1.1. CONCEPT OF BANKING IN INDIA:

Banks are among the main participants of the financial system in India. Banking offers several facilities and opportunities. Indian banking has worked up to the competitive dynamics of the “new” Indian market and is addressing the relevant issues to take on the multifarious challenges of globalization. Since nationalization of banks in 1969, the public sector (or nationalized) banks owned by the government, have acquired a place of prominence, and there has been tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. Conservative banking practices allowed Indian banks to be insulated partially from the Asian Currency crises. Indian banks are now quoting all higher valuation as compared to banks in other Asian companies that have major problems linked to huge Non-Performing Assets (NPA’s) and payment defaults.

Indian banking has worked up to the competitive dynamics of the “new” Indian market and is addressing the relevant issues to take on the multifarious challenges of globalization. Banks that employ IT solutions are perceived to be “futuristic” and proactive players capable of meeting the diverse requirements of the large customer base. Private Banks has been very quick to the developments that are taking place and are reorienting their strategies using the internet as a medium. The internet has emerged as the new and challenging frontier of marketing medium.

Without a sound and effective banking system, India cannot have a healthy economy. The banking system of India should not only be hassle-free, but also be able to meet new challenges posed by the technology and any other internal and external factor. In
recent past, Indian banking system has made outstanding achievements, by providing banking facilities, not only to metropolitan or cosmopolitan cities. Instead, it has reached even the remote corners of the country.

1.2 MODERN ACTIVITIES:

Besides the traditional services, the financial intermediaries render innumerable services in recent times. Most of them are in the nature of non-fund-based activity. In view of their importance, these activities have been briefed under the head “new financial products and services” some of the modern services provided by these banks are:

(i) Rendering project advisory services right from the preparation of the project report till the raising of funds and starting the project with necessary government approvals,
(ii) Planning for M&A and assisting for their smooth carryout,
(iii) Guiding corporate customers in capital restructuring,
(iv) Acting as trustees to the debenture holders,
(v) Recommending suitable changes in the management structure and management style with a view to achieving better results,
(vi) Structuring the financial collaborations/joint ventures by identifying suitable joint venture partners and preparing joint venture agreements,
(vii) Hedging of risks due to exchange rate risk, interest rate risk, and political risk by using swaps and other derivative products,
(viii) Undertaking risk management services such as insurance services and buy back option,
(ix) Undertaking services relating to the capital market, such as- clearing services, registration and transfers, safe custody of securities and collection of income securities.
(x) Promoting credit rating agencies for the purpose of rating companies, which want to go public by the issue of debt instruments.
1.3 CONCEPT OF LEADERSHIP:

It is clear from various studies that leadership is the power of influencing the efforts of an individual or a group towards certain goals in a given situation. According to Keith Davis, leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor, which binds a group together and motivates it toward goals. The success of every organization is dependent upon the quality of its leadership.

1.3.1 Sources of Power of a Leader:

A leader may get this power of influence from several sources, which may be given as:

(a) **Reward and Punishment Power:** A leader may have the ability to influence the behavior of others because of his power to deliver reward or punishment to them.

(b) **Expert Power:** A leader’s professional competence or knowledge may enable them to influence the behavior of others.

(c) **Charismatic Power:** A leader may sometimes succeed in influencing the behavior of others due to his magnetic personality or his extra ordinary qualities, which have emotional appeal.

(d) **Legitimate Power:** As a leader has the legal or traditional right to determine their behavior. Leaders get such powers due to rules of the organization, where, they have legal right to command and control.

(e) **Reflected Power:** This power is derived by the leader, from his closeness to a powerful person.

(f) **Emotional Power:** This type of influence generally exists between closely related persons. An employee may get certain things for his boss because of the personal considerations for him.

1.3.2 Leader vs. Manager:

A leader may be distinguished from a manager on the following basis:
1. A person emerges as a leader; Leadership depends on a number of situational factors other than sources of power, while a manager is always put into his position by appointment.

2. A leader may or may not have formal right to command. A manager, on the other hand, always has formal right to command.

3. A leader seeks the objectives of his followers, while a manager seeks organisation’s objectives, which are usually not the objectives of employees.

4. A leader generally looks at the horizon and not just the bottom line. He is innovative and believes in doing things right according to rules to cope with complexity.

