

# IMPACT OF GENDER AND TRANSFORMATIONAL LEADERSHIP ON ETHICAL BEHAVIORS

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***Abstract:** Using a sample of 102 managers from a large nationalized bank in India, the study looked at the effect of leader femininity and masculinity on transformational leadership and the relationship between all the three with leader ethical behavior. Results show that leader's femininity is the stronger predictor of transformational leadership and masculinity explains additional variance in transformational leadership. Femininity, masculinity, and transformational leadership are positively related to leader's ethical behaviors. The relationship between transformational leadership and ethics is stronger for those lower on femininity as compared to those higher on femininity.*

*Keywords:* Transformational leadership, ethics, gender, femininity, masculinity, India.

Leadership is the ability of an individual to influence, motivate, and enable others to contribute towards the effectiveness and success of the organizations of which they are members. A constant change that has become a part of life for many organizations highlights the increasing importance of transformational leadership. Superior performance or performance beyond normal expectations is possible only by transforming followers' values, attitudes' and motives from a lower to a higher plane of arousal and maturity (Bass, 1985). A number of authors have speculated the difference in feminine and masculine leadership styles. Increasingly, feminine leadership is seen to be more transformational. Ethical behaviors in organizations have also become an actively discussed topic that is seen as more and more important. This paper reports a study done to see the role of femininity and transformational leadership in enhancing ethical behaviors in organizations.

## THEORY AND HYPOTHESES

### Transformational Leadership

Leaders can be classified as transactional and transformational. According to Bass, transactional leaders decide what their followers should do to realize their personal and organizational aims; they classify these aims and help their followers to achieve their goals. On the contrary, transformational leaders motivate their followers to do more than they really expect they can do, increasing the sense of importance and value of the tasks, stimulating them to surpass their own interests and direct themselves to the interests of the team, organization, or larger community, and raising the level of change to a higher level (Bass, 1985). Transactional leadership is a process in which the leader-follower relationship is reduced to simple exchange of a certain quantity of work for an adequate price. Contrary to this, transformational leadership is a far more complex process, the realization of which requires more visionary and more inspiring figures (Simic, 1998). Transformational leadership occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality, and results in a transforming effect on both leaders and followers (Burns, 1978). It is based on leaders' shifting the values, beliefs, and needs of the followers. Leaders broaden and change the interests of their followers, and generate awareness and acceptance of the purposes and mission of the group. Transformational leaders inspire and motivate followers in ways that go beyond exchanges and rewards.

Transformational leadership consists of four factors—charisma, inspirational motivation, intellectual stimulation, and individualized consideration. Charisma is providing

vision and sense of mission and instilling pride, gaining respect and trust. Inspiration involves communicating high expectations, using symbols to focus efforts and expressing important purposes in simple ways. Intellectual stimulation promotes intelligence, rationality, and careful problem solving skills. Individualized consideration gives personal attention, treats each employee individually and gives advices (Bass, 1990; 1998). Behling and McFillen (1996) identified six attributes of transformational leadership: Displaying empathy, dramatizing the mission, projecting self-assurance, enhancing the leader's image, assuring followers of their competency, providing followers with opportunities to experience success. Singh and Krishnan (2005) used grounded theory method to show that universal dimension of transformational leadership constitutes 44% of the responses, while culture-specific dimensions in India constitute the rest. The 56% Indian cultural dimensions were operationalized through seven sub-dimensions—nurturant, personal touch, expertise, simple-living-high-thinking, loyalty, self-sacrifice, and giving-model-of-motivation.

Studies have found significant and positive relationships between transformational leadership and the amount of effort followers are willing to exert, satisfaction with the leader, ratings of job performance, and perceived effectiveness (Bass, 1998). A study by Howell and Frost (1989) concluded that individuals working under a charismatic leader had higher task performance (in terms of the number of courses of action suggested and quality of performance), higher task satisfaction and lower role conflict and ambiguity in comparison to individuals working under considerate leaders or under structuring leaders. Leader's vision and vision implementation through task cues affects performance and many attitudes of subordinates (Kirkpatrick & Locke, 1996). Baum, Locke, and Kirkpatrick (1998) found additional support for this in their study. They concluded that vision and vision communication have positive effects upon organizational level performances. Strength of delivery of vision by the leader is an especially important determinant of perceptions of leader charisma and effectiveness (Awamleh & Gardner, 1999). Stewart (2006) did a meta-analysis of 93 studies and found that transformational leadership exhibited a consistently positive relationship with collective performance. Zhu, Chew, and Spangler (2005) found that human-capital-enhancing human resource management fully mediated the relationship between CEO transformational leadership and subjective assessment of organizational outcomes. Although transformational leadership is applicable to most organizational situations, the emergence and effectiveness of such leadership may be facilitated by some contexts and inhibited by others (Garg & Krishnan, 2003; Shamir & Howell, 1999).

