What type of leadership is more effective for managing change during force majeure? Achieving organizational effectiveness during the pandemic

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Abstract

Purpose – Leaders have been facing serious challenges in managing organizations during COVID-19, which has brought the need for implementing sudden technological change across the globe. Hence, it was important to identify effective leadership styles to successfully manage the transformational process during the period. Therefore, the current study aims to explore and compare the effectiveness of transformational and ethical leadership (EL) in terms of achieving organizational goals during COVID-19 in public and private sector organizations in Pakistan.

Design/methodology/approach – Comparative research was carried out to find out the effectiveness of transformational and EL during and pre-COVID-19 in public and private sector organizations using the lens of social exchange theory. Data was collected from 214 respondents representing 67.6% of public and 32.4% of private sector organizations of Pakistan at two different points in time. Detailed comparative analyses were conducted in AMOS version 24 to assess the effectiveness of leadership styles before and during COVID-19 times.

Findings – On the whole, transformational leadership (TL) was found to have a greater impact on organizational effectiveness (OE) in comparison with EL in both pre-and during COVID-19 situations. Moreover, the effectiveness of TL significantly increased and the same decreased for EL during COVID-19. Additional analyses indicated that TL was effective for the private sector and EL for public sector organizations during COVID-19.

Research limitations/implications – The study has not considered the mediating mechanisms of employee motivation, engagement and performance in the relationship between transformational and EL styles and OE, which can be explored in the future.

Practical implications – These results have important implications for private and public sector organizations and suggest that the adoption of a TL style will generate better results in the private sector and an EL style in public sector organizations to achieve OE in uncertain situations such as COVID-19.

Social implications – The study shows that leadership with more care and concern for humanity tends to perform better in terms of generating results for OE. Therefore, both transformational and EL are based on

individualized consideration for employees and are effective during COVID-19 in private and public sector organizations in Pakistan.

Originality/value – The study has carried out the comparative analyses in three different ways, including leadership styles (transformational and ethical), type of organization (private and public) and time frames (pre and during COVID-19), which is a true contribution of the research in the Pakistani context.

Keywords Transformational leadership, Ethical leadership, Social exchange theory, COVID-19, Organizational effectiveness, Force majeure, Public sector banks, Private sector banks

Paper type Research paper

Introduction

The emergence of COVID-19 posed an extraordinary challenge for the world to adopt unplanned technological change and increased stress and anxiety among employees. Especially in the banking sector, which acts as the backbone of a country's economy, the physical presence of employees is a compulsion to keep the financial system moving (Kazemian, Said, Hady Nia, & Vakilifard, 2019). Under these circumstances, effective leadership became the topic of discussion among researchers and practitioners. In the academic arena, ethical leadership (EL) and transformational leadership (TL) were expected to motivate employees and guide them effectively during uncertainty and chaos (Markey, Ventura, Donnell, & Doody, 2021; Azizaha et al., 2020).

The EL style exhibits higher morality and values in reinforcement, management communication and decision-making (Brown & Chikeleze, 2020). Studies have found several effective outcomes of this leadership style, including employee involvement, commitment (Ahadiat & Dacko-Pikiewicz, 2020), task performance (Piccolo, Greenbaum, Hartog, & Folger, 2010), organizational trust and organizational citizenship behavior (Peng & Kim, 2020) before COVID-19. Recently, a few researchers (Suifan, Diab, Alhyari, & Sweis, 2020) have studied the effectiveness of this leadership style on employees' turnover intentions, psychological empowerment and organizational identification. However, comparative research was found missing.

Scholars such as Qian, Yuan, Lim, Niu, & Liu (2020) studied the association between TL and successful change management and explained that these leaders are energetic and enthusiastic to drive their teams to meet emerging challenges. They have the potential to stimulate the employees to accept challenges and inspire them to create work-loving behaviors and promote organizational learning, which is considered an effective tool during the transformational process (Kim & Park, 2020; Pasamar, Diaz-Fernandez, & de la Rosa-Navarro, 2019; Vashdi, Levitats, & Grimland, 2019). Although previous research has amply discussed EL and TL for their influence on employees and organizational performance, most of these studies were conducted in pre-pandemic everyday situations. At the same time, COVID-19 has presented an unprecedented challenge to bring about and adopt a drastic change as a compulsion. Therefore, the role of EL and TL needs to be explored during these highly stressful and unpredictable situations (Markey et al., 2021; Azizaha et al., 2020). From a social exchange perspective, these leadership styles are expected to achieve organizational goals more effectively; however, they may vary from organization to organization. Especially the differences in focus and objectives of public and private sector organizations can bring different results and, therefore, need comparative investigation, particularly during COVID-19 (Wang, Xing, Xu, & Hannah, 2021).

Franczukowska, Krczal, Knapp, & Baumgartner (2021) studied EL in the health sector and proposed that organizations need higher positivity and ethics when implementing digital transformation and managing employees' resistance to unplanned change. Likewise, Azizaha et al. (2020) compared transactional and TL in the education sector, where a comparison between TL and EL is recommended. It has been observed that public and private sector organizations responded differently to the challenges posed by COVID-19. This is because of the differences in their focus that provide another window for exploration during COVID-19 (Wang et al., 2021). Therefore, in this research, we conducted a survey of employees to compare EL and TL in terms of achieving organizational effectiveness (OE) during COVID-19 in both public and private sector banks in Pakistan that remained open during COVID-19 and needed dynamic leadership to cope with the stress and anxiety during the crisis.

