational commitment.

INTERVIEW 2

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

In my bank, transformational leadership style is followed as delegation of powers is decentralized, and leaders are encouraged to take decision keeping in view the overall vision of the bank instead of taking any hard line approach.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

A transactional leadership style can become a disadvantage for the organization, especially in service industry, as we are dealing in a more diverse environment, which is constantly transforming in one way or another. In such changing environment, only a transformational leader with absolute view and understanding of the vision of his organization can ensure competitiveness of the company.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

Foreign banks have helped local banks in understanding a different viewpoint, a new ideology when it comes to dealing with employees in context of appraisals, rewards and recognition. Earlier, the leaders in local banks would avoid taking any decision directly to stay clear from any responsibility, and would primarily focus on the laid down rules and procedures. However, now the leaders in local banks do think beyond these parameters and interact more with their employees, and give them more responsibility to develop confidence in them.

4. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

Pakistan, like any other country, is constantly going through a transformational phase as a consequence of globalization and interaction with so many foreign entities, either directly or indirectly. Foreign companies bring their own style of management and leadership, and apply it with a few changes keeping in view the local culture and religious values. However, the basic ideology does not change. Success of foreign companies and their management style in Pakistan proves that their leadership style can be implemented successfully in Pakistan.

Transformational Leadership and Innovation:

5. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?

The dynamics of Pakistani corporate sector have changed after the initiation of privatization process and influx of foreign entities in Pakistan. This amalgamation of two diverse corporate cultures has brought positive change in organizations that have deviated from the orthodox management and leadership approach to transformational leadership style. Although complete institutionalization of transformational leadership culture will not come so swiftly but as more success stories of organizations following this new approach will come up, awareness will increase, and will consequently result in implementation of this culture.

6. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Leadership style determines the culture. A transactional leader avoids innovation and prefers to work within the Standard Operating Procedures (SOP's), whereas a transformational leader focuses on the vision of the organization, and develops a culture that is in line with the vision and objectives of the organization.

In banking sector, every bank has its own vision. In some banks, the heads of departments come up with new schemes and products in view of the bank's vision. Like, if a bank is focusing on growth in SME sector, the head of SME would focus on development of innovative products to increase market share. For this, the head would encourage his employees in research and development, and would offer special incentives and rewards for productive ideas that would help in achieving bank's objectives.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation?

The leaders play a critical role in strengthening OCB as they determine the methodology of dealing with their subordinates. If significant weight is given to OCB while appraising the employees, then they also emphasize on OCB.

8. What other factors foster and reinforce organisational citizenship behaviors among employees?

Encouragement from leader, and specific rewards/incentives with regards to OCB help in reinforcement of the same in an organization.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees?

Leader through his own behavior and commitment to the vision and objective of organization sets the standards. Employees follow their leader. It is a trickle down effect. If leader emphasizes on the significance and positive consequences of the commitment not only by his own actions, but also by encouraging the employees to do the same, the commitment becomes integral part of the prevailing culture.

10. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?

Only a transformational leader, who develops a culture within an organization that not only helps the organization to achieve its vision, but also encourages the employees to work towards that objective. The leader should be visionary, flexible and willing to delegate the authority to make the subordinates share the responsibilities, to let them own the decisions they make at different levels.

11. Apart from leadership style what other factors influence employees perception of organisational commitment?

The overall organization's internal policies for employees, reward programs, and appraisal methods are critical in determining the commitment level of employees.

12. What are the leadership challenges that banking sector faces today.

The current global recession has critically affected the banking industry. With no significant improvement in economy all over the world, banking sector's role has become very crucial as the financial sector is the bloodline of any economy. Hence, the leaders in banking industry today need to be more flexible, innovative and committed. They have to encourage employees to remain committed to the organization by developing a sense of ownership in them.

INTERVIEW 3

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?
Banking sector in Pakistan follows the traditional leadership style where leaders strictly follow the laid down procedures in an autocratic style.
I work for a local private bank. In our bank, transactional leadership style is followed.
2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?
My bank needs to change the prevailing style of leadership as it does not allow much flexibility to the leaders to acclimatize themselves with changing environments, and be innovative as and when the situation requires. Our leaders are confined within the boundaries set by prevailing culture, which can prove to be a hurdle in growth of the bank.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?
Foreign banks have brought in a new style of leadership that is more dynamic and gives more space and flexibility to the leaders to develop culture in accordance with the vision of the bank and environment in which the organization works. This leadership style has influenced the local culture as well. Local banks have adopted the techniques followed by these foreign banks, especially in policy making and developing the working environment of these local banks. The local banks have not totally transformed according to western ideology but the process has begun, and I feel that with time, these foreign banks will bring more positive change to the prevailing leadership style in local banks.
4. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?
The western theories of leadership generally do not collide with our cultural and religious values as they are primarily based on achieving company's objective by ensuring employee satisfaction. With regional economies coming closer day by day, and due to globalization, the issue of being third world country has any implications.