Krishnan (2001) found that transformational leaders do have some identifiable patterns in their value systems. They give relatively high priority to "a world at peace" and "responsible," and relatively low priority to "a world of beauty," "national security," "intellectual," and "cheerful." Results also suggest that transformational leaders might give greater importance to values pertaining to others than to values concerning only themselves. Sosik (2005) used multi-source field data collected in five organizations to examine linkages among managers' personal value system (i.e., intensity of openness to change, traditional, collectivistic work, self-transcendent, and self-enhancement values), charismatic leadership of managers, and three outcome measures. Results indicated that traditional, collectivistic work, self-transcendent, and self-enhancement values related positively to charismatic leadership, which predicted managerial performance and followers' extra effort and organizational citizenship behavior (OCB). Managerial performance moderated the relationships between leaders' values, charismatic leadership, and followers' outcomes.

Hautala (2006) found that the extraverted, intuitive and perceiving preferences favor transformational leadership, according to leaders' self-ratings. On the contrary, subordinates' ratings indicated that leaders with sensing preference are associated with transformational leadership. Rubin, Munz, and Bommer (2005) showed that leaders' emotion recognition ability, positive affectivity, and agreeableness positively predicted transformational leadership behavior. In addition, extraversion moderated the relationship between emotion recognition

and transformational leadership. Bono and Judge (2004) did a meta-analysis and demonstrated that extraversion was the strongest and most consistent correlate of transformational leadership.

### **Gender characteristics**

Gender is etymologically derived from a Latin word, *genus*, meaning 'type', 'kind' or 'sort'. Sex relates to a biological category and refers to visible differences. Gender as a term relates to culture and refers to the assignment of various characteristics to each sex, it refers to what is normative or what is anticipated and expected in men's and women's behavior. If the appropriate terms for sex are male and female, the corresponding terms for gender are masculine and feminine; thus, gender is the amount of masculinity or femininity found in a person.

A lot of research has been done to identify the differences between men and women, in the context of transformational leadership. It has been shown that they both have different styles of leadership. Women adapt to leadership that is more democratic and less of autocratic styles than men are (Eagly, Johannesen-Schmidt, & Engen, 2003). Women are people oriented while men are task oriented. Many researches also conclude that women are better transformational leaders than men are. Bass and Avolio (1994) showed that women leaders rate higher on transformational behaviors than men leaders. Carless (1998) examined 120 women and 184 men employed as bank managers and found that female managers were more transformational than male managers, when they rated themselves and when they were rated by their superiors. van Engen and Willemsen (2004) did a meta-analysis and showed that women tend to use more democratic and transformational leadership styles than men do, whereas no sex differences are found on the other leadership styles. Sex differences in leadership styles are also contingent upon the context in which male and female leaders work, as both the type of organization in which the leader works and the setting of the study turn out to be moderators of sex differences in leadership styles. Mandell and Pherwani (2003) did not find any significant interaction between gender and emotional intelligence while predicting transformational leadership style. No significant difference was also found in the transformational leadership scores of male and female managers.

As women show more supportive behavior as compared to men (Gregory, 1990; Eagly & Karau, 1991), they would be more identified with and trusted than male transformational leaders. Though many authors have demonstrated that women are more transformational than men are, a few drawbacks make them less effective. Women do not form a part of the informal network of the organization. Hence, network centrality of women is lower than that of men (Lewis & Krishnan, 2004). When women try to influence their subordinates aggressively, the reactions are negative towards them (Eagly et al., 2003). Similarly, men are currently facing problems due to lack of personal care and nurturing. This changing scenario demands any leader to have a mix of the two qualities, which are termed as masculine and feminine. Masculine leadership is characterized by being aggressive and analytical, showing willingness to take a stand, making assertive decisions, being forceful, showing ambition and competitiveness. On the other hand, willingness to help others, caring, listening to and understanding others, group interaction and providing emotional support are the characteristics of feminine leadership.