Literature review

TL has emerged as an effective style for implementing institutional change (Islam, Furuoka, & Idris, 2021). According to Burn (1978), TL prioritizes opportunities and encourages all organizational elements to work based on a value system by inspiring followers to achieve organizational change objectives (Qian, Yuan, Lim, Niu, & Liu, 2020). According to Bass and Riggio (2006), TL has four main dimensions: the influence of idealism, individual consideration, intellectual stimulation and inspirational motivation. This type of leadership focuses on effective organizational change management while showing extra care to individual followers and motivating them intrinsically toward collective organizational goals (Yahaya & Ebrahim, 2016).

Such leaders follow a rational decision-making style and try to spend more time deciding the best option (Berkovich & Eyal, 2021). However, being change agents, they also encourage innovation and take calculated risks. These leaders are considered helpful in uncertain circumstances as they are trusted for equitable decision-making (Jensen, Potočnik, & Chaudhry, 2020). As postulated in the social exchange theory (SET), individuals make rational decisions about their interactions with others and expect equitable and fair rewards for their actions. The theory assumes that the stability of such a relationship is based on the interdependence among participants in terms of profits (organizational perspective) and rewards (employee perspective). Therefore, the decisions of such leaders have direct consequences on employee motivation that may lead to organizational outcomes (Khattak, Zolin, & Muhammad, 2020).

Similarly, EL revolves around the morality of leaders as a person or a member of society. The role of an ethical leader is to maintain ethical practices, inspire followers toward positivity within the organization (Walumbwa et al., 2011) and encourage independent decision-making (Duradoni & Di Fabio, 2019). According to Kalshoven, Den Hartog, & De Hoogh (2011), EL has seven critical dimensions: fairness, shared leadership, role clarification, solicitude, broad perspective, ethical direction and integrity, which help manage change and uncertain situations. Both TL and EL can be explained through SET, which propagates the significance of reciprocal relationships between employees and organizational behaviors (Zeinabadi, 2014). The theory assumes that social exchanges are regulated by reciprocal trust that comes from the repeated practice of fairness and justice in decision-making. Therefore, EL adopts a behavioral decision-making style and focuses more on the human factor than anything else (Veale, Van Kleek, & Binns, 2018). Their decisions are based on transparency, responsibility and empathy, ensuring they follow the rules and regulations. However, when an intuitive decision-making strategy is

required in exceptional circumstances, following a complex ethical decision-making strategy may not be effective (Heyler, Armenakis, Walker, & Collier, 2016).

A transformational leader shows extra care and concern for his/her followers and obtains better results in driving them to achieve organizational goals, even during chaos and uncertainty (Islam et al., 2021). Such leaders help their followers understand the positive consequences of any change activity and maintain the morale of their employees by creating an effective balance between employees' and organizational objectives during uncertainty. Similarly, EL safeguards organizational interests while focusing on employees' intrinsic motivation and personalized concerns (Abbas, Saud, Suhariadi, Usman, & Ekowati, 2020). Their altruistic behavior toward their people establishes their integrity, and people tend to follow them in achieving organizational goals more efficiently. SET is one of the most widely used lenses to explain leadership research, and it has the potential to collectively explain the two most influential leadership styles discussed in the present study. It provides an umbrella to effectively explain the process through which both leadership styles may work during crises (Kim & Vandenberghe, 2021).

Mukhtar, Risnita, & Prasetyo (2020) argue that TL improves OE as it helps resolve conflicts among its members through enhanced interpersonal communication at all levels. Such leaders are helpful in crises as they adopt an intuitive decision-making style to ensure quick decision-making and timely actions (Muenjohn & McMurray, 2018). Therefore, it is expected that such a leadership style is effective in achieving organizational goals during crises. Kim and Park (2020) endorse that transformational leaders perform this task by inspiring, stimulating, challenging, supporting and guiding employees to learn new strategies and skills to achieve organizational goals effectively (Pasamar et al., 2019; Vashdi et al., 2019; Ali, Fuenzalida, Gómez, & Williams, 2021).

Taylor, Cornelius, & Colvin (2014) reported that effective organizations manage their information and documentation and follow standardized practices to share and preserve their knowledge assets. Al-Husseini, El Beltagi, & Moizer (2021) explained that transformational leaders ensure effective knowledge sharing that contributes to OE. This relationship was further endorsed by Nguyen, Malik, & Budhwar (2022), who reported negative moderation of TL on the relationship between role conflict and knowledge hiding during crises. Researchers compared several prominent leadership styles to identify the most effective compared with transactional (Abadama, 2020), authoritative, charismatic (Mitra, 2020) and *laissez-faire* leadership styles (Devi & Lochab, 2020) in different contexts before COVID-19 but not during the pandemic. Therefore, we propose the following:

H1a. Transformational leadership is more effective in bringing organizational effectiveness during COVID-19 compared with pre-COVID-19 situations.

