Leadership styles in public and private organizations

Štýly vedenia vo verejných a súkromných organizáciách

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Abstract:

Leadership plays a very significant role in the modern world. Leadership style is normally explained by the features of the manager, the workers, and their job. Comparing public and private leadership styles is a major subject in the public administration literature, yet there have been only a few empirical studies of the differences in their respective leadership styles. The aim of this paper is to discuss the differences between the leadership styles in the public sector when compared to the private sector. The theoretical background concerning leadership styles and leader behaviour will be examined and presented. Further, the comparison will be applied to examples of leadership styles in Saudi Arabia.

Keywords: *leadership, private sector, transformational leadership, leader behaviours, Saudi Arabia*

Abstrakt:

Vedenie hrá v modernom svete veľmi významnú úlohu. Štýl vedenia sa zvyčajne vysvetľuje vlastnosťami manažéra, pracovníkov a ich práce. Porovnanie verejných a súkromných štýlov vedenia je hlavným predmetom literatúry o verejnej správe, napriek tomu existuje iba niekoľko empirických štúdií o rozdieloch v ich jednotlivých štýloch vedenia. Cieľom tohto príspevku je diskutovať o rozdieloch medzi štýlmi vedenia vo verejnom sektore v porovnaní so súkromným sektorom. Budú preskúmané a predstavené teoretické základy týkajúce sa štýlov vodcovstva a správania vodcov. Ďalej sa porovnanie použije na príklady štýlov vedenia v Saudskej Arábii.

Kľúčové slová: *vodcovstvo, súkromný sektor, transformačné vodcovstvo, správanie vodcov, Saudská Arábia*

Introduction

Every institution has both long- and short-term goals. Achieving such goals effectively produces demand for leadership. In other words, without leadership, an institution is much like a ship without a rudder. For instance, it cannot be denied that the role of Lee Iacocca at the Chrysler Corporation was enormous, and it has been argued that the company would have gone bankrupt without his leadership skills and his ideas of success and attempts to persuade central workers to promulgate and maintain those insights [1]. It notes that production in the manufacturing sector might be declined or advanced depending on leadership, without any variation in the operating process [2].

Moreover, a leader's way of leading and functioning can diminish or enhance the commitment of workers, operating performance, ethical behaviour and satisfaction. It may also be true that leadership depends more on personal, rather than positional power. Its key concern is tackling different challenges and changes while motivating and inspiring workers to implement the institution's goal. Furthermore, as Kotter [3] argues, leadership operates on spiritual and emotional resources such as aspirations, values and the commitment of subordinates. On the contrary, management relies on positional, than personal power and mainly deals with budgeting, organising, resource allocation, time scheduling and controlling. It is mostly predicated on physical resources such as human skills, capital, technology and materials. In spite of this difference, the administrator or manager of an entity is formally a leader. Therefore, leadership has two sides. First, it is a set of behaviours, whose role is required to carry out the task and foster harmony. Secondly, it is a powerful process, a set of tactics and strategies that impact on workers' behaviours, beliefs and values and implement the short- and long-term aims in terms of institution's strategic plans.

Overall, it could be suggested that efficient leadership tends to be viewed in terms of the following combinations:

- personal characteristics that enable an individual to be engaged in a leadership role in an effective way;

- a range of behaviours and skills that help to create efficient leadership;

- a range of styles linked to the scope within which leadership is exercised;

- a range of ways in which a leader's behaviour might be exercised in a way that fits the personal style of the leader [4, p.114].

It argues that it is generally acknowledged that leadership might be exhibited at different levels in an institution. It is important to identify three distinct leadership styles that derive from the literature on leader behaviour and include engaging leadership, involving leadership and goal leadership.

Above all, however, leadership styles vary with respect to the type of institution and the level of institutional hierarchy. It has been debated that public sector institutions nurture a low task-orientation leadership and high relationship, whereas the private sector is driven by profit-orientated goals. Moreover, it fosters a high-relationship, high task and participative style of leadership. Therefore, to what extent is the leadership style in both public and private organisations the same or different from each another?

1. Leadership behaviour

Over the last few decades, institutions and scholars have become obsessed with leadership, attempted to deconstruct this phenomenon into a global set of measures [5], [6], [7], [8]. In the past few years, a predominant approach to examining leadership has emerged, predicated on the model of transactional and transformational leadership developed by Bass [9] and structured by Bass and Avolio [10]. The uniqueness of the model has been distinguished between sets of leadership behaviours demanded in two specific contexts. It cannot be denied that in the literature on leadership, there is a recurring consensus that there are many prescriptions for efficient performance [6], [8], [11], [12].