Current trend in many organizations is to build a family structure that will make the employees want to work with passion. Stock options given as incentives provide a significant support to the above statement. The management ensures that employees take ownership of the organization and become a part of the family. Every employee henceforth will work for the betterment of his share. This leads to goal congruence. Hence, business leaders should have family leadership skills (Alan & Cohan, 1999). In order to be transformational, both men and women managers, should encourage the expression of the feminine attribute of being nurturing

(Poddar & Krishnan, 2004). Just as a perfect family needs both maternal traits and paternal traits within the family, an organization needs a leader who has both masculine and feminine qualities.

Traditionally, leadership and managerial roles were aligned with typically male equalities or with the masculine or task-oriented stereotype (Powell & Butterfield, 1979). However, it has been shown that successful female supervisors were the ones high on masculinity (Baril, Elbert, Maher-Potter, & Reavy, 1989). Androgyny was proposed as a solution (Korabik, 1990). Androgynous management blends the masculine and feminine styles of instrumental and expressive behavior (Sargent, 1983). High managerial achievers integrated their concerns for task and people. Further, in today's business environment, both masculine and feminine characteristics are necessary for excellence (Korabik & Ayman, 1989).

Transformational leaders are both tough and caring. Toughness means, honesty, fairness, not giving in easily to pressure, and trusting others. Entrepreneurial skills, self-confidence and persuasion powers require toughness. Leaders who command respect become the role model to their subordinates. Masculine characteristics like resilience, energy, inspiration, self-confidence, and determination are traits of a transformational leader. Caring is important to maintain goodwill. When companies stress on total quality management and customer relationship management, the firm has to deal with staffs, customers, suppliers, and other stakeholders. In order to connect to people, caring and nurturing is essential. Studies have shown that feminine leaders are more transformational than masculine leaders are. Transformational leadership and femininity would together enhance the relative importance given to achievement orientation and reduce the relative importance given to stability (Kawatra & Krishnan, 2004). Higher levels of nurturance, pragmatism, and feminine attributes will be associated with transformational leadership (Ross & Offermann, 1997).

*Hypothesis 1. Transformational leadership is positively related to femininity.*

*Hypothesis 2. Masculinity adds to femininity in explaining variance in transformational leadership.*

## **Ethics**

Ethics refers to standards of conduct that indicate how people ought to behave based on specific values and principles that define what is right. Ethics deals with the ability to distinguish right from wrong, and the commitment to do what is right.

There are no black-and-white ethical decisions; ethics is a realm of grayness, of complexity, and of questions that are difficult to answer. Ethics involve social decisions about what is "right" and what is "wrong". This decision can be made by resolving the ethical dilemma. Ultimately, however, these decisions become personal, even though they are influenced by professional colleagues and the broader culture (Cornett & Thomas 1995). As Herman Chapman observed in 1923, it is obvious that a code of ethics represents a consensus of professional opinion rather than individual preference. There are three basic approaches to decide on what is right and what is not. First is to do whatever produces the greatest good for the greatest number of people in the long run. This is called 'utilitarianism'. Another is 'rule-based' approach where the decision is based on the universal law. The ideal is allegiance to standards. The third is 'care-based' approach. Do unto others as we would have them do unto us. This is also known as the Golden Rule.

Business ethics are rules, standards, codes, or principles, which provide guidelines for morally correct behavior and truthfulness in specific situations. With the development of economies, the world is becoming interdependent. When two or more organizations work together, mutual trust and integrity is required. Hence, ethics plays a major role today. Successful leaders set a trend for their followers. The value system plays a critical role in this. A

major task for leaders is bringing their followers together around common values (Fairholm, 1991). Ethics is influenced by culture, family, and circumstances. Banerji and Krishnan (2000) identified five unethical scenarios--bribery, endangering the physical environment, lying, personal gain, and favoritism, and showed a negative relationship between a preference for them and transformational leadership. Efficient leaders have a vision in their mind, which are achieved through actions that abide by the societal laws. A commitment to integrity and ethical behavior provides stability for the organization and reassurance for those who rely on it. Effective leadership requires a commitment to developing and maintaining a strong moral center. Leaders must consistently demonstrate a high level of integrity in both thought and action (Kelvin, 2005).