There is ample evidence that the effectiveness criteria vary across organizations, especially when compared in terms of public and private sector organizations (Darling & Cunningham, 2016; Kundu & Banerjee, 2022). These organizations' inputs, processes, outcomes, objectives and change management approaches differ (Muterera, Hemsworth, Baregheh, & Garcia-Rivera, 2018). As Van der Voet, Kuipers, & Groeneveld (2016) argued, transformational leaders are central to bringing planned and unplanned change to the organization. However, the public sector's highly formalized and complex organizational structure can place challenging demands for change leaders. Consequently, transformational leaders, who are change agents by nature, may face obstacles in implementing changes. This situation is particularly evident in crises where urgent decision-making is required while a bureaucratic organizational structure slows

it down (Comes, Van de Walle, & Van Wassenhove, 2020). On the other hand, private sector organizations are relatively more inclined to change, and therefore transformational leaders feel comfortable taking and implementing their intuitive or rational decisions (Uzonwanne, 2016). Therefore, researchers studied the impact of TL on the performance of public (Fadilah, Zainol, Ebrahim, & Lee 2021) and private organizations (Pan, Verbeke, & Yuan, 2021; Zhang et al., 2020). However, the current study put the following propositions for comparison between public sector banks (PSBs) and Private Banks (PrBs) COVID-19:

H1b. The effectiveness of transformational leadership significantly increased during COVID-19 from pre-COVID-19 situations for public sector banks.

H1c. The effectiveness of transformational leadership significantly increased during COVID-19 from pre-COVID-19 situations for private sector banks.

SET explains the relationship between EL and employees' proactive behavior in the workplace through trust and fairness, which increases their motivation to achieve organizational goals (Ahmed, Abid, Contreras, Hassan, & Zafar, 2020). De Hoogh and Den Hartog (2008) indicated that EL increases the effectiveness of an organization by improving its reputation; therefore, such companies have better resistance to emerging crises. Fragouli (2020) explains how an ethical leader drives employees' behavior by fostering ethical decision-making and improving organizational reputation as ethical and fair decision-makers (Piccolo et al., 2010). EL promotes ethical behaviors and standards and helps develop effective organizations. Such organizations tend to achieve their objectives and respond to external challenges more efficiently (Kim & Vandenberghe, 2020; Qing, Asif, Hussain, & Jameel, 2020). Recently, few studies have established the link between EL and employees' emotional exhaustion, work attitude, performance (Zhou, Sheng, He, & Qian, 2020), job commitment and resistance to change (Markey et al., 2021; Peng & Kim, 2020) during COVID-19. However, a comparison between before and during COVID-19 times was missing. Therefore, the current study proposes the following hypothesis:

H2a. The effectiveness of ethical leadership significantly increased during the COVID-19 situation for public and private banks in Pakistan.

As indicated above, there is a need to study the effectiveness of EL before and during COVID-19 times for public and private organizations. As Lehnert, Craft, Singh, & Park (2016) argued that the bureaucratic organizational structures of public sector organizations provide suitable grounds for leaders to exercise ethical decision practices and show extra care and concern for their people. In line with the postulations of SET, this activity creates a reciprocal response from their followers, who tend to cooperate with their leader and participate more effectively in achieving organizational goals (Peng & Kim, 2020) because PSBs have set patterns to deal with crises and follow a balanced approach during critical situations. Therefore, it is expected that such ethical leaders will be able to deal with crises more effectively in public sector banks (Phillips, Roehrich, & Kapletia, 2021). Although some research is available on the relationship between EL and OE in pre-COVID times for either public (Demirtas, 2015) or private (Heres & Lasthuizen, 2012) sector organizations, a detailed comparison was not made. Kerse (2021) studied the effectiveness of EL in terms of person–organization fit, organizational trust and employees' extra-role behavior in both private and public sector organizations and recommended comparing the two sectors for these relationships, which are essential

facets of an effective organization. Therefore, the present study proposes the following hypotheses for testing:

H2b. Ethical leadership is significantly more effective during COVID-19 compared with pre-COVID-19 situations in the public sector banks of Pakistan.

H2c. Ethical leadership is significantly more effective during COVID-19 compared with pre-COVID-19 situations in private sector banks of Pakistan.

Based on these hypotheses, a research framework has been developed. The framework is provided in Figure 1. The following section discusses the methodology adopted for the current study.

Methods
Samples and procedures
A multilevel sampling strategy was adopted in the current study. In the first phase, a list of public and private sector banks was obtained from the official website of the State Bank of Pakistan (www.sbp.org.pk) that contained 10 public (including the State Bank) and 20 private sector banks. To ensure adequate representation of both sectors, we selected ten public (all banks) and ten randomly selected (every second) private sector banks for inclusion in the research study. After this, we selected the branches using a purposive sampling technique. In this regard, branches with a minimum strength of 20 employees were selected from 9 major cities in Pakistan (2 cities from each province and the capital city).