1.4 LEADERSHIP STYLES IN INDIAN ORGANISATIONS:

India is one of the last countries of its size of business and industry, where the generation has sons and grandsons of entrepreneurs automatically promoted to the top wish no tests given or questions asked. The result is that most of the companies in India re highly centralised and family oriented in their organizational structure and are authoritarian in their approach to their employees. According to the survey by Punekar and Savur in 11 different organizations such as banks, insurance companies, manufacturing firms, etc. It is found that only three superiors out of a sample of 75 believed that subordinates can work without supervisor and only six though that giving responsibility to the white collar employees is the best way to get the work done. Most superiors (70%) expressed the belief that subordinates can only work with supervision and have no sense of responsibility.

1.4.1 OhioState University Study:

This research programme was carried in 1950s at OhioState University by researchers, who measured leadership behavior on two dimensions initiating structure and consideration. Initiating structure is task- oriented dimension on the other hand, consideration refers to leading inter personal relationships with his subordinates for example friendship, mutual trust, respect and warmth between the leader and his followers. These two dimensions may be shown in the following Figure:
<table>
<thead>
<tr>
<th>High Consideration</th>
<th>III</th>
<th>II</th>
</tr>
</thead>
<tbody>
<tr>
<td>High consideration</td>
<td>Low initiating structure</td>
<td>High Consideration High Initiating structure</td>
</tr>
<tr>
<td>Low Consideration</td>
<td>Low Initiating structure Low initiating structure</td>
<td></td>
</tr>
<tr>
<td>Low Initiating structure Low initiating structure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The major emphasis of the model is on observed behavior.

Leadership means many things to many people, which is due to the changing role of leaders in different environment and in different settings ranging from leadership of the family to the top positions in multinational organizations. However, the essentials of leadership are the same to all leaders in all positions. Nevertheless, due to the variation in the skills required, roles played, functions performed, issues tackled and the relationships promoted, different leaders have varying perceptions of leadership.

Leadership can be defined in a number of ways but is still an elusive concept. Many authors cannot agree on the nature or essential characteristics of leadership but offer a variety of perspectives. Rafferty (1993) recognized that the leadership notion that: vision is driven from an emotional front with some practical ability to achieve that vision; leaders inspire us, and others will follow and trust us. They will trust in their integrity. Leaders care for the people they are leading/serving. Leaders try to strengthen and promote these people. They facilitate help, encourage and praise.

Bernhard and Walsh (2003) identify that leadership as a process that is ‘used to move a group towards goal setting and goal achievement. Stewart (1996) recognizes leadership as discovering the way ahead and encouraging and inspiring others to follow. She agrees with the idea that leadership involves the spirit, personality and vision’.

Daft (2008) said that it is important to bear in mind that leadership is both an art and a science. Leadership is an art because many of the leadership skills and qualities required cannot be learned and a science because there is a growing body of knowledge that describes the leadership process.
Alvesson and Spicer (2011) said that the Leadership is the understanding, interpretation and response to leadership is variable and complex. On the one hand, distrust and control are seen as features while, on the other, support and close contact may be dominant.

Leadership is a process of influencing the behavior, beliefs and feelings of the members of a group. The functions of leadership however, cover wide range of activities like coordinating, decision-making, policy making, group representing, controlling and arbitrating. Leadership is not being a single phenomenon, is affected by many variables and requires several skills like technical, human, conceptual, designing, creative, communicative and decision making. The main aspect of influencing people by a leader is the power, which has many sources. The leadership effectiveness covers the personality of the leader, his past experience, expectations of superiors, characteristics of subordinates, requirements of the task, and the organizational climate and policies.