Meta-analytical evidence supports that transformational leadership is more effective, productive, innovative, and satisfying to followers than is transactional leadership (Lowe, Kroeck, & Sivasubramanian, 1996). However, ethics of transformational leaders have been questioned. It has been suggested that transformational leadership: (1) lends itself to amoral puffery since it makes use of impression management; (2) is antithetical to organizational learning and development involving shared leadership, equality, consensus and participative decision-making; (3) encourages followers to go beyond their own self-interests for the good of the organization and even emotionally engages followers irrationally in pursuit of evil ends contrary to the followers' best interests; (4) manipulates followers along a primrose path on which they lose more than they gain; and (5) lacks the checks and balances of countervailing interests, influences, and power to avoid dictatorship and oppression of a minority by a majority (Bass, & Steidlmeier, 1999). Transformational leaders could be virtuous or villainous depending on their values.

Individuals scoring high in moral reasoning exhibit more transformational leadership behaviors than leaders scoring low, and there is no relationship between moral reasoning and transactional leadership behaviors (Turner, Barling, Epitropaki, Butcher, & Milner, 2002). To be transformational, the leader has to be morally uplifting (Burns, 1978). Socialized leaders concerned about the common good can be truly transformational leaders. Personalized leaders, primarily concerned with their own self-interests, cannot be truly transformational leaders (Howell & Avolio, 1992). They are called pseudotransformational leaders. It is pseudotransformational leaders who are deceptive and manipulative (Bailey, 1988; Martin & Sims, 1956).

Brown, Treviño, and Harrison (2005) found that ethical leadership was related to consideration behavior, honesty, trust in the leader, interactional fairness, socialized charismatic leadership (as measured by the idealized influence dimension of transformational leadership), and abusive supervision, but was not subsumed by any of these. Finally, ethical leadership predicts outcomes such as perceived effectiveness of leaders, followers' job satisfaction and dedication, and their willingness to report problems to management. Today's networked, interdependent, culturally diverse organizations require transformational leadership to bring out in followers their creativity, imagination, and best efforts (Cascio, 1995). When leaders are more competent, those they lead are more effective; similarly, when leaders are morally more mature, those they lead display higher moral reasoning (Dukerich, Nichols, Elm, & Vollrath, 1990). Transformational leaders concentrate on terminal values such as integrity and fairness (Bass, 1997).

*Hypothesis 3. Transformational leadership is positively related to ethics.*

According to Gilligan (1982) theory, there are two styles of ethics. There is a difference in the way men and women arrive at the right or wrong decision. Men decide based on justice, while women on care. Women give more importance to the relationship and situation while men are rule based. Ethical values differ from place to place, person to person. Kouzes and

Posner (1993) noted that the credibility of leadership depended on its moral purpose and trust. Unless the followers are convinced that the leader has a larger perspective when making decision, building trust is difficult.

There are significant differences in moral reasoning between men and women. Women primarily respect feelings, ask who will be hurt, avoid being judgmental, search for compromise, seek solutions that minimize hurt, rely on communication, believe in contextual relativism, are guided by emotion, and challenge authority. Men primarily respect rights, ask who is right, value decisiveness, make unambiguous decisions, seek solutions that are objectively fair, rely on rules, believe in blind impartiality, are guided by logic, and accept authority. Men apply the same rules impartially across all situations to resolve ethical dilemma; this approach prizes reason, and objectivity. The ideas of rights, justices, and fairness are paramount here. Women combine reasons with emotions. This approach stresses on responsibility to people in need and its central moral principle is care (White, 1992).

*Hypothesis 4. Femininity is positively related to ethics.*

*Hypothesis 5. The relationship between transformational leadership and ethics is stronger for those lower on femininity as compared to those higher on femininity.*

## METHOD

The data for this study were collected from a large banking organization in India. It is a nationalized bank with more than 1000 branches in India and abroad. The sample consisted of 102 managers of the bank. Each member in this sample was requested to answer transformational leadership questionnaire, Bem's Sex-Role Inventory (BSRI) and Ethical Leadership Scale (ELS).

The sample of managers belonged to first four levels of hierarchy. It consisted of 71 men and 31 women. The age of men surveyed ranged between 28 and 58 with a median of 49.5 years, while the age range of the women was between 26 and 55 with a median of 45 years. The median of the age of the entire sample was 48 and the median of the number of years of experience in the bank was 25 ranging from 1 to 35 years.