Initially, we approached 25 branches of each sector and contacted their HR departments for cooperation in data collection. However, 13 branches of private and 19 public-sector banks agreed to participate. To obtain the maximum response, we ensured the HR managers the anonymity of the data and the importance of the results for improving their effectiveness during crises. The data collection process was carried out from September 2021 to December 2021 using online and self-administered data collection methods. A multi-wave data collection technique was used to minimize common method bias (CMB) (Podsakoff *et al.*, 2023). In the first wave, 550 questionnaires (17 questionnaires to each of 31 branches and 23 to state banks) were sent to HR
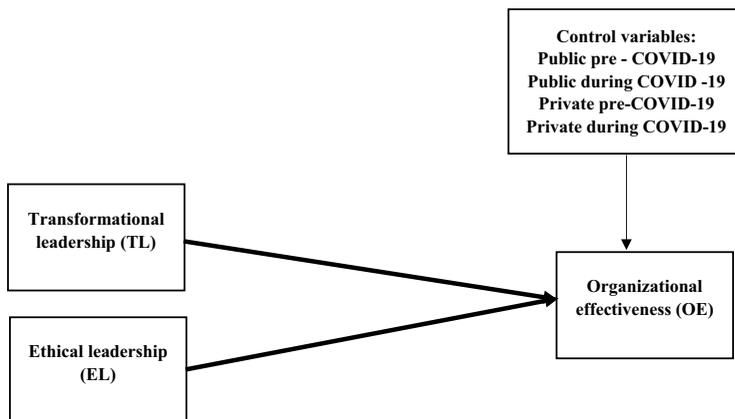
Source: By authors (2023)

departments of selected branches (who had agreed to cooperate) to get the opinion of their employees about their leadership and OE before COVID-19. Of these, 412 responses (private: 67%; public: 78%; aggregate: 75% response rate) were received back in two months. After a lapse of 2 weeks, the second wave of data collection started, and respective HR departments were again requested to cooperate in getting responses from employees who had previously responded to the survey. In this wave, they were asked to give their opinion about their leadership and OE during COVID-19. However, only 214 completed questionnaires were returned, indicating an aggregate response rate of 51.9% (public: 55%; private: 48%).

The sample indicates 68% public and 32% private sector organizations. Most respondents were young, with an average age of 35, representing 33% male and 67% female employees. The participants' educational backgrounds show that 39.1% were Masters and 37.1% were Bachelors. Most respondents (60%) were in their mid-career with 6–10 years of experience, or beginners (42%) with 1–5 years of experience. The sample comprises middle (35.1%) and lower (33.9%) level managers as well as non-managerial (30.9%) employees.

Measures

A five-point Likert scale was used to measure the level of agreement against various adapted questionnaires. EL was measured using a ten-item scale developed by Brown, Treviño, & Harrison (2005), duly modified for before and during COVID scenarios. The reliability of the original scale was 0.91, and for the current study, it was found to be 0.94. Sample items included "Before COVID-19, my supervisor used to discuss business ethics or values with employees." The same item was changed for the second phase: "During COVID-19, my supervisor discusses ethics or values with employees."

TL was measured using a 15-item scale developed by Rafferty and Griffin (2004), showing strong reliability coefficients from 0.82 to 0.96. The same value was found to be 0.96 in the present study. The sample item was "Before COVID-19, my manager used to acknowledge the improved quality of my work." The dependent variable OE was measured with eight items adapted from the study of Taylor, Cornelius, & Colvin (2014). Sample items included: "My organization had ensured employees' participation and openness in organizational decision making before COVID-19" and "My organization has ensured employees' participation and openness in organizational decision-making during COVID-19." A five-point Likert scale was used to obtain the responses from *strongly disagree* (1) to *strongly agree* (5). The scale's reliability was found to be 0.93 for the current study.

Scales validation

The scales used for the current study were revalidated through confirmatory factor analysis (CFA). Tables 1 and 2 indicate model fit indices and convergent and discriminant validity analysis results, fulfilling the desired criteria. To minimize the common method bias (CMB), the precautions suggested by PodsKoff et al. (2003) were taken care of. To further verify the absence of CMB in the data, the common latent variable method was used, and a difference between standardized estimates of substantive latent variables was found, explaining less than 2% of the shared variance, which lies in an acceptable range, and is given in Table 1 and 2 (further datail is given in appendix 1).

Results and interpretation

We used the structural equation modeling technique in AMOS version 24 to analyze the data for comparison before and during COVID-19. Results are given in Table 3 and Appendix 2. In the first phase, three models indicating the effectiveness of TL before and during

COVID-19 were developed. Results indicated that the effectiveness of TL significantly increased during COVID-19 situations when compared with pre-COVID-19 data in a composite model. The difference between the two situations was also significant (Chi-square fit statistics [CMIN] = 5.410, $p < 0.05$). Model 2 indicates the effectiveness of TL in public sector organizations before/during COVID-19 situations. Results show an increase in beta from 0.543 to 0.592. However, the difference is not significant (CMIN = 0.64, $p > 0.05$). The same process was repeated in Model 3 for the TL–OE relationship in private sector organizations. Here, the difference in the effectiveness of TL before/during COVID-19 situations was significant (CMIN = 5.785, $p < 0.05$).