Leadership is an integral part of management and plays a vital role in managerial operations. It provides direction, guidance, and confidence to the employees and helps in the attainment of goals in much easier way. In business and industrial organizations, managers play the role of leader and acquire leadership of subordinates, their efforts towards the achievement of organizational goals and activate the individuals of an organization to make them work. Leadership influences behavior of the individuals. It has an ability to attract others and potential to make them follow the instructions. Individuals can be induced to contribute their optimum towards the attainment of organizational goals through effective leadership. Leadership acquires dominance and the followers accept the directives and control of a leader. Leadership provides direction and vision for future to an organization. Leading is one important function of management only next to planning and organizing. It is the liveliest element in the management process. It initiates actions to translate the decisions into concrete actions. Managers have to lead their subordinates through guiding and motivating. Leading involves directing, influencing and motivating employees to perform essential tasks.
Every manager has to act as a leader in his area of operation. This means he has to guide, instruct, lead and motivate his subordinates so as to use their skills, efficiency, capacity etc. for the benefit of his organization. He has to influence the behavior of his subordinates and get the work done through their collective efforts. Leadership qualities are required in order to conduct various managerial functions effectively. Each and every group of people engaged in a particular activity needs a leader in order to guide, co-ordinate and control their efforts. In this sense, leadership is required for the conduct of economic, social, political or cultural activities. A college principal, secretary of a co-operative society or of a sports club or cultural association acts as leaders in their respective fields. George Washington, Abraham Lincoln, Winston Churchill, Dr. Babasaheb Ambedkar, Mahatma Gandhi, Nelson Mandela, John F. Kennedy are world known political leaders while Henry Ford, J.R.D. Tata and S.L. Kirloskar are known leader in the business world. Here, the study is concerned only with the managerial leadership. Managerial leadership is that part of a manager’s activities by which he influences the behavior of his subordinates towards a desired objectives or results.

Leadership is followership. A good leader leads but does not push. Effective leadership can guide a group towards certain ideals without exerting much force. Managers who possess the quality of guiding and directing the subordinates under inspired impulses can be called business leaders. Leadership is concerned with getting results through people and implies the Organisation of staff into productive teams, groups and departments. Leadership entails the creation of human structures, their motivation and direction; the resolution of conflicts at the workplace, creating vision for the entire business and providing resources in support of this.

Manager can perform various managerial functions more effectively by providing proper leadership to his subordinates. This makes leadership an inevitable aspect of management process itself. Leadership is essential for the success and stability of business enterprises. Managers possessing leadership qualities are called business leaders.
1.4.2 Definition:

Leadership is the art of influencing and inspiring subordinates to perform their duties willingly, competently and enthusiastically for achievement of groups’ objectives.

According to Wendell French, “Leadership is the process of influencing the behavior of others in the direction of a goal or set of goals or, more broadly, toward a vision of the future”,

According to Keith Davis, “Leadership is the process of encouraging and helping others to work enthusiastically towards objectives”.

According to Koontz and O’Donnell, “Leadership is the art or process of influencing people so that they will strive willingly towards the achievement of group goals”.

According to Peter Drucker, “Leadership means the lifting of man’s visions to higher sights, the raising of man’s performance to higher standard, the building of man’s personality beyond its normal limitations”.

According to Grey and Starke, Leadership is both a process and a property. As a process, it is used for non-coercive influence low shape up the goals of a group or organization, to motivate behavior toward the achievement of those goals and to help define group or organizational culture. As a property, leadership is the set multi characteristics attributed to those who are perceived to be leaders”.

Thus, leaders are people who are able to influence the behavior of others without recourse to threats or other forms of force towards the individuals. Leaders are the people who are accepted by the other individuals, as a superior person to them.
1.4.3 Nature of Leadership:

The nature of leadership is as follows:

- Leadership is the process of influencing behavior of individuals of an organization.
- Leadership uses non-coercive methods to direct and coordinate the activities of the individuals of an organization.
- Leadership directs the individuals to attain the tasks assigned to them by following the instructions of their leaders.
- A leader possesses qualities to influence others.
- Leadership gives the individuals, a vision for future.
- Leadership is a group activity. Leader influences his followers and followers also exercise influence over his leader.
- Leadership is meant for a given situation, given group for a pre-determined period of time.
- Leadership is continuous process of behavior. It encourages liveliness in the group.

Leaders carry out their roles in a wide variety of styles, e.g., autocratic, democratic, participatory, laissez-faire (hands off), etc. Often, the leadership style depends on the situation, including the life cycle of the organization. The following documents provide brief overview of key styles, including autocratic, laissez-faire and democratic style. Leadership style is defined as the consistent patterns of behaviour which a leader exhibits, as perceived by others, when a leader is involved in the activities of others. Thus the self perception of a leader’s leadership style may or may not reflect leaders’ actual leadership depending on how close leader’s perception is to be perceptions of others.

Leadership styles are the patterns of behaviour used by the leader in influencing the behaviour of his subordinates in the organizational context. The styles of a leader may be positive or negative. These patterns are different from one leader to another leader. The patterns are also different from manager to manager. Managers follow various styles in influencing the followers to do the work on the situation and attitudes, belief, values of people in the organization. The pattern based also depends upon the leader’s role and his
objectives. The patterns which are followed by leaders also depend upon the nature of the leader and organization structure.