## Measures

To measure transformational leadership, the Multifactor Leadership Questionnaire (MLQ) of Bass and Avolio (1992) was used. This questionnaire consists of 12 items—3 items for each of the four factors of transformational leadership, namely charisma or idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Respondents were requested to rate themselves as leaders on a scale of 0 to 4 where 0 means 'not at all' and 4 means 'frequently, if not always.'

To measure gender characteristics, we used the Bem's Sex-Role Inventory (BSRI) (Bem, 1974), which is the most widely used measure for this purpose. This classifies individuals as feminine, masculine, androgynous, or undifferentiated. It has three scales comprising femininity, masculinity, and neutral items. Each scale has 20 items, yielding 60 items, in total. The respondents are required to indicate on a 7-point scale how well each personality characteristic applies to them. 1, on this scale, denotes 'never, or almost never' while 7 denotes 'always, or almost always true.'

For measuring the ethical behaviors of the sample, Ethical Leadership Scale (Brown et al., 2005), was used. This scale was developed to overcome some of the fractious nature of the previous scales. It was constructed on a foundation of social learning theory and the scale gives

a reliable measure (Brown et al., 2005). It consists of 10 items, which require each individual to rate themselves on a scale of 1 to 7 where 1 denotes ‘never, or almost never’ and 7 denotes ‘always, or almost always true.’

## RESULTS

Table 1 presents the means, standard deviations, standardized Cronbach coefficient alphas, and correlations between transformational leadership, gender, and ethics. All the variables are significantly positively correlated to each other.

**Table 1. Descriptive statistics and correlations**

Variables	M	SD	1	2	3	4
1 Transformational leadership	2.99	0.54	(.80)			
2 Masculinity	5.11	0.73	.39	(.89)		
3 Femininity	5.21	0.60	.52	.38	(.84)	
4 Ethical behavior	6.02	0.58	.55	.63	.53	(.85)

Figures in parentheses are standardized Cronbach coefficient alphas; N=102;  $p < 0.001$  for all correlations.

We used regression analysis with the forward-selection technique (Judge, Griffiths, Hill, Lutkepohl, & Lee, 1985) to see the effect of masculinity and femininity on transformational leadership. The forward-selection technique begins with no variables in the model. For each independent variable, it calculates F statistics that reflect the variable’s contribution to the model if it is included. The variable that would produce the largest F statistic is added to the model. The evaluation process is repeated with the variables remaining outside the model. Once a variable is entered into the model, it stays. Thus, variables are added one by one to the model until no remaining variable produces a significant F statistic. We modeled transformational leadership as dependent variable against masculinity and femininity as independent variables, using the forward option. Results are presented in Table 2.

**Table 2. Regression analyses using forward option to predict transformational leadership**

	Dependent variable	Independent variable	Parameter estimate	F	Model R-Square
1.	Transformational leadership	Feminine	0.46	***36.37	0.27
2.	Transformational leadership	Feminine	0.38	***22.76	0.31
		Masculine	0.17	*6.25	

N = 102. \* =  $p < .05$ . \*\* =  $p < .01$ . \*\*\* =  $p < .001$ .

Femininity was the better predictor of transformational leadership and therefore entered the model first and explained 27% variance in transformational leadership. Masculinity entered the model in the second step and explained an additional 4% variance in transformational leadership. This supports Hypotheses 1 and 2.

We used regression analysis with the forward-selection technique to see the effect of masculinity, femininity, and transformational leadership on ethical behaviors. Results are presented in Table 3. Masculinity was the best predictor of ethics and therefore entered the model first and explained 40% variance in ethics. Transformational leadership entered the model in the second step and explained an additional 11% variance in ethics. Finally,

femininity entered the model in the third step and explained an additional 3% variance in ethics. This supports Hypotheses 3 and 4.

**Table 3. Regression analyses using forward option to predict ethics**

	Dependent variable	Independent Variable	Parameter estimate	F	Model R-Square	Model F
1.	Ethics	Masculinity	0.50	***65.32	0.40	***65.32
2.	Ethics	Masculinity Transformational leadership	0.39 0.39	***40.44 ***22.43	0.51	***50.87
3.	Ethics	Masculinity Transformational leadership Femininity	0.35 0.29 0.21	***33.31 **10.45 **7.36	0.54	***38.55

N = 102. \* = p < .05. \*\* = p < .01. \*\*\* = p < .001.