Models 4–6 were developed for the relationship between EL and OE before/during COVID-19 while controlling the effect of the TL–OE path. In Model 4, the relationship between EL and OE was checked before and during COVID situations, and it was observed that the value for effectiveness of EL decreased in both composite (b = 0.341, $p < 0.001$; dur-b = 0.218, $p < 0.001$) as well as private organizations (pre-b = 0.379, $p < 0.01$; dur-b = 0.175, $p > 0.05$). In the first case, the difference is significant (CMIN = 5.974, $P < 0.05$), whereas it is insignificant in the case of private organizations (CMIN = 1.042, $p > 0.05$). When the process was repeated for public sector organizations, the results revealed a significant increase in the effectiveness of EL during COVID-19 from 0.264 to 0.279 (CMIN = 5.905, $p < 0.05$). These results indicate that TL has been perceived by the employees of private sector organizations and EL by public sector organizations as more helpful in achieving organizational objectives during COVID-19. The results are provided in Table 3.

Model↓ Criteria→	CMIN/DF >3	CFI >0.9	IFI >0.9	TLI >0.9	RMR <0.8	RMSEA <0.08
CFA	2.014	0.927	0.911	0.926	0.053	0.071
Pre-Dur COVID-19	2.189	0.934	0.92	0.934	0.065	0.054
Pre-Dur COVID-19 (private)	1.787	0.898	0.893	0.898	0.081	0.078
Pre-Dur COVID-19 (public)	2.122	0.901	0.903	0.901	0.081	0.063

Notes: CFA = confirmatory factor analysis; CMIN/DF = Chi-square fit statistics/degree of freedom; CFI = comparative fit index; IFI = incremental fit index; TLI = Tucker–Lewis index; RMR = root mean square residual; RMSEA = root mean square error of approximation
Source: By the authors (2023)

Variables ↓ Criteria →	Mean	SD	Cronbach's alpha >0.8	CR >0.8	AVE >0.5	MSV <AVE	MaxR(H) >0.8	OE (HTMT)	TL (HTMT) (<0.85)	EL (HTMT)
OE	2.34	0.882	0.93	0.869	0.526	0.454	0.871	*0.725*		
TL	2.39	0.903	0.92	0.913	0.513	0.454	0.914	0.674 *(0.646)*	*0.716*	
EL	2.17	0.859	0.94	0.883	0.521	0.349	0.888	0.591 *(0.527)*	0.446 *(0.422)*	*0.722*

Notes: OE = organizational effectiveness; TL = transformational leadership; EL = ethical leadership; SD = standard deviation; CR = composite reliability; AVE = average variance extracted; MSV = maximum shared variance; MaxR(H) = maximal reliability of the highest factor. Italicized values given in parenthesis with correlation represent HTMT (heterotrait–monotrait) analyses
Source: By the authors (2023)

Model	Pre-COVID-19			During COVID-19				Hypothesis status
	Unstd. est	Std. est	SE	Unstd. est	Std. est	SE	CR	Chi Sq. diff.	

Model	Pre-COVID-19 Unstd. est	Std. est	SE		During COVID-19 Unstd. est	Std. est	SE	CR	Chi Sq. diff.	Hypothesis status
Impact of TL on OE while controlling EL—OE path										
Model 1 (composite)	0.414	0.506	0.066	6.296***	0.671	0.667	0.084	8.007***	5.410*	Accept *H1a*
Model 2 (public)	0.314	0.543	0.066	4.742***	0.603	0.592	0.104	5.800***	0.064 (NS)	Reject *H1b*
Model 3 (private)	0.667	0.648	0.133	5.031***	0.700	0.657	0.140	5.01***	5.785*	Accept *H1c*
Impact of EL on OE while controlling TL—OE path										
Model 4 (composite)	0.477	0.341	0.114	4.191***	0.195	0.218	0.055	3.560***	5.974*	Accept *H2a*
Model 5 (public)	0.279	0.264	0.107	2.615*	0.247	0.279	0.070	3.506***	5.905*	Accept *H2b*
Model 6 (private)	0.638	0.379	0.210	3.029**	0.149	0.175	091	1.640 (NS)	1.042 (NS)	Reject *H2c*

Notes: OE = organizational effectiveness; TL = transformational leadership; EL = ethical leadership; ***$p < 0.001$; **$p < 0.01$; *$p < 0.05$; NS = not significant
Source: By the authors (2023)

Table 3.
Regression estimates

Discussion
COVID-19 presented an urgent need to shift from traditional physical organizational structures to virtual office systems supported by technology. However, despite uncertainty and extreme depression, both physical and online banking systems remained active with specific precautionary measures (Marcu, 2021). Here, leadership emerges as the most critical factor in dealing with unforeseen situations. This not only created a need for urgent training and development activities but also led to stress, fear, demotivation and other depressing behaviors among employees. Therefore, in the course of the current study, EL and TL were compared before and during COVID-19 situations to identify the most effective leadership styles for PSBs and PrBs. It was found that the effectiveness of TL increased in both PrBs and PSBs during COVID-19.