However, leadership styles between the attitudes of managers and the context in which leaders work is seen to be significant. This is by no means a new perception and began from the theory of contingency [13]. Yet, the contextualisation that was implied by the transformational school [10] has shifted from a largely internal manager [11].

In particular, there is an incrementally increasing focus on the effectiveness of distinctive leadership behaviours in diverse and varying contexts [14], [11].

Therefore, it is noteworthy to outline the different range of behaviours into three wide categories:

I) *Goal-orientated*. A set of behaviours in which a manager defines a direction and operates in a way in which as a leader plays an important role in co-ordinating others to reach the central aims and performance demanded. This may be thought of as akin to an authoritarian way, in which behaviours are fairly leader-centric.

II) *Involving*. In this category, the manager's target is to provide a robust sense of direction. Yet, there is a more important focus on embracing other employee in both setting direction and, to a great extent, in defining how aims will be realised.

III) *Engaging.* Manager behaviours of this type concentrate on enabling others to gain both the means of reaching the required aims and determining the nature of the direction. The manager is more interested in developing the ability of others to strive than with 'close direction of the enterprise' [4, p.108].

Nevertheless, transactional leadership is predicated on the conception of exchange. The transactional leader is orientated by task, and rewards are distributed in accordance with the performance of subordinates. In contrast, a transformational leader inspires workers to operate beyond the call of duty. Additionally, a transactional leader assumes personnel only do the job which they are paid for, no less and no more. It is worth noting that transactional leaders are normally reactive. Interestingly, they control by exception, their motto being '*If it ain't broke, don't fix it*' [15]. Furthermore, transformational leaders seek to affect employee empowerment. These leaders depend on charisma, inspiration and intellectual challenge. Through these qualities, they inspire workers to high achievements. In addition, leadership styles are viewed as being structurally defined.

The central factor determining transformational leadership is charisma. However, this can be limited by bureaucratic formality. Although transformational charismatic leaders might be able to overthrow such systems, it is for this reason that they are difficult to persuade to join bureaucracies. It could be said that bureaucracies also occasionally make use of charismatic leaders in order to advocate the status quo. Yet,

a transactional leadership style is preferred by such instrumental institutions wherein the leader's key task is to ensure that workers follow the rules and punish and reward them as appropriate. The only interference is needed by a leader when an issue develops for which no procedure or rule exists. On such occasion, the main task of the leader is to find a solution to deal with such situations. It is important to note that transformational leaders with their readiness to question the established order, creativeness, capacity to identify an advantage, enjoyment of ambiguity and risk, are said to be well-organised and –equipped to tackle some of the unpredictable and turbulent issues arising in the domain of business environment. Notwithstanding this, an increasing number of studies maintain such distinction.

Research shows that private organisations are more likely to be featured by transformational leadership than institutions in the public sector [16]. It has also been found that leadership styles might consistently be varied in regard to an institution's level of bureaucratic formality. Furthermore, some may argue that the more instrumental the institution, the less scope is afforded for transformational leadership exercise and the more scope devoted to transactional leadership exercises. What is more, transformational leadership is considered to be more effective and productive than transactional leadership. Transformational leadership with its accentuation of power to move seeks to 'engender a highly positive reaction' amongst workers, whereas the influence of transactional leadership is quite neutral [17, p.4]. More precisely, although these styles of leadership positively correlate with satisfaction 'with supervision, intrinsic work motivation, and perceived leader effectiveness, and negatively with job related tension, the magnitude of correlations has proved consistently higher for transformational than transactional leadership' [9], [15], [18], [10].

However, in much research there is a major limitation, namely that such studies are incapable of defining cause and effect. It may be suggested that there are some other factors that might be responsible for workers' motivation and satisfaction. It is apparent that in prevailing research causal relations are not identified and examined. However, the degree to which such relationships are culturally or universally specific is less clear.

2. Leadership Styles of Public and Private organisations: The case of Saudi Arabia

Saudi Arabia is widely known as a wealthy state. However, while some residents of the country enjoy enormous riches and the nation is ranked as one of high income by the World Bank [19], the future of this state is becoming bleak, since there is pressure to establish new industries due to declining oil reserves that will ultimately become exhausted. What is more, although the country's economic weaknesses were enhanced by the consequences of the Gulf War and present depression of oil prices, the actual cause of the malaise might rest with the performance of Saudi Arabian executives. It is known that the public sector has gone through various political reforms over the last few years in which the concentration is on enhancing effectiveness and efficiency, seeking excellent institutions. To reach such goals, the development is designed predicated on a series of five-year plans [20].