To test Hypothesis 5 on the moderating role of femininity, we followed the suggestions given by Aiken and West (1991) to eliminate any traces of overlapping variances. They recommend that the independent variable and the moderator be “centered” before testing for the significance of the interaction term. The objective of centering a variable is to produce a revised sample mean of zero. To do this, scores are put into deviation score form by simply subtracting the sample mean from all individual scores on the variable. We first centered transformational leadership and femininity on their respective means and then created a simple arithmetical product of the two centered variables. Having done the centering, we followed the steps suggested by Aiken and West for testing moderation through moderated multiple regression analysis (MMR).

We did a regression analysis with ethics as the dependent variable and transformational leadership and femininity as independent variables. Then, we did another regression analysis with the product term also added into the model. The results are presented in Table 4. The product term was significant while the two variables were in the model, thus showing that femininity moderated the effect of transformational leadership on ethics. We divided the sample into two groups based on their score on femininity: those above the median (high feminine) and the rest (low feminine). The correlation between transformational leadership and ethics was 0.40 (p < 0.01) for high feminine group and 0.49 (p < 0.001) for low feminine group. Our Hypothesis 5 obtained support.

**Table 4. Regression analyses for interaction effect on ethics**

	Dependent variable	Independent Variable	Parameter estimate	F	Model R-Square	Model F
1.	Ethics	Femininity Transformational leadership	0.32 0.41	***3.59 ***4.15	0.39	***31.04
2.	Ethics	Femininity Transformational leadership Product term	0.31 0.51 0.31	***3.59 ***4.77 *2.20	0.41	***23.10

N = 102. \* = p < .05. \*\* = p < .01. \*\*\* = p < .001.



The four-field analysis was then done. Individuals were assigned into gender-role categories based on the BSRI scores. Individual masculine and feminine scores were compared to the medians for the entire sample. The BSRI masculinity median was 5.025 while the BSRI femininity median was 5.25. People who scored higher than the median on both the dimensions, were classified as androgynous. Similarly, people having only a high masculine score or only a high feminine score were classified as masculine and feminine respectively. Individuals scoring less than the median on both dimensions were designated undifferentiated. After the categorization, analyses of variance of transformational leadership and ethics across the four-field categories were conducted. Results are presented in Table 5. The results show that both transformational leadership and ethics vary significantly across the four gender categories.

**Table 5. Analysis of variance across the four gender categories**

Variable		Undifferentiated	Feminine	Masculine	Androgynous	F
	N	28	23	24	27	
Transformational leadership	M	2.52 <sup>a</sup>	3.11 <sup>a</sup>	3.10	3.27	14.02
	SD	0.61	0.37	0.43	0.35	
Ethics	M	5.46	6.07	6.14	6.47	24.98
	SD	0.41	0.40	0.56	0.40	

p < 0.001 for both models.

Analyses of variance were also done taking each pair of cells separately to check if there were significant differences in transformational leadership and ethics between the cells in any pair. Compared to the undifferentiated cell, transformational leadership was significantly higher in the feminine cell (F = 16.23, p < 0.001), masculine cell (F = 14.89, p < 0.001), and androgynous cell (F = 30.70, p < 0.001). There was no significant difference in transformational leadership between any other pair of cells.

Compared to the undifferentiated cell, ethics was significantly higher in the feminine cell (F = 29.09, p < 0.001), masculine cell (F = 25.91, p < 0.001), and androgynous cell (F = 87.05, p < 0.001). Ethics was significantly higher in the androgynous cell compared to the feminine cell (F = 12.48, p < 0.001) and the masculine cell (F = 6.01, p < 0.05). There was no significant difference in ethics between the feminine and masculine cells.

## DISCUSSION

In this extremely competitive business world, it is important to understand the factors that enhance the performance of organizations. It has been shown by several studies that transformational leadership results in performance beyond expectations by shifting followers to higher levels of motivation and morality. It is therefore important to understand the variables that affect transformational leadership positively. This study analyzed one such variable--gender, and looked at the effect of both gender and transformational leadership on ethics. Instead of classifying managers into women and men and analyzing their transformational leadership, this study considers the masculine and feminine characteristics. This classification is based on the concept that men and women can have both feminine and masculine traits in varying quantities. The results of the study show that femininity enhances transformational leadership and masculinity adds additional variance in explaining transformational leadership. It shows individuals classified as androgynous are likely to be more transformational.