Transformational Leadership and Innovation:

5. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?
The process will be slow but since the whole world is today realizing the need and significance of transformational leadership in success of an organization, the time is

not far when the traditional style of leadership will be capitulated by most of the progressive organizations of Pakistan as it appears to be the only way forward when it comes to better management and leadership techniques.

6. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Only a transformational leader can be innovative. Conventional leaders like the ones in our bank do not have the aptitude to be innovative since the prevailing culture does not give them the authority to take decisions out of the set SOP's.

In banks, leaders can be innovative in devising guidelines and procedures for employee rewards and appraisals. They can also modify the working environment and procedures according to the changing environments.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation?

Leaders in our culture generally do not emphasize on OCB's and follow the systematic approach set by the organizational culture. It is the leader who should emphasize on importance of OCB and make his employees aware of them by associating them with the overall appraisal of employees, and showing personal interest in ensuring that due importance is given to OCB in the culture.

8. What other factors foster and reinforce organisational citizenship behaviors among employees?

Organizational culture and employees' appraisal procedures play an important role in fostering and reinforcing OCB among employees. If they know that they would be rewarded for personal traits in addition to their job descriptions, the employees would give due consideration to OCB as well.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees?

A leader through his own commitment and leadership style sets the standards and example. If the leader is involved in every stage of a process, or has delegated the authority to a subordinate with complete follow up on that matter, and is aware of not only the objectives but also the employees at individual level, then the employees build a trust in him and follow him with absolute commitment.

10. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?

A complete understanding of the environment in which the bank works, its vision, and objectives is critical for a leader's success. Once he has complete understanding of that, he should win confidence of his employees by conveying the same to them, and delegating powers to them so that they share the responsibilities and feel more

committed to the organization.

11. Apart from leadership style what other factors influence employees perception of organisational commitment?

The working environment, culture of organization and its commitment towards the employees itself determines the reciprocation of commitment by the employees.

12. What are the leadership challenges that banking sector faces today.

Leaders have to be more innovative, flexible and aware of the changes taking place around them as banking sector today is going through a tough phase, and orthodox leadership style may not help in making the banks sail through successfully.

INTERVIEW 4

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

Leadership styles tend to differ depending on the leader himself, understanding level of the team being managed and also on the area of the operations within the bank. While the Transformational leaders can be seen in business units, especially corporate banking/ treasury etc., Transactional leadership is more common in consumer & retail banking and in support offices.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

The prevailing styles have been developed & evolved as per respective markets, hence working well with respect to competitiveness. However, these are subject to change as per demands for developing markets.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

Western ideology, being highly customer oriented, has influenced the local banks to adopt similar approach to remain competitive. Hence the leadership style has also experienced some shifts.

4. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

Western leadership theories can be and are being adopted in true spirit in Pakistan without much problem for many reasons, most prominent being the post graduation education system itself is influenced by the western theories, the western corporate culture has already been adopted and the market is driven by large western MNCs.

Transformational Leadership and Innovation:

5. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?

Transformational leadership is already prevailing in Pakistan, prominently towards higher level of corporate hierarchy, which is evident from development of various user friendly products.

6. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Innovation can safely be termed as a derivative of the management/ leadership style. Involving the field officers in product development can improve the quality of the product a great deal.

Banks are actively involved in innovation of products (such as consumer/ retail banking products) and services (such as highly personalized services in corporate banking, funds management and treasuries).

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation?

Managers have the vital and most important role in defining and strengthening the organizational behavior.

8. What other factors foster and reinforce organisational citizenship behaviors among employees?

Apart from leadership/ management, the target market has the significant impact on citizenship behavior of any organization.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees?

Proving himself as a role model has the lasting impact rather than inculcating the organizational commitment.

10. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?

Full conviction of what he is preaching, supporting his words by his actions and sincerity to organization as well as staff.

11. Apart from leadership style what other factors influence employees perception of organisational commitment?

Cost & benefits of leaving the organization, job satisfaction and other social commitments (to family & friends).

12. What are the leadership challenges that banking sector faces today.

Lack of organizational commitment from employees due to influx of many new banks providing many career opportunities.

Political interference in hiring process.

Lack of transparency of evaluation process.