Yet, it is true that Corruption Perception Index of Transparency International ranked Saudi Arabia 66 out of 176 in 2012 [21]. It was once noted that 'Saudi Arabia is not facing an economic crisis… but is suffering from over-centralised government ministries best noted for the opportunities they have missed… Too many ministers have been too long at their posts for the good of the country' [22]. This statement shows that a cosmopolitan outlook, ability and an injection of entrepreneurial enthusiasm is needed to '…make progress not least because many of Saudi Arabia's industrial and service organisations are in total or substantial government control' [22]. It is important to note that these claims of malaise in state-controlled organisations are predicated on reports in the media years ago. Yet, empirical research indicates that they might in fact be valid even today. Furthermore, it may be argued that Saudi Arabian managers are seemingly averse to risk and innovation, bounded by fear of failure. Such discretion is represented by relatively high dependence on the public sector and fairly low devolution in comparison to US organisations. The situation is conflicting, yet, some enquiries propose a high preference for participation and consultation amid Saudi Arabian managers.

There are some limitations of existing research in the leadership realm, particularly that existing research focuses on the perception of leaders/managers rather than those they lead. A leader might perceive himself as authoritative or participative, but this does not mean that this perception is shared by his employees. Next, research fails to allow for the probability of 'variation in leadership styles' between various institutions [17, p.3]. While it might be true that managers in Saudi Arabia are commonly risk-averse when compared to their US counterparts, this does not mean that all managers in Saudi Arabia are equally cautious. This notion could in fact mask significant distinctions between institutions. Therefore, it is important to compare leadership styles in a range of Saudi Arabian entities from the standpoint of subordinates in public organisations, as well as in private companies from the following perspectives: motivation, satisfaction with supervision and leader efficiency.

Moreover, these organisations range from the closest equivalent, to North American or European companies, to the Saudi Arabian public sector. Furthermore, in Saudi Arabia the difference between public and private institutions is blurred by what might be stated as intermediate types [17]. More precisely, the intermediate type refers to institutions that are privately run but subject to various degrees of public control. In addition, it is noted that leadership styles constantly vary with respect to the bureaucratic formality level. It has to be said that intermediate institutions will place lesser or greater accentuations on transactional and transformational leadership according to the degree of public sector involvement. In particular, the highest level of transformational leadership could be identified in the private sector and lowest levels in the state entities. Instead, the highest levels of transactional leadership could be identified in state entities which contemporaneously exhibit the lowest levels of transformational leadership. Leadership styles in the private sector will simultaneously vary according to the level of government control. It cannot be denied that since a correlation exists between affective reactions and leadership styles, it is foreseeable that these elements will vary consistently in accordance with the level of bureaucratic formality.

To investigate this, four institutions from the public and private sectors were selected and compared, including the Saudi British Bank, the industrial holding

SABIL, the Saudi telephone company and the Saudi Civil Service Bureau. The table below shows that both types of leadership are more important lower in the Civil Service Bureau than in the other institutions. It is believed that satisfaction with supervision is important and higher in the Saudi British bank than in SABIL or the Civil Service Bureau and yet, lower than in the Saudi Telecommunication Company. Interestingly, motivation is, surprisingly, contradicted by general belief.

In short, it is commonly stated that the highest degree of motivation would be found in the private sector like in a banking system, and that the lowest degree of motivation would be found in public organisations. However, in Saudi Arabia, motivation is considerably higher in the Civil Service Bureau than in SABIL, for example. Likewise, motivation is also significantly higher in the Saudi telecommunications Company than in SABIL. Moreover, leader efficiency is considerably higher in the Saudi British bank than in SABIL and the Civil Service Bureau [17]. Furthermore, the degree of job-related tension between the institutions fairly similar. The figure for the Saudi British bank is slightly less than for the other institutions but the distinction is less important.

Tab. 1 Table One Way ANOVA of Transformational, Transactional and Laissez-Faire Leadership by Organization [17]

Organisation (N=)	Transformational	Transactual	Laissez-Faire
1. Saudi British Bank profit (84)	2.5	2.3	1.7
2. SABIL Semi profit (168)	2.4	2.3	2.2
3. Saudi Telecommunications Semi-Non profit (158)	2.4	2.2	1.7
4. Civil Service Bureau Non profit (95)	2.1	1.9	1.7
F Ratio	2.86*	7.28*	28.55*
Duncan Test	1>2	1<2	1<2*
	1>3	1>3	1>3
	1>4*	1>4*	1<4
	2>3	2>3*	2>3*
	2>4*	2>4*	2>4*
	3>4*	3>4*	3<4
*P<.05			