Masculinity, femininity, and transformational leadership are all positively related to ethical behavior. In addition, femininity moderates the effect of transformational leadership on ethics such that the effect is more when femininity is low.

Change has become an inherent part of the business world today. In this changing era, androgynous leaders who exhibit both feminine and masculine characteristics are likely to be the most suited for handling change. While masculinity may have worked in the times of command and control, and femininity may have worked in the human relations period, today's complex world requires a combination of masculinity and femininity.

There have been debates on the ethical behavior of transformational leaders in the past. This study shows that ethics is positively related to transformational leadership. Transformational leaders are high on integrity; they build trust in themselves by virtue of their being seen by their followers as being charismatic. Many business scenarios today demand high integrity and trust; joint ventures, outsourcing, and contracts, are few examples.

Femininity interacts with transformational leadership in predicting ethical behaviors. The relationship between transformational leadership and ethics is stronger for those lower on femininity as compared to those higher on femininity. Femininity and transformational leadership appear to be substituting each other in affecting ethics. Hence, if femininity is already high, the additional contribution of transformational leadership in predicting ethics may not be much. The study findings also show that ethics does not vary significantly between the feminine and masculine groups. Ethics is higher in androgynous individuals than in the other gender groups.

This study clearly shows the importance of gender traits for transformational leadership and ethics. It shows that managers should be both assertive and caring. Organizations must train their managers on both the feminine and masculine traits to develop more transformational leaders and encourage ethical behavior.

## **LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

This study's major limitation is the same source bias; data for all the variables were collected only from the leaders. Further research can be done by considering leader-subordinate pairs, where the subordinates appraise their leaders. The study can also be conducted in various other environments to understand the behavior of managers in different types of organizations at various geographical locations so that findings can be generalized to a wider population. Causality could not be empirically established in this study, since all data were collected at the same time. Longitudinal studies and experiments could be used as the study design to demonstrate causality.

## **CONCLUSION**

There have been various debates on the impact of gender and ethics on transformational leadership. This study shows that gender traits have a significant influence on transformational leadership and ethics. Individuals who are high on both feminine and masculine characteristics, classified as androgynous, are found to be more transformational and ethical. The study also shows that ethics is positively related to transformational leadership and this relationship is stronger when femininity is low. As more studies confirm these findings, organizations would be able to more easily develop transformational leadership and encourage ethical behaviors.

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## BOOK REVIEW

**Vikram Akula (2011). A Fistful of Rice: My Unexpected Quest to End Poverty through Profitability (Boston: Harvard Business Review Press), pp. 191, Rs. 495 (h/b), ISBN 978-1-4221-3117-6.**

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What is microfinance? Why does it matter? What are the different models of microfinance? And, most importantly, what are the misperceptions about microfinance institutions? These then are some of the more important questions that are addressed in this book; which is, strictly speaking, an experiential memoir of Vikram Akula's forays in setting up a microfinance institution called Swayam Krishi Sangam or SKS Microfinance. The significance of both the title and the subtitle of this book must not be overlooked; they cover most of the theoretical ground at stake in the area of microfinance and the development of microfinance institutions in the country. But, at the same time, this book is not a full-fledged theoretical account of microfinance; it is more of an extended case study from Akula's point of view. What makes the book interesting in terms of stylistics is that it can be read by both students of management and by those in the humanities and the social sciences, since it throws light on the challenges of social entrepreneurship in rural communities. The title of the book refers to an incident in which Akula encountered poverty for the first time at the home of an aunt; where, a woman pot seller, who received rice from his aunt, in exchange for her wares, bent down to pick up a few morsels that fell on the floor since she wanted to be sure that 'she hadn't missed a single grain'.