A leadership model developed by Hersey and Blanchard (1974) at the Centre for Leadership Studies, Ohio University, has been applied. This model is popularly known as Tri-Dimension Leader Effectiveness Model. It does not depict a single ideal leader behavior style; but instead suggests four basic leader behaviour styles based on two types of basic leader behaviour i.e. task behaviour and relationship behaviour. These two types of leader behaviour which are central to the concept of leadership style have been defined below:

Task Behaviour, which is the extent to which a leader is likely to organize and define the roles of the members of his group (followers) to explain what activities each has to do as well as when, where, and how tasks are to be accomplished. It is further characterized by endeavoring to establish well-defined patterns of organizations, channels of communication and ways of getting jobs accomplished.

Relationship Behaviour, defines the extent to which a leader is likely to maintain personal relationships between himself and the members of his group (followers) by opening up channels of communication, delegating responsibility and giving subordinates opportunity to use their potential. It is characterized by socio emotional support, friendship and mutual trust.

Since the task and relationship are not either/or leadership styles, therefore, these patterns of leader behaviour can be plotted on two separate axis, giving rise to four basic leadership styles. These four basic leadership styles can be described briefly as:

1.4.4 High task and low relationship leader behaviour (style 1)

This is characterized by one way communication because the leader defines the roles of followers and tells them what, how, when and where to do various tasks.
1.4.5 High task and high relationship leader behaviour (style 2)

This is characterized by teamwork and although much of direction is still provided by the leader, yet attempts are made to implement two-way communication and emotional support to sell the decisions to the followers.

High relationship and low task leader behaviour (style 3)

This is characterized by participation because the leader and followers share in decision making through two-way communication.

Low relationship and low task leader behaviour (style 4)

This is characterized by relatively little personal communication in any direction, and the followers are often allowed to run their own show through delegation.

1.4.6 Leadership Theories and Approach:

Leadership is probably the most frequently studied topic in the organizational sciences. Thousands of leadership studies have been published and thousands of pages on leadership have been written in academic books and journals, business-oriented publications, and general-interest publications. Despite this, the precise nature of leadership and its relationship to key criterion variables such as subordinate satisfaction, commitment, and performance is still uncertain, to the point where Fred Luthans, in his book Organizational Behavior (2005), said that “it [leadership] does remain pretty much of a ‘black box’ or unexplainable concept.”
**Table 1.1 Historical Leadership Theories**

<table>
<thead>
<tr>
<th>Leadership Theory</th>
<th>Time of Introduction</th>
<th>Major</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trait Theories</td>
<td>1930s</td>
<td>Individual characteristics of leaders are different than those of non leaders.</td>
</tr>
<tr>
<td>Behavioral Theories</td>
<td>1940s and 1950s</td>
<td>The behaviors of effective leaders are different than the behaviors of ineffective leaders. Two major classes of leader behavior are task-oriented behavior and relationship-oriented behavior.</td>
</tr>
<tr>
<td>Contingency Theories</td>
<td>1960s and 1970s</td>
<td>Factor unique to each situation determine whether specific leader characteristics and behaviors will be effective.</td>
</tr>
<tr>
<td>Leader-Member Exchange</td>
<td>1970s</td>
<td>Leaders from high-quality relationships with some subordinates but not others. The quality of leader-subordinates relationship affects numerous workplace outcomes.</td>
</tr>
<tr>
<td>Charismatic Leadership</td>
<td>1970s and 1980s</td>
<td>Effective leaders inspire subordinates to commit themselves to goals by communicating a vision, displaying charismatic behavior, and setting a powerful personal example.</td>
</tr>
<tr>
<td>Substitutes Leadership</td>
<td>1970s</td>
<td>Characteristics of the organization, task, and subordinates may substitute for or negate the effects of leadership behaviors.</td>
</tr>
</tbody>
</table>

In the sections that follow, the development of leadership studies and theories over time is briefly traced. Table provides a summary of the major theoretical approaches.

### 1.5 TRAIT APPROACH:

The scientific study of leadership began with a focus on the traits of effective leaders. The basic premise behind trait theory was that effective leaders are born, not made, thus the name sometimes applied to early versions of this idea, the “great man” theory. Many leadership studies based on this theoretical framework were conducted in the 1930s, 1940s, and 1950s.
Leader trait research examined the physical, mental, and social characteristics of
ingividuals. In general, these studies simply looked for significant associations between
individual traits and measures of leadership effectiveness. Physical traits such as height,
mental traits such as intelligence, and social traits such as personality attributes were all
subjects of empirical research.