INTERVIEW 5

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

Banking institutions are large entities with many different divisions working independently. So in retail or operations I see that leaders can be characterized as transactional, 'Contingent Reward' to be more precise. This is so as their objectives are clearly defined and their achievements are purely a numbers game. However, I work in the business banking side where risk assessment, marketing, account and client management are the main focus. The leadership style in our neck of the woods is a mix of both, but more reliant on the Transformational style. Charismatic/inspirational leadership is the status quo in most banks.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

Most banks usually offer the same or similar products. Therefore charismatic leaders are essential in deal-closing. The confidence of such leaders usually permeates down to the client-facing staff giving their clients comfort.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

Before, the character associated with most bankers was "Discipline." Banks before exhibited military style leadership. "Management by Exception (Active)" was the norm. There is no doubt that local banks have benefited from the modern banking models in terms of systems, IT, structure, etc. Banks have definitely become more robust and efficient while expanding their services and platforms. Foreign banks have definitely raised the bar and gave real competition to local banks, specifically at the corporate levels. As a result, many CEO's were forced to assimilate to the new standards. However, I would like to point out that even foreign banks understand the importance of local cultures. This is demonstrated by the fact that most foreign banks are managed by Pakistani's. The West can provide systems and products, but I don't think their arrogance also extends to how we should lead. Management styles could be identified and categorized for purposes of studies but there is no precise key to success and most managers fit into more than one category. So in short, I feel that many of today's managers benefit from Western practices but that is not the only success factor.

4. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

In broad terms, some benefit is definitely there. But as mentioned on the previous section, that is not the only key to success. A mixture of West and East is the best. Further charisma and inspiration are not Western inventions.

Transformational Leadership and Innovation:

5. Is it possible to institutionalise transformational leadership in its true sense in the Pakistani corporate sector?

I think it is already there. As an RM, I already know who are the CEO's and Corporate Heads of most local banks.

6. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

We work in a sector where the unique selling proposition varies very little from one bank to another. So if we talk about innovation I will assume we're talking about creativity in presenting proposals internally as well as to clients. In our field, managers do not tell you exactly how to sell but rather express their expectations. So in the presence of transformational leaders one tries not to drop the ball and aims to achieve goals at any cost.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation?

Their role is vital. It is difficult for one to feel that they are part of an organisation if they are not appreciated by their management. An employee may leave a firm he/she likes because of their direct management.

8. What other factors foster and reinforce organisational citizenship behaviors among employees?

Corporate governance and HR policies are also factors in my opinion.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees? Vital. Please refer to Point No. 7.

10. What traits of a leader, in your view are vital to increase the organisational commitment of the followers?

Regardless of the style of leadership, attitude and respect are paramount.

11. Apart from leadership style what other factors influence employees perception of organisational commitment? Please refer to Point 8.

12. What are the leadership challenges that banking sector faces today?

As all banks are quickly closing the gap in terms of services provided, leadership has to not only inspire and motivate their staff to perform, but also be more creative in maintaining clients, innovative products, and also staff retention.

INTERVIEW 6

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

In my opinion, the prevailing style of leadership in the banking sector is transactional. There are numerous such evidences to support the existence of this style of leadership. Unit / Corporate heads do not seem to be prepared for decentralization. They feel themselves worthy of all the praise and let their juniors face the darker side of the picture. No promises are made with the junior staff about their professional growth. Most of the workers just do not know where they will be landing in the next couple of years. RM's or other operational staff knows nothing about their fate.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

For a country like Pakistan, transactional style of leadership is doing fine. Banking sector in the country is not very sophisticated and highly methodological. Most of the lending and borrowing activities are based upon relationship banking rather than prudent banking. To be competitive means to be the cheapest in the market. Even though this approach is not so much appreciated theoretically but still it's good enough for Pakistani banking culture.

Until and unless, the governing bodies do not ask the banks to reform themselves towards the modern styles of banking, Pakistani bankers are happy with transactional style of leadership.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

Foreign banks have brought with themselves the western style of leadership (sort of transformational style) to Pakistan. Senior management of these foreign banks in Pakistan, seemed to be concerned about the training and development of their employees. On the other hand, these banks have also inculcated a cruel competition in the local market. These banks have the potential to execute relatively sophisticated transactions (fee based transactions). The impact of this capacity is that local banks are forced to become cheaper in order to be competitive.

4. To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

Western theories of management and leadership can not be applied in the same way in Pakistan. This is mainly because of both religion and cultural differences. Banking sector is still not an equal opportunity employer in Pakistan. Moreover conventional banking in Pakistan contradicts with the interest based principles of our religion too.

Western style of management is more of principle based style where as Pakistani people behave more rationally under rule based management. Therefore there are very strict banking guidelines in Pakistan as compared to western banking companies.

Transformational Leadership and Innovation:

5. Is it possible to institutionalize transformational leadership in its true sense in the Pakistani corporate sector?

Yes, but as long as it is not implemented by the governing bodies like SBP and SECP. There is a cost of transformational leadership in Pakistan and, in my opinion, not many banks in Pakistan are willing to bear this cost at the moment, until and unless imposed on them.

Human resource departments still believe training and development and generous perks as sunk costs and this is detrimental to the transformational style of leadership.

6. What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Innovation in every field is what differentiates transactional style from transformational one. All aspects of banking, may it be CBG, IBG, risk or treasury requires the banker to think out of the box and to be analytical. As long as the banker is not innovative and creative, he should not think to become a transformational leader.