Interestingly, in pre-COVID situations, both TL and EL were more effective in the PrBs than PSBs, while during COVID-19, the effectiveness of TL increased and EL decreased. The difference between before/during COVID-19 for TL in the PSBs and EL in the PrBs was insignificant. Therefore, *H1a*, *H1c*, *H2a* and *H2b* were accepted, while *H1b* and *H2c* were rejected in the current study.

These results align with previous research conducted by Bhaduri (2019), where it was found that TL with more motivational qualities can create preparedness for change among employees and, therefore, is more effective during a crisis. Transformational leaders using rational and intuitive decision styles can make quick and effective decisions in crises. They are considered champions of introducing and managing planned and unplanned changes effectively. Because the focus of PrBs is more performance-oriented, TL is more effective. Especially under highly stressful situations, TL shows more energy and passion for motivating and managing teams and leading them to achieve collective goals efficiently. However, their success was never explored during force majeure and unplanned complementary change like the one presented by COVID-19 (Qian et al., 2020).

On the other hand, EL focuses on ethical standards and concerns for employees. It pays moderate attention to organizational outcomes and is rated relatively low on OE by PrBs (Markey et al., 2021; Azizaha et al., 2020). Such leaders use the behavioral approach in decision-making and firmly follow structured rules and regulations. Therefore, PSBs are more conducive to their decision-making styles. However, considering the caring and benevolent nature of the public sector, ethical leaders are perceived as more effective in dealing with and managing change during crises.

This study identified the significant effects of TL in private and EL in public sector organizations during COVID-19. The study also compared two leadership styles before and during COVID-19 to identify a more effective way of managing change (Markey et al., 2021; Hoch, Bommer, Dulebohn, & Wu, 2018). Additionally, it has extended the validation of SET by explaining the effectiveness of TL in the private sector during COVID-19. These organizations focus more on productivity and performance and pay less attention to employees' care and concerns (Kim & Vandenberghe, 2021). Transformational leaders adopt a balanced approach where they possess motivational and charismatic traits and exhibit specialized concern and consideration for the individual employee. In response, employees follow them and accept the change process effectively. Similarly, an ethical leader creates integrity among followers, and in response, they trust him/her to safeguard their interests. Therefore, they tend to perform better in achieving organizational goals, which is evident from the findings of PSBs.

In line with the assumptions of the SET, this study confirms that the concerned and caring behavior of ethical leaders creates reciprocal trust among leaders and followers. A strong bond is created, leading to better working relationships and improving workplace

performance (De Hoogh & Den Hartog, 2008). Therefore, such organizations tend to perform more effectively. However, such leaders may take longer than required in critical decision-making under uncertainty or crises. They may not be able to effectively meet the unplanned change's challenges (Fragouli, 2020). Faupel and Suß (2019) also authenticated the usefulness of TL during the implementation of change by realizing attractive change consequences among employees and helping them accept change as favorable for them.

However, EL was perceived as insignificant for PrBs during COVID-19. This could be because of the differences in the organizational focus of PrBs and PSBs. A similar study by Heres and Lasthuizen (2012) reported that the management of private organizations pays relatively less attention to ethical standards as compared with the achievement of organizational goals. Therefore, they are rated low on ethical and caring dimensions and high on productivity. This is specifically applicable in developing countries, where the private sector is not well established compared with the PSBs. These results justify the current study findings and are consistent with each other. However, this study is different as it was conducted in the context of COVID-19, which poses an unpredictable situation and a complimentary need for unplanned change.

Moreover, it calls for urgent decision-making and forceful compliance with rapidly changing requirements arising from time to time in emergencies. In these circumstances, strict adherence to ethical standards becomes difficult. Therefore, TL can produce better results on the whole. Moreover, as indicated by Wang, Xing, Xu, & Hannah (2021), the effectiveness of EL varies from follower to follower. Especially under extraordinary circumstances where forceful submission is required, EL may not be able to change the unethical behaviors of individuals. It is, therefore, justifiable that during the chaotic situations of the pandemic, EL was relatively less effective in the private sector in comparison with public sector organizations.

Implications
This study was conducted to find the effective leadership style for private and public sector banks during the critical time of COVID-19. TL and EL styles were compared before/during COVID-19 situations. Results revealed that both leadership styles were effective in both situations, while TL had an edge in both types of organizations. However, its effectiveness increased in the PrBs and decreased in the PSBs during COVID-19. On the other hand, the significance of EL was found for PSBs during COVID-19. These results have particular implications for various stakeholders, including organizations, managers and researchers, which are discussed in the following sections.

Implications for organizations
The banking sector faces multiple challenges in managing its employees and maintaining their effectiveness during the critical times of COVID-19. This study has proposed that TL is the best leadership style to successfully manage unplanned change, especially in PrBs. Therefore, banks are required to promote TL and EL qualities through management training and development programs within their organizations. This is required explicitly during COVID-19, as most managers may lack specific motivational techniques through online and virtual communications. TL focuses on rational and intuitive decision-making and is especially useful in crises. However, such decision-making does not always need to be correct and suitable for the organizations.