Akula's intention in setting up SKS Microfinance is to make available the financing necessary to help women like that escape from the endemic trap of poverty. It will however not be possible to help millions of such women in dire need, and scale up the process of providing the required number of microloans, purely through good intentions. Hence, Akula decided to strike a middle path between the non-profit model of Grameen and the only for profit model of Compartamos. This is where the perception problems are coming from: SKS can neither make the moral pitch of Grameen nor the profits pitch of Compartamos. Since opinion on microfinance institutions veers between these alternate business models, Vikram Akula often finds himself at the receiving end of the disaffection that these models inspire amongst the extreme ends of the ideological spectrum. It is easy for the critics to forget that he does not subscribe to either of these approaches to microfinance, and is not responsible for the main attributes of these business models. Given that rural poverty is a sensitive topic, there is a propensity amongst commentators to jump to conclusions without making the allowance necessary for a nuanced understanding of microfinance institutions (MFI). So, for instance, it is not widely known that MFIs are not allowed to accept deposits like banks; they themselves have to borrow from banks at around 11 percent, incur a number of documentation and transaction costs, set aside at least two percent capital for 'potential defaults', and work with a margin of just three percent. Akula, for instance, started off with a 36 percent rate of interest in order to break-even, but reduced it subsequently to 28 percent in rural communities where the only alternatives to microfinance for poor people are predatory lenders.

This is not the situation for Grameen; it not only charges a lower rate of interest, but is able to do so because it subsequently became a 'bank for the poor' by an act of Parliament in Bangladesh even though it started as an MFI. So though the point of departure for Grameen and SKS might have been similar in terms of a formative encounter with poverty for its Western educated founders, the point of arrival is bound to be different given that they have different business models. The Compartamos model, as pointed out previously, is an attempt to charge as much interest as possible; this is neither desirable nor possible without inviting criticism

from the regulators, and losing the professional identity that makes MFIs a force for good in rural communities. It is important therefore to go beyond the non-profit versus too-much profit approaches, and attempt 'something entirely different', like SKS is trying to do. What makes this 'third way' interesting is that it 'yields both low interest rates and high profits for investors' without the need for high interest rates. This, again, is a simple idea that is not well-understood. A common misperception, in this context, is that only high interest rates will lead to high profits. But, as any business ethicist will point out, there is nothing wrong in generating a high return for investors as long as interest rates are reasonable, which is the case for SKS. The secret of doing so is to use cross-selling techniques that leverage upon the trust that it has generated in rural communities.

It is at this point that microfinance converges with the 'bottom of the pyramid' framework of C.K.Prahalad, since a large number of kirana stores in the villages are financed through micro-loans. The owners of these stores who belong to the SKS network are able to source their supplies directly from Metro Cash & Carry, and thereby do away with middlemen. The deal with Metro was negotiated by Akula on behalf of the members of SKS. Akula was also able to provide loans to those who wanted to buy cell phones by tying up with Nokia and AirTel. Since cell phone companies wanted to break out of saturated urban markets, this was a great opportunity for them to enter the BOP segment; they were therefore willing to offer their services at affordable rates. Further instances of cross-selling include insurance products, which do not lapse even if the customer missed payments – as was often the case in villages. While most insurance companies might hesitate to commit to such an unconditional form of insurance, SKS managed to get precisely this from Bajaj Allianz, which has now drawn up a whole range of insurance products for the rural markets. A number of well-known companies also advertise in the passbooks issued to SKS members. Another interesting breakthrough was tying up with HDFC to provide housing loans by leveraging on the SKS database of houses.

SKS has also got involved in rural education and health by not only setting up village schools, but by making available medicines sourced from UNICEF to improve the health of children. SKS has also participated in providing flood-relief in Bihar (2008) and in empowering political participation by rural women – some of these women have even won elections by leveraging on the leadership skills that they learnt in the course of participating in microfinance projects. Akula describes a formative meeting that he himself had with Rahul Gandhi at Hyderabad in 2005, when the young Congress leader travelled with him to the villages nearby to see the work that SKS was doing. Rahul's support was absolutely crucial not only for Akula; but also for SKS, which became a household name in the country in the wake of the publicity that Rahul's trip generated in the media. But, most importantly, Akula understood the importance of getting his ideas heard by progressive politicians like Rahul who are in a position to make a difference. SKS has also provided policy input on the challenges of tackling rural poverty to the Congress party before the elections of 2009, and to the states of Bihar and Rajasthan.

What is at store then for SKS Microfinance? Having raised \$75 million in capital investment during the height of the crisis in 2008, Akula now hopes to export his framework abroad; a number of countries which hope to replicate the miracle of microfinance have started to approach him to serve as an advisor. Microfinance, as he points out, is not just an economic tool for developing countries, but is of relevance even in the United States. And, as Akula puts it, in the conclusion of this memoir: 'Microfinance is a thriving, world-changing business, and we don't intend to stop growing until every poor person in the world has access to it'.