Innovation in banking means to design procedures and products that add value to the existing stakeholders. Emission of more information about the banking products to the customers in such a way that you still remain competitive is also another form of innovation. There is another form of innovation that is related with the employees. Management should always be considerate about the employees and HR department should make such policies about the employees that that particular bank should be the first choice of every one.

Organizational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organizational citizenship behaviors in any organisation?

Manager or leaders have a vital role in strengthening the organizational citizenship behaviors for their teams. If managers or leaders take a proactive role and can increase participation of the employees e.g. delegation of power or decision making. In this way, manager or leader can enhance the organizational citizenship behaviors.

8. What other factors foster and reinforce organizational citizenship behaviors among employees?

The good HR policy, better or market driven compensation strategy, job security, and other organizational benefits can help the managers to foster the organizational citizenship behavior.

Organizational Commitment:

9. How consequential is the role of a leader in inculcating organizational commitment among employees?

Manager has to play a leadership role and this can help the employees to build the attitude of

commitment towards the organization.

10. What traits of a leader, in your view are vital to increase the organizational commitment of the followers?

The following leadership traits can help the manager to act as a leader for enhancement of organizational commitment in the employees.

- Communication

- Delegation

- Helping Decision making

- Empowerment

11. Apart from leadership style, what other factors influence employees' perception of organizational commitment?

The broader organizational policies like recruitment, compensation, promotion, training, and other organizational level HRM policies can influence the attitude of organizational commitment.

12. What are the leadership challenges that the banking sector faces today?

Risk management is one of the biggest challenges which the banking sector is facing now. Implementation of BASEL III is an evidence of this. NPLs have hit the balance sheet of most of the banks and now the bankers need to be more prudent.

One area where our local bankers lack a lot is international exposure of modern banking techniques.

As discussed earlier, we have adopted transactional leadership style and seem to be very much contented with that. There is very less effort being put in to acquaint ourselves with that is happening in different banks across the globe.

INTERVIEW 7

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

The prevailing style of leadership in the banking sector in general in Pakistan is transactional with a few exceptions of 2-3 banks (i.e. MCB, Allied Bank & Bank Al-habib; as they are one man show Banks i.e. sponsors / chairman are SETH. For e.g, Mian Mansha is chairman of MCB, Mr.Naeem Mukhtar is the Chairman of Allied Bank & Seth Kumail & Seth Abbas are the chairman & MD of Bank Al-habib) .

There are numerous such evidences to support the existence of this style of leadership. In the corporate banking, Unit / Corporate heads do not seem to be prepared for decentralization (i.e. trade operations, RCAD etc). They feel themselves worthy of all the praise and let their juniors face the darker side of the picture. No promises are made with the junior staff about their professional growth. Most of the workers just do not know where they will be landing in the next couple of years. RM's or other operational staff knows nothing about their fate.

With regards to leadership style in our Bank (Bank of Punjab), the leadership style is transformational. Previously it used to be transactional, but after the 2008 crisis in BOP i.e. Hameesh Khan (ex-president BOP) scandal coupled with Haris Steel Mills case, our Bank suffered a huge reputation loss, bcoz of which our deposits dropped from Rs.230Bn mark to Rs.120 Bn mark, out of Rs.170bn worth loan / advances portfolio, more than 60% of the portfolio became classified (loss category) & this all resulted in net loss of over Rs.10Bn in FY2008. Bcoz of these financial indicators the share price of BOP dropped from Rs.130/ per share to Rs.9/ per share. After this BOD decided to on-board the seasonal Bankers team with a mandate to turn around the Bank.

The present management took over the bank at the end of 2008. That was the time when the Bank was passing through a traumatic experience due to negative media hype which had dented patron's confidence. Accordingly the management had to revert to pragmatic measures like providing sustainable systems, strictly controlled policies and strategic direction to emergently salvage the institution from the embarrassing situation it was in and to bring order and cohesion in the work and service environment

The Bank had greatly suffered due to imprudent lending and a weak recovery follow-up system. The Management immediately took note of the weaknesses and started an overall restructuring of the institution. This also necessitated infusion of competent, versatile and seasoned professionals having varied and diversified experience in key positions in the banking industry. Fresh inductions were also made at the middle, line and lower cadres.

An active strategy was put in place in order to pursue the much talked about fraud case of Harris Steel and it is due to the vigorous follow up that the bank is now in the final stages of recovering the money which was once at stake and apprehended to be lost (it is worth mentioning that out of total default amount of approx Rs.9.5 Bn, more than 85% amount has been recovered in cash & remaining through stripping of directors personal assets). In addition to that huge recoveries have been made from other delinquent borrowers by sheer persuasion and follow-ups. The pace of recovery has been slow due to global recession but to help our borrowers who were exposed to business crises due to economic meltdown we restructured their facilities and provided them with an opportunity to recover from economic shocks and return the bank's money in a dignified way.