Therefore, it becomes essential for such leaders to get due experience in quick and well-informed decision-making. Computer-based decision support systems can help these leaders make effective and timely decisions to ensure employees' performance

and effectiveness. On the other hand, EL significantly improved the OE in the PSBs in the current study; however, it incorporates prolonged and careful decision-making, which is not a recommended strategy during a crisis, especially in the banking sector. This is one reason PSBs are relatively behind PrBs in their performance in Pakistan (Haris, HongXing, Tariq, & Malik, 2019). Therefore, such leaders need training to make efficient decisions and focus on employees' as well as organizational outcomes simultaneously.

Theoretical contribution and future research agenda
This study has extended the validity of TL through the lens of SET. In compliance with SET, the study proves that effective change management is a reciprocal mechanism in unforeseen situations. Employees respond to the change requirements following leadership behavior and specialized concern for their individual needs. Consequently, they perform better and help achieve organizational goals more effectively. These results have provided the basis for explaining the usefulness of TL during COVID-19, which is a theoretical contribution of the current research. It also provides an opportunity for future researchers to explore dimensions of TL in the context of SET, i.e. to identify the effect of each dimension on OE, primarily through mediating mechanisms of motivation, involvement, commitment and creating readiness for unplanned change during crises.

Similarly, it is also important to assess the effect of both leadership styles on each dimension of OE, which has been taken as a composite construct in the current study. This investigation will help understand the link to which leadership characteristic increases which dimension of OE. Moreover, employees who have undergone a mandatory digital transformation during the pandemic are expected to be better equipped with technological knowledge. Now they are capable of performing their duties from a distance through online communication systems. Therefore, the effectiveness of leadership may vary in implementing hybrid setups across PSBs and PrBs in post-COVID-19 times, which also calls for investigation in research.

Conclusion
This study compares the effectiveness of TL and EL in achieving OE during COVID-19. In this regard, comparisons between before and during COVID-19 were conducted. Results were compared for PSBs and PrBs. It was revealed that the effectiveness of TL was significantly increased in PrBs and EL in PSBs. Therefore, four out of six hypotheses were accepted, while two were rejected. The results recommended that the PSBs and PrBs focus on leadership development programs to improve transformational and EL qualities among their managers to achieve OE, especially during crises. Results also provided avenues for future research by introducing additional mediating and moderating mechanisms such as employees' well-being, motivation and performance. The study has also significantly contributed to the leadership literature and extended the validation of SET in the context of TL and EL during COVID-19.

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Further reading

Fadhilah, N., Sophya, I. V., Muthohar, A., & Mufid, A. (2021). Readiness to change during the COVID-19 pandemic: Study of self-efficacy and perceived organizational support on lectures performance. *Academy of Strategic Management Journal*, *20*(4), 1–10, doi: https://doi.org/10/covidwho-1344863.

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Appendix 1

Code	Item	Pub_pre_covid		Pub_dur_Covid		Priv_pre_Covid		Priv_dur_Covid		Total	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Ethical leadership											
EL1	Conducts his/her personal life in an ethical manner	1.65	0.74	2.57	1.21	1.91	0.89	2.58	1.36	2.15	1.13
EL2	Defines success not just by results but also by the way that they are obtained	1.86	0.70	2.38	1.21	1.92	0.93	2.24	1.16	2.11	1.03
EL3	Listens to what employees have to say	1.97	0.83	2.53	1.14	2.03	0.91	2.42	1.14	2.24	1.03
EL4	Disciplines employees who violate ethical standards	1.96	0.77	2.30	1.11	1.97	0.88	2.36	1.22	2.14	1.00
EL5	Makes fair and balanced decisions	1.86	0.78	2.28	1.16	1.91	0.76	2.36	1.21	2.09	1.02
EL6	Can be trusted	2.01	0.77	2.26	1.07	2.02	0.85	2.33	1.18	2.15	0.97
EL7	Discusses business ethics or values with employees	1.91	0.76	2.55	1.12	2.00	0.82	2.55	1.14	2.25	1.01
EL8	Sets an example of how to do things the right way in terms of ethics	2.01	0.78	2.30	1.14	2.03	0.91	2.30	1.20	2.16	1.01
EL9	Has the best interests of employees in mind	2.06	0.72	2.52	1.11	1.92	0.97	2.47	1.14	2.26	1.00
EL10	When making decisions, ask "what is the right thing to do?"	1.99	0.82	2.38	1.11	2.14	1.08	2.44	1.28	2.22	1.06
Transformational Leadership											
TL1	Has a clear understanding of where we are going	2.09	0.95	2.24	1.11	2.30	1.11	2.35	1.12	2.21	1.06
TL2	Has a clear sense of where he/she wants our unit to be in 5 years	2.30	1.06	2.32	1.20	2.58	1.12	2.29	1.09	2.35	1.13
TL3	Has no idea where the organization is going (Rja	2.36	1.10	2.44	1.22	2.56	1.14	2.35	1.12	2.42	1.15

(continued)

Table A1.
Descriptive (mean, standard deviation)