In essence, a close look at this comparison indicates that it is the greatest deficiency of strong leadership impacts, both transactional and transformational, within the Civil Service Bureau. This may represent an enormous level of dependence on the rules, procedures and regulations in the Civil Service Bureau. However, it is important to note that the low leadership levels within the Civil Service Bureau do not seem to have had an adverse effect on worker motivation. Nevertheless, it is surprising that motivation is considerably higher in the bureaucratic Civil Service institution than in a more commercially driven company such as SABIL. A possible explanation for this is that since transformational leadership is extremely interventionist and pro-active, paradoxically, it might decrease the scope for subordinates to implement their initiatives and take pleasure in their work [17]. It is noteworthy, however, that some research suggests that limited autonomy has a negative effect on worker's satisfaction generally and, to be precise, job satisfaction which could be an answer to this phenomenon in Saudi Arabia. If so, the picture of bureaucracy as stultifying and rigid is false.

Furthermore, the literature on power in institutions hardly proposes that workers in all positions possess significant discretion. Another plausible possibility is that by establishing imbalance, transformational leadership produces insecurity that has a disruptive effect on motivation in a culture supported by strong family values and religious discipline. However, if there is such a discrepancy between worker experience and cultural values, it would definitely be represented in higher levels of job-related tension. On balance, therefore, the most plausible explanation is autonomy. However, it is important that in SABIL there be further emphasis on transactional leadership, satisfaction with supervision is less and motivation is lower than in the Saudi telecommunication company.

It argues that some previous research on a concomitant change between institutions has generated identical suggestions. It has also been noted that such a comparison indicates that while distinctions are possibly insightful, a notion of systemic changes only holds good where extreme types are comprised. Moreover, some research has recognised more hard correlations between affective reactions and transformational leadership than between affective reactions and transactional leadership. These have been explained as specifying that both types of leadership are potentially beneficial. The Saudi Arabian examples suggesting a more disturbing probability, that is, beyond a certain degree, transactional leadership suppresses satisfaction with the motivation and supervision.

In addition, the relationship between perceived leader efficiency and transformational leadership is significant to question. For instance, it points out a new and additional explanation. Apparently, the Saudi British Bank worker's perceptions of their leaders represent the institution's financial success and prospects for the future. However, would workers be as happy and satisfied if the Saudi British Bank were operating badly? If this were true, then it may be explained by the motivation that essentially means 'to motor'. Workers exposed to high leadership existence and who perceive their institutions as successful may be content to depend on their leaders to direct and shape the institution. The deficiency of important distinctions in the level of job-linked tension and low levels of tension commonly propose an intriguing probability. Stress apparently reflects a mismatch between perceived demands and perceived capability to tackle these. Tension is possible in poorly controlled institutions where the roles of ambiguity and other modes of vagueness are very particularly prominent. A culture featured by strong religious discipline might be 'conductive to organisational order' [17, p.7].

It might be suggested that since such a cultural aspect seems possible in the Saudi Civil Service Bureau, as the institution is the least exposed to US impacts, the low levels of leadership could be explained if workers depend mainly on self-discipline.

Conclusion

Thus, are leadership styles distinctive in both the private and public sectors? An answer might be yes – and no. They are similar with respect to environmental and social responsibilities and workers' attitudes to their immediate leaders – two 'favourable characteristics' [12, p.2]. It is a distinction with respect to perceptions of top-level managers, the adequacy of the development of leadership, risk-taking,

institutional approaches to decision-making involvement and motivation, and charismatic and individual leadership versus networked and collective leadership, particularly in times of crisis. Distinctions in approaches and attitudes and in the constraints and challenges that managers face potentially explain the distinction in leadership styles between the private and public sectors [12]. With regard to the Saudi Arabian examples, it represents a story in which the stereotypical vision of Saudi Arabian government sector institutions is simultaneously confirmed and discredited. The results of such comparison could be viewed as illustrating a moribund public sector in which leadership is lacking and the motivation of workers is squandered, which is in turn represented in worker dissatisfaction with their leaders. Moreover, the Civil Service Bureau is a well-controlled and -regulated body that gives scope for the exercise of worker initiative within the rules and regulations.

However, it has been argued that such disciplined domain is positively related to the effectiveness of organisation as well as satisfaction with supervision that could reflect perceived institutional success. Even though it was stated that transformational leadership is identified as being more efficient than transactional leadership, charisma is a destabilising force that cannot be sustained in the long term. It becomes bureaucratised or routinised or could fail altogether. It is apparent, for example, that many charismatic entrepreneurs of the 1980s in Britain, the United States and Australia were either jailed, failed, or otherwise discredited, whereas institutions with more transactional styles have outlived them [17

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