As on date i.e. FY 2010, we have achieved a benchmark Rs.200Bn deposits, Advances (regular portfolio of Rs.110Bn out of Rs.147Bn) & above all the bottom line i.e. the Bank will post profit this year).

To summarize this all could have not been achieved, if BOD had not taken decision to hire leaders (new CEO – Naeem ud din khan & dy CEO – Khalid Tirmizey; as both of them are known for their transformational leadership style, which they have proved as discussed above in a short span of 2 years). It is pertinent to mention here that CEO & Dy- CEO has led this institution by example have even promoted (even double promotions were given to deserving staff alongwith their vertical elevation in organization), gave increments in range of 15% - 30%, appreciation letters as acknowledgement of performers with incentives , coupled with future career planning of the star performer thus showing the ultimate example of TRANSFORMATIONAL LEADER.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments?

For a country like pakistan, transactional style of leadership is doing fine. Banking sector in the country is not very sophisticated and highly methodological. Most of the lending and borrowing activities are based upon relationship banking(name lending i.e. all banks including local & foreign Banks consider to finance the blue chip companies like FAUJI group, ATTOCK group, PTCL, OGDCL etc) rather than prudent banking(cashflow based financing). To be competitive means to be the cheapest in the market under transactional leadership style i.e. pricing is the name of the game. Even though this approach is not so much appreciated theoretically but still its good enough for pakistani banking culture as at the day end Banks are making profit. In the last 9 months combined Banking performance / financial results (Jan 10 – Sep 10), Banks have shown growth of 12-13%in profits in comparison to last year same period, but the most shocking news is that 98% of the declared banking profit stems from top 5 Banks i.e. NBP, HBL, MCB, ABL & UBL; while remaining 2% of Banking industry profit was contributed by remaining 25-30 Banks in Banking sector in Pakistan.

Until and unless, the governing bodies do not ask the banks to reform themselves towards the modern styles of banking, Pakistani bankers are happy with transactional style of leadership. Transactional styles of leadership have been least receptive of changing environments, predominantly prevailing in private sector Pakistani banks. However, some banks are shifting towards transformational style of leadership in the wake of global financial crunch faced in the global financial markets.

Western Approaches:

What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

Foreign banks have brought with themselves the western style of leadership (sort of transformational style) to Pakistan. Senior management of these foreign banks in pakistan, seemed to be concerned about the training and development of their employees. On the other hand, these banks have also inculcated a cruel competition in the local market in terms of services, product range etc. These banks have the potential to execute relatively sophisticated transactions (fee based transactions). The impact of this capacity is that local banks are forced

to become cheaper in order to be competitive.

Western ideology has overshadowed banking sector, when Pakistani banks have adopted transactional style of leadership. However, global financial crunch has forced the banking sector to adopt transformational style of leadership in order to sustain the adverse affects of the prevailing scenario.

This would not be out of context to quote the example of one of the Foreign Bank (on global level) which is Standard Chartered Bank, which was the only foreign bank which not only survived in the global financial crunch of 2008-09, rather it posted all time high profit in its 150 year history. According to Mr. Peter Sand (SCB Global CEO) his bank survived because of the policies (i.e. gaols, mission, prudent lending practice, HR, SOP's, compliance etc).

The message of the SCB CEO was well perceived by the management of local commercial banks, & they have started working on these core areas i.e. policies & procedures are the only two main factor which help Banks for their survival under any scenario. As hundred & thousands of people (work force of SCB) had left & joined (employee turnover) on global level, but ultimately SCB was able to survive because of their policies which are attributable to transformational leader style.

To what extent are the western theories of management and leadership applicable in a third world country like Pakistan where religious and cultural values are deeply embedded?

Western theories of management and leadership can not be applied in the same way in Pakistan. This is mainly because of both religion and cultural differences. Banking sector is still not an equal opportunity employer in Pakistan. Moreover conventional banking in Pakistan contradicts with the interest based principles of our religion too.

Western style of management is more of principle based style where as Pakistani people behave more rationally under rule based management. Therefore there are very strict banking guidelines in pakistan as compared to western banking companies.

Success stories of Western financial markets has made them a role model worldwide, as also witnessed in Pakistan. However, our religious and cultural values have hindered full scope application of western theories of management in Pakistan.

Transformational Leadership and Innovation:

Is it possible to institutionalize transformational leadership in its true sense in the Pakistani corporate sector?

Yes, but as long as it is not implemented by the governing bodies like SBP and SECP. There is a cost of transformational leadership in Pakistan and, in my opinion, not many banks in Pakistan are willing to bear this cost at the moment, until and unless imposed on them.

Human resource departments still believe training and development and generous perks as sunk costs and this is detrimental to the transformational style of leadership.