Code	Item	Pub_pre_covid Mean	SD	Pub_dur_Covid Mean	SD	Priv_pre_Covid Mean	SD	Priv_dur_Covid Mean	SD	Total Mean	SD
TL4	Says things that make employees proud to be a part of this organization	2.17	1.15	2.34	1.15	2.70	1.18	2.26	1.10	2.33	1.15
TL5	Says positive things about the work unit	2.28	1.08	2.57	1.15	2.61	1.12	2.35	1.13	2.44	1.13
TL6	Encourages people to see changing environments as situations full of opportunities	2.45	1.16	2.28	1.04	2.53	1.10	2.26	1.13	2.38	1.11
TL7	Challenges me to think about old problems in new ways	2.40	1.16	2.57	1.15	2.67	1.14	2.20	0.98	2.47	1.13
TL8	Has ideas that have forced me to rethink some things that I have never questioned before	2.61	1.19	2.50	1.13	2.56	1.24	2.32	1.11	2.52	1.16
TL9	Has challenged me to rethink some of my basic assumptions about my work	2.28	1.04	2.46	1.16	2.48	1.10	2.26	1.22	2.37	1.12
TL10	Considers my personal feelings before acting	2.28	1.03	2.38	1.16	2.45	1.10	2.24	1.07	2.34	1.09
TL11	Behaves in a manner which is thoughtful of my personal needs	2.32	1.13	2.30	1.15	2.52	1.29	2.42	1.15	2.36	1.16
TL12	Sees that the interests of employees are given due consideration	2.40	1.11	2.28	1.08	2.53	1.21	2.30	1.16	2.37	1.12
TL13	Commends me when I do a better than average job	2.57	1.21	2.62	1.25	2.77	1.23	2.35	1.13	2.58	1.22
TL14	Acknowledges improvement in my quality of work	2.45	1.09	2.53	1.33	2.76	1.29	2.55	1.37	2.54	1.25
TL15	Personally compliments me when I do outstanding work	2.30	0.95	2.35	1.09	2.48	1.19	2.39	1.15	2.36	1.07

(continued)

Table A1.

| Code	Item	Pub_pre_covid Mean	SD	Pub_dur_Covid Mean	SD	Priv_pre_Covid Mean	SD	Priv_dur_Covid Mean	SD	Total Mean	SD
Organizational effectiveness											
OE1	Participation and openness	2.13	0.70	2.54	1.12	2.32	1.24	2.44	1.19	2.35	1.04
OE2	Innovation and adaptation	2.15	0.94	2.49	1.22	2.44	1.14	2.61	1.26	2.38	1.13
OE3	Productivity and accomplishment	2.26	0.92	2.40	1.15	2.62	1.24	2.64	1.28	2.43	1.12
OE4	Stability and control	2.30	0.98	2.43	1.18	2.67	1.22	2.55	1.25	2.44	1.14
OE5	Commitment and morale	2.15	0.90	2.29	1.13	2.56	1.19	2.61	1.32	2.34	1.11
OE6	External support and growth	2.15	0.87	2.52	1.23	2.55	1.15	2.50	1.34	2.39	1.14
OE7	Direction and goal clarity	2.09	0.85	2.27	1.09	2.47	1.21	2.53	1.36	2.28	1.09
OE8	Documentation and info management	1.92	0.83	2.55	1.20	2.20	1.15	2.53	1.37	2.28	1.14

Table A1.

Appendix 2. Structural models
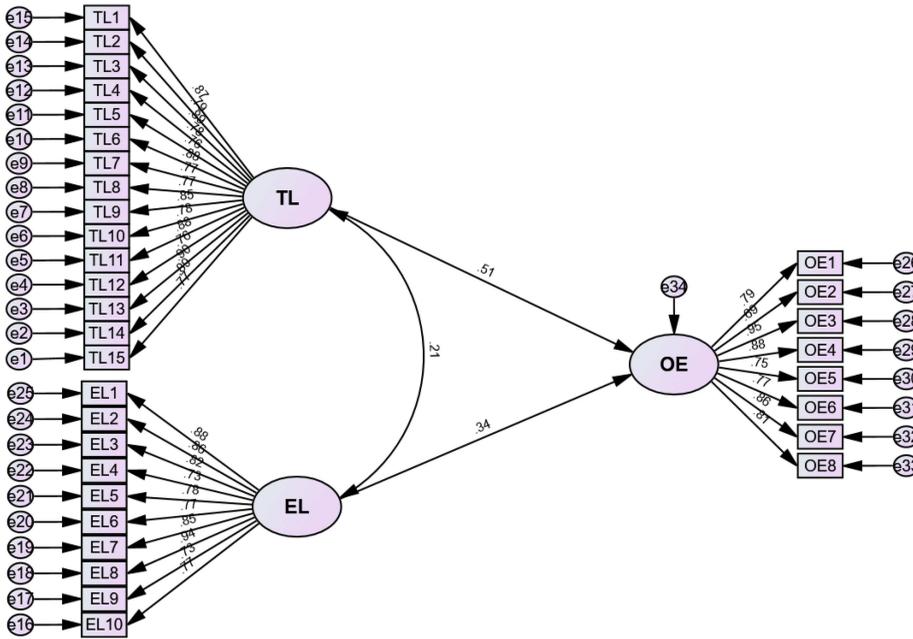