The initial conclusion from studies of leader traits was that there were no universal
traits that consistently separated effective leaders from other individuals. In an important
review of the leadership literature published in 1948, Ralph Stogdill concluded that the
existing research had not demonstrated the utility of the trait approach.

Several problems with early trait research might explain the perceived lack of
significant findings. First, measurement theory at the time was not highly sophisticated.
Little was known about the psychometric properties of the measures used to operationalize
traits. As a result, different studies were likely to use different measures to assess the same
construct, which made it very difficult to replicate findings. In addition, many of the trait
studies relied on samples of teenagers or lower-level managers.

Early trait research was largely a theoretical, offering no explanations for the
proposed relationship between individual characteristics and leadership.

Finally, early trait research did not consider the impact of situational variables that
might moderate the relationship between leader traits and measures of leader effectiveness.
As a result of the lack of consistent findings linking individual traits to leadership
effectiveness, empirical studies of leader traits were largely abandoned in the 1950s.

1.6 LEADER BEHAVIOR APPROACH:

Partially as a result of the disenchantment with the trait approach to leadership that
occurred by the beginning of the 1950s, the focus of leadership research shifted away from
leader traits to leader behaviors. The premise of this stream of research was that the
behaviors exhibited by leaders are more important than their physical, mental, or emotional traits. The two most famous behavioral leadership studies took place at Ohio State University and the University of Michigan in the late 1940s and 1950s. These studies sparked hundreds of other leadership studies and are still widely cited.

The Ohio State studies utilized the Leader Behavior Description Questionnaire (LBDQ), administering it to samples of individuals in the military, manufacturing companies, college administrators, and student leaders. Answers to the questionnaire were factor-analyzed to determine if common leader behaviors emerged across samples. The conclusion was that there were two distinct aspects of leadership that describe how leaders carry out their role.

Two factors, termed consideration and initiating structure, consistently appeared. Initiating structure, sometimes called task-oriented behavior, involves planning, organizing, and coordinating the work of subordinates. Consideration involves showing concern for subordinates, being supportive, recognizing subordinates’ accomplishments, and providing for subordinates’ welfare.

The Michigan leadership studies took place at about the same time as those at Ohio State. Under the general direction of Rensis Likert, the focus of the Michigan studies was to determine the principles and methods of leadership that led to productivity and job satisfaction. The studies resulted in two general leadership behaviors or orientations: an employee orientation and a production orientation. Leaders with an employee orientation showed genuine concern for interpersonal relations. Those with a production orientation focused on the task or technical aspects of the job.

The conclusion of the Michigan studies was that an employee orientation and general instead of close supervision yielded better results. Likert eventually developed four “systems” of management based on these studies; he advocated System 4 (the participative-group system, which was the most participatory set of leader behaviors) as resulting in the most positive outcomes.
One concept based largely on the behavioral approach to leadership effectiveness was the Managerial (or Leadership) Grid, developed by Robert Blake and Jane Mouton. The grid combines “concern for production” with “concern for people” and presents five alternative behavioral styles of leadership. An individual who emphasized neither production was practicing “impoverished management” according to the grid. As a person emphasized concern for people and placed little emphasis on production, he was termed as “country-club” manager.

Conversely, a person who emphasized a concern for production, but paid little attention to the concerns of subordinates was a “task” manager. A person who tried to balance concern for production and concern for people was termed a “middle-of-the-road” manager.

Finally, an individual, who was able to simultaneously exhibit a high concern for production and a high concern for people, was practicing “team management”. According to the prescriptions of the grid, team management was the best leadership approach. The Managerial Grid became a major consulting tool and was the basis for a considerable amount of leadership training in the corporate world.

The assumption of the leader behavior approach was that there were certain behaviors that would be universally effective for leaders. Unfortunately, empirical research has not demonstrated consistent relationships between task-oriented or person-oriented leader behaviors and leader effectiveness. Like trait research, leader behavior research did not consider situational influences that might moderate the relationship between leader behaviors and leader effectiveness.