Furthermore, there are few exceptions in corporate sector of Pakistan which are working under the transformational leadership style for e.g. Engro group, Mansha Group, Dawood Ibrahim Group etc who have proven to the rest of the corporate sector in Pakistan that Transformational leader ship style is much better than transactional leadership style.

Transformational style of leadership is need of the hour to sustain adverse affects of diminishing global financial crunch. Western banks in Pakistan applying transactional style of leadership has already ceased their operations in Pakistan, while acquisition of domestic

operations of foreign banks are being taken over by the Pakistani banks, who are shifted towards transformational style of leadership.

What is the impact of leadership style on innovation and how do you define innovation from the banking perspective?

Innovation in every field is what differentiates transactional style from transformational one. All aspects of banking, may it be CBG, IBG, consumer banking, risk management or treasury requires the banker to think out of the box and to be analytical. As long as the banker is not innovative and creative, he should not think to become a transformational leader.

Innovation in banking means to design procedures and products that add value to the existing stake holders. Emission of more information about the banking products to the customers in such a way that you still remain competitive is also another form of innovation. There is another form of innovation that is related with the employees. Management should always be considerate about the employees and HR department should make such policies about the employees that that particular bank should be the first choice of every one.

Innovations are immensely dependent on Leadership style, which determines the opportunity to add value to the existing practices. Transformational leaders can encourage innovations in organizations. Banking sector compass has widened overtimes led by innovations by efficiency in services, value addition for the customer with least costs, and much more in pipeline. The innovations in banking sector are re-defining the banking innovation. It has also enabled the banking services to reach at remote towns & villages all across Pakistan.

Organizational Citizenship Behaviors:

To what extent do leaders and managers have a role in strengthening organizational citizenship behaviors in any organisation?

Leaders and managers can play a formational part in strengthening organizational citizenship behaviors in any organization. Organizational Citizenship behavior basically determines the employees' readiness to give up their effort and cooperate with the organization in order to contribute to the productivity, employee satisfaction, customer satisfaction and quality. Improved behavior represents employees' accessibility and keenness to experience changes for the successful implementation of novel methodologies of management.

What other factors foster and reinforce organizational citizenship behaviors among employees?

Under the transformational leadership style, leaders & managers are the responsible for inculcating & strengthening citizenship behaviors in any organization. They should be the CHANGE AGENT so that they can communicate down the line to inspire to stimulate intellectuality & to consider each employee individually & coach / advise them to unleash their maximum potential for their ultimate career planning.

Organizational citizenship behavior is also affected by training and development opportunities, work-life policies and empowerment practices prevailing within the organization may have direct impact on the organizational commitment which means the enhancement of one determinant causes the enhancement in the organizational development which is the intervening variable and then the enhancement

Organizational Commitment:

How consequential is the role of a leader in inculcating organizational commitment among employees?

Change always comes / starts from the top & if leader does not possess the great leader's traits they cannot inculcate the same down the line in any organization. Personal commitment of leader towards organizational productivity, his personal involvements in line with the organizational vision & mission, while promoting intellectual stimulation within the organization.

What traits of a leader, in your view are vital to increase the organizational commitment of the followers?

Great leaders / transformational leaders see people as whole (body, heart, mind, spirit of work to unleash their full creative potential). They practice skill sets & tool sets required to unleash people's highest contribution to meaningful organizational purposes. And above all great leaders have to inspire trust. Leadership shall make them feel their workforce more empowered to increase their commitment level to the organizational vision and let them feel of having part of the organization, which will enable them to utilize their abilities by enhanced individual learning and organization success.

Apart from leadership style what other factors influence employees' perception of organizational commitment?

Character, competence, credibility & trust, capabilities & results

Character: personal maturity & integrity to principles (what a person is?)

Competence: talent, skills, capabilities (what a person can do?)

Credibility & trust: your believability in terms of your integrity & intent (your agenda & motive)

Capabilities & results: track record (your previous performance)

Employee perception towards organizational commitment is also influenced by friendly work-life policies. Flexible work scheduling, leaves etc. More comfortable and relaxed at work will amplify the motivation level which will ultimately magnify the organizational commitment of the employees.

What are the leadership challenges that banking sector faces today?

One area where our local bankers lack a lot is international exposure of modern banking techniques. As discussed earlier we have adopted transactional leadership style and seem to be very much contented with that. There is very less effort being put in to acquaint ourselves with that is happening in different banks across the globe.

Leadership in banking sector is facing various challenges including rising NPL ratio, laying off employee liability by selling of foreign banks due to sustained losses. Foreign banks have continued to sustain heavy losses in Pakistan, while big five Pakistani banks have continued to yield profits even in peak financial crunch, yet reduced their profitability. Successful organizations have already realized that for surviving in the competitive scenario, organizations have to develop employee work efforts and for effective functioning of the organization

employee efforts are needed that can be beyond the official requirements of the role.

The great leaders need the speed of the trust as :

1. High trust enhances communications
2. Enable team work
3. Enroll volunteers on team

Nothing is fast as speed of trust & the following equation reveals :

High Trust	=	high speed + low cost
Low trust	=	low speed + high cost

INTERVIEW 8

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular.

Due to the prevailing conditions of the financial markets, banking sector in general has taken a transactional style of leadership where contingent reward strategy is given priority. However, in DIB, along with following the transactional style of leadership, there are leaders present in the management who are charismatic, inspiring and believe in intellectual stimulation.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments.

Based on market conditions as of today, present style of leadership which is conservative in ideology and restrictive in risk taking activities is very important to sustain competitive advantage.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

Western ideology has always focused on promoting intelligence and rationality providing individual consideration and giving immense importance to effective communication and collective effort. However, restricted by the local market conditions, it is unfortunate that local banking system still relies on traditional means of leadership where decision making power is centralized, a large gap exists between the top decision makers and middle management and deviation from rules along with risk taking behavior is condemned.

4. To what extent are the western theories of management and leadership applicable in third world country like Pakistan where religious and cultural values are deeply embedded.?

At the moment scope of western theories of management and leadership is very limited in countries like Pakistan. However, the world is globalizing at an increasing rate. Religious and cultural values are replaced by global competition and western advancement. With education and exposure to the world market playing a vital role, it is not long before Pakistan also starts applying western theories and leadership ideology in its working environment.

Transformational Leadership and Innovation:

5. Is it possible to institutionalize transformational leadership in its true sense in the Pakistani corporate sector?

Only once the corporate sector is given the opportunity to expand beyond the thinking laid down by conservative institutional policies can transformational leadership be born. Transformational leadership is not acquired, it is attained.

6. What is the impact of leadership style on innovation and how do you define innovation from banking perspective?

Innovation implies structural change and change is brought by the leaders. Innovation depends

entirely on leadership skills and qualities. The banking sector is becoming saturated day by day. With the financial meltdown in the recent years, it is innovative strategies to introduce new products, rationalize risk taking decisions and increase investment incentives that differentiates between successful banks and failed ones.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation.?

Organizational citizenship depends entirely on policies and incentives set laid down by leaders and managers.

8. What other factors foster and reinforce organizational citizenship behaviors among employees?

Culture of the bank, societal values and norms, educational requirement of employees, location of the bank, management ideology and reward/incentive policies also foster and reinforce behavior of employees.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees?

Highly consequential. It is extremely imperative in my view.

10. What traits of a leader, in your view are vital to elate organisational commitment of the followers?

Effective communication skills and ability to incorporate collective opinions in decision making are the two most important traits of any successful leader.

11. Apart from leadership style what other factors influence employees perception of organizational commitment.?

Growth perspective, physical and human environment of the bank, healthy communication between management and employees and reasonable involvement in making key decisions also influence an employee's perception of an organization.

12. What are the leadership challenges that banking sector faces today.

The biggest challenge faced by leadership today is the impact of globalization and western modernism that creates a communication and ideological barrier between the upcoming management and the existing leaders.

INTERVIEW 9

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular.

Quantitative reward based system; with some relaxation in scoring criteria due to the ongoing financial crisis. There is a shift towards transformational leadership style.

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments.

It may be deemed as a 'go with the flow' strategy due to uncertain market conditions. However, strong inclination towards grass root basics may yield long term benefits, which currently is the name of the game in this organization.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks?

More product oriented with emphasis on service quality, leading to technological innovation.

4. To what extent are the western theories of management and leadership applicable in third world country like Pakistan where religious and cultural values are deeply embedded?

Application of western theories in totality may not be possible due to the wide gap in moral and ethical values. However, good governance and strong regulatory framework has been able to somewhat bridge this gap, providing for a more effective management and leadership platform.

Transformational Leadership and Innovation:

5. Is it possible to institutionalize transformational leadership in its true sense in the Pakistani corporate sector?

It may not be possible on an Institution-wide basis in the medium term, but some examples of such leaders have been witnessed which is a positive sign. The definition of Transformational Leadership given above has more to do with the cultural and societal norms within Pakistan, and as such all values of leadership stem from this.

6. What is the impact of leadership style on innovation and how do you define innovation from banking perspective?

From a banking perspective, innovation is directly proportional to the regulatory framework, which in Pakistan is very strong. Leadership styles may have an influence on an individual's ability to innovate within this framework.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organisational citizenship behaviors in any organisation.?

Leaders and managers drive the culture of an organization. They are the face of the organization and it is imperative that leaders are made based on experience/competitiveness which would in turn harness these values to drive constructive organizational behaviour.

8. What other factors foster and reinforce organizational citizenship behaviors among employees?

Management behaviour/style is the key element.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organisational commitment among employees?

I reckon that leaders role is highly critical in fostering organisational commitment.