1.6.1 Contingency (Situational) Approach:

Contingency or situational theories of leadership propose that the organizational or work group context affects the extent to which given leader traits and behaviors will be effective. Contingency theories gained prominence in the late 1960s and 1970s. Four of the
more well-known contingency theories are Fiedler’s contingency theory, path-goal theory, the Vroom-Yetton-Jago decision-making model of leadership, and the situational leadership theory. Each of these approaches to leadership is briefly described in the paragraphs that follow.

Introduced in 1967, Fiedler’s contingency theory was the first to specify how situational factors interact with leader traits and behavior to influence leadership effectiveness. The theory suggests that the “favorability” of the situation determines the effectiveness of task- and person-oriented leader behavior.

Fiedler’s research indicated that task-oriented leaders were more effective when the situation was either highly favorable or highly unfavorable, but that person-oriented leaders were more effective in the moderately favorable or unfavorable situations. The theory did not necessarily propose that leaders could adapt their leadership styles to different situations, but that leaders their preferred style.

Fiedler’s contingency theory has been criticized on both conceptual and methodological grounds. However, empirical research has supported many of the specific propositions of the theory, and it remains an important contribution to the understanding of leadership effectiveness.

Path-goal theory was first presented in a 1971 Administrative Science Quarterly article by Robert House. Path-goal theory proposes that subordinates’ characteristics and characteristics of the work environment determine which leader behaviors will be more effective. Key characteristics of subordinates identified by the theory are locus of control, work experience, ability, and the need for affiliation. Important environmental characteristics named by the theory are the nature of the task, the formal authority system, and the nature of the work group. The theory includes four different leader behaviors, which include directive leadership, supportive leadership, participative leadership, and achievement-oriented leadership.
According to the theory, leadership behavior should reduce barriers to subordinates’ goal attainment, strengthen subordinates’ expectancies that improved performance will lead to valued rewards, and provide coaching to make the path to payoffs easier for subordinates. Path-goal theory suggests that the leader behavior that will accomplish these tasks depends upon the subordinate and environmental contingency factors.

Path-goal theory has been criticized because it does not consider interactions among the contingency factors and also because of the complexity of its underlying theoretical model, expectancy theory. Empirical research has provided some support for the theory’s propositions, primarily as they relate to directive and supportive leader behaviors.

The Vroom-Yetton-Jago decision-making model was introduced by Victor Vroom and Phillip Yetton in 1988 and revised by Vroom and Jago in 1988. The theory focuses primarily on the degree of subordinate participation that is appropriate in different situations. Thus, it emphasizes the decision-making style of the leader.

There are five types of leader decision-making styles, which are labeled AI, AII, CI, CII and G. These styles range from strongly autocratic (AI), to strongly democratic (G). According to the theory, the appropriate style is determined by answers to up to eight diagnostic questions, which relate to such contingency factors as the importance of decision quality, the structure of problem, whether subordinates have enough information to make a quality decision, and the importance of subordinate commitment to the decision.

The Vroom-Yetton-Jago model has been criticized for its complexity, for its assumption that the decision makers’ goals are consistent with organizational goals, and for ignoring the skills needed to arrive at group decisions to difficult problems. Empirical research has supported some of the prescriptions of the theory.

The situational leadership theory was initially introduced in 1969 and revised in 1977 by Hersey and Blanchard. The theory suggests that the key contingency factor affecting leaders’ choice of leadership style is the task-related maturity of the subordinates.
Subordinate maturity is defined in terms of the ability of subordinates to accept responsibility for their own task-related behavior. The theory classifies leader behaviors into the two broad classes of task-oriented and relationship-oriented behaviors. The major proposition of situational leadership theory is that the effectiveness of task and relationship-oriented leadership depends upon the maturity of a leader’s subordinates.

Situational leadership theory has been criticized on both theoretical and methodological grounds. However, it remains one of the better-known contingency theories of leadership and offers important insights into the interaction between subordinate ability and leadership style.

1.6.2 Recent Developments:

Although trait, behavioral and contingency approaches have each contributed to the understanding of leadership, none of the approaches have provided a completely satisfactory explanation of leadership and leadership effectiveness. Since the 1970s, several alternative theoretical frameworks for the study of leadership have been advanced. Among the more important of these are leader-member exchange theory, transformational leadership theory, the substitutes for leadership approach, and the philosophy of servant leadership.