10. What traits of a leader, in your view are vital to elate organisational commitment of the followers?

Motivational skills, with a clear concept of organizational goals in order for the employee to have the right direction.

11. Apart from leadership style what other factors influence employees perception of organizational commitment.?

Behaviours of other colleagues, parity amongst employees, organizational culture and the future prospects of such an organization.

12. What are the leadership challenges that banking sector faces today.

Focus on personal growth instead of organizational growth, lack of vision.

INTERVIEW 10

Leadership Style:

1. What is the prevailing style of leadership in the banking sector in general and in your bank in particular?

Banking sector is distinctly divided into two different types where the nature of work is the same; however, exposure and more importantly treatment with the HR is different. This demarcation exists between foreign and local banks.

Generally in local banks there is an authoritarian style of leadership where everybody is expected to respect hierarchy. This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers. However, this style has started to diminish with the prevalence of privatization and other factors.

Whereas, in foreign banks where HR has relatively a stronger role with a lot of tutorials and leadership exercises along with a totally different prevalent culture, a democratic or a participative style of leadership is followed. The approach here on the contrary is "Let's work together to solve this. . ." This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it). However, the leader maintains the final decision making authority. These are considered to be the transformational Leaders

In our bank in particular, a mix of both is followed. This is mainly because of its enriched history and massive scale of operations. From nationalization till now, different sets of styles have been followed which has lead to a mixed style of leadership depending upon the department itself; there level of exposure with the customers, involvement of HR, turnover rate of the employees etc. Hence, both the participative i.e. transformational and democratic along with an autocratic style of leadership is followed

2. How imperative is the prevailing style of leadership to sustain competitive advantage and to remain receptive to changing environments.

An effective leadership style is the one that is not only generating quantitative and qualitative results; but motivating and satisfying the human resource as well.

Any such objective achieved by any style through inducing transformation and keeping an active learning style is very important.

Western Approaches:

3. What has been the influence of western ideology of leadership on the local banking sector with the influx of foreign banks? Has been able to influence efficient use of resources

Yes! Influx of foreign banks has proved to be of a lot of benefit in influencing the leadership style and broadening the spectrum of tactics used for enriching the employees and taking out work from them in an efficient manner.

4. To what extent are the western theories of management and leadership applicable in third world country like Pakistan where religious and cultural values are deeply embedded.?

Yes! Most of the western theories of management and leadership are applicable in a country like ours.

HRM styles are influenced by culture and religion if the operations are carried on in isolation. Talking about banking sector, where involvement and the nature of exposure is spread into the whole world; one has to let go of the stringent cultural and religious factors. Moreover, theories have a universal application.

However, some of them are inevitable and hence flexibility of incorporating some of the religious and cultural factors should be there.

Transformational Leadership and Innovation:

5. Is it possible to institutionalize transformational leadership in its true sense in the Pakistani corporate sector?

Transformational leadership style in isolation (without the prevalence of autocratic and transactional style) is not feasible in any corporate sector. One has to keep a balance between both the styles to generate results because at the end of the day it is the leader who is responsible for all the decisions that a team makes.

A good leader uses all styles, depending on what forces are involved between the followers, the leader, and the situation.

6. What is the impact of leadership style on innovation and how do you define innovation from banking perspective?

Innovation lies in the creativity of coming up with new products that holds more demand and acceptance for the consumer. OR the customization of already existing (or new products) products according to the will and demand of existing and prospective consumers.

Organisational Citizenship Behaviors:

7. To what extent do leaders and managers have a role in strengthening organizational citizenship behaviors in any organization?

They can provide such environment by giving enriched, achievable tasks with proper recognition on achieving the results. Hence providing both learning and motivation to the employee.

8. What other factors foster and reinforce organizational citizenship behaviors among employees?

Along with providing learning opportunities to the employee; his motivation can also be fostered by providing him with the monetary and non-monetary benefits in the form of bonuses, perks, commissions, pay-raise etc. Also, indirect compensation in the form of a good appraisal, encouragement to boost the ego, free vacation trip etc.

Organisational Commitment:

9. How consequential is the role of a leader in inculcating organizational commitment among employees?

Excessively consequential

10. What traits of a leader, in your view are vital to elate organizational commitment of the followers?

- Honest
- Inspiring
- Forward-looking
- Intelligent
- Motivating
- Encouragement
- Taking an initiative
- Owning to the work of its sub ordinates
- Taking a stand
- Elusive

11. Apart from leadership style what other factors influence employees perception of organizational commitment?

- No primary factor.
- Secondary factors:
 - Workplace environment
 - Pace of learning and growth
 - Provision of opportunities
 - Provision of monetary and non-monetary compensation

12. What are the leadership challenges that banking sector faces today.

- Difference in the culture of foreign and local banks
- High turn over of the employees
- Easy switching- Difficult to retain and train a team
- Compensation strategies are set by the HR