1.6.3 Leader-Member Exchange Theory:

Leader-member exchange (LMX) theory was initially called the vertical dyad linkage theory. The theory was introduced by George Graen and various colleagues in the 1970s and has been revised and refined in the years since. LMX theory emphasizes the dyadic (i.e., one-on-one) relationships between leaders and individual subordinates, instead of the traits or behaviors of leaders or situational characteristics.

The theory’s focus is determining the type of leader-subordinate relationships that promote effective outcomes and the factors that determine whether leaders and subordinates will be able to develop high-quality relationships.
According to LMX theory, leaders do not treat all subordinates in the same manner, but establish close relationships with some (the in-group) while remaining aloof from others (the out-group). Those in the in-group enjoy relationships with the leader that is marked by trust and mutual respect. They tend to be involved in important activities and decisions. Conversely, those in the out-group are excluded from important activities and decisions.

LMX theory suggests that high-quality relationships between a leader-subordinate dyad will lead to positive outcomes such as better performance, lower turnover, job satisfaction, and organizational commitment. Empirical research supports many of the proposed relationships (Steers et al., 1996).

1.6.4 Transformational Leadership Theories:

Beginning in the 1970s, a number of leadership theories emerged that focused on the importance of a leader’s charisma to leadership effectiveness. Included within this class of theories are House’s theory of charismatic leadership, Bass’s transformational leadership theory, and Conger and Kanungo’s charismatic leadership theory.

These theories have much in common. They all focus on attempting to explain how leaders can accomplish extraordinary things against the odds, such as turning around a failing company, founding a successful company, or achieving great military success against incredible odds. The theories also emphasize the importance of leaders’ inspiring subordinates’ admiration, dedication, and unquestioned loyalty through articulating a clear and compelling vision.

Transformational leadership theory differentiates between the transactional and the transformational leader. Transactional leadership focuses on role and task requirements and utilizes rewards contingent on performance. By contrast, transformational leadership focuses on developing mutual trust, fostering the leadership abilities of others, and setting goals that go beyond the short-term needs of the work group.
Bass’s transformational leadership theory identifies four aspects of effective leadership, which include charisma, inspiration, intellectual stimulation, and consideration. A leader who exhibits these qualities will inspire subordinates to be high achievers and put the long-term interest of the organization ahead of their own short-term interest, according to the theory. Empirical research has supported many of the theory’s propositions.

1.6.5 Substitutes for Leadership Theory:

Kerr and Jermier introduced the substitutes for leadership theory in 1978. The theory’s focus is concerned with providing an explanation for the lack of stronger empirical support for a relationship between leader traits or leader behaviors and subordinates’ satisfaction and performance. The substitutes for leadership theory suggest that characteristics of the organization, the task, and subordinates may substitute for or negate the effects of leadership, thus weakening observed relationships between leader behaviors and important organizational outcomes.

Substitutes for leadership make leader behaviors such as task-oriented or relationship-oriented unnecessary. Characteristics of the organization that may substitute for leadership include formalization, group cohesiveness, inflexible rules, and organizational rewards not under the control of the leader. Characteristics of the task that may substitute for leadership include routine and repetitive tasks or tasks that are satisfying. Characteristics of subordinates that may substitute for leadership include ability, experience, training, and job-related knowledge.

The substitutes for leadership theory have generated a considerable amount of interest because it offers an intuitively appealing explanation for why leader behavior impacts subordinates in some situations but not in others. However, some of its theoretical propositions have not been adequately tested. The theory continues to generate empirical research.
1.6.6 Servant Leadership:

This approach to leadership reflects a philosophy that leaders should be servants first. It suggests that leaders must place the needs of subordinates, customers, and the community ahead of their own interests in order to be effective. Characteristics of servant leaders include empathy, stewardship, and commitment to the personal, professional and spiritual growth of their subordinates. Servant leadership has not been subjected to extensive empirical testing but has generated considerable interest among both leadership scholars and practitioners.

Leadership continues to be one of the most written about topics in the social sciences. Although much has been learned about leadership since the 1930s, many avenues of research still remain to be explored as we enter the twenty-first century.

1.7 CONCLUSION:

By keeping this in mind researcher can understand how a variety of leadership skills can be used to attain the best results. Leadership involves people so there must be those who are happy to be followers. We must, therefore, remember that effective leaders and effective followers may sometimes be the same people playing different roles at different times. In order to address the identified learning outcomes, this chapter will introduce the leadership styles, the nature of leadership, the concept of leadership, leadership motives, leadership behavior, attitudes and styles, leadership theories and social approaches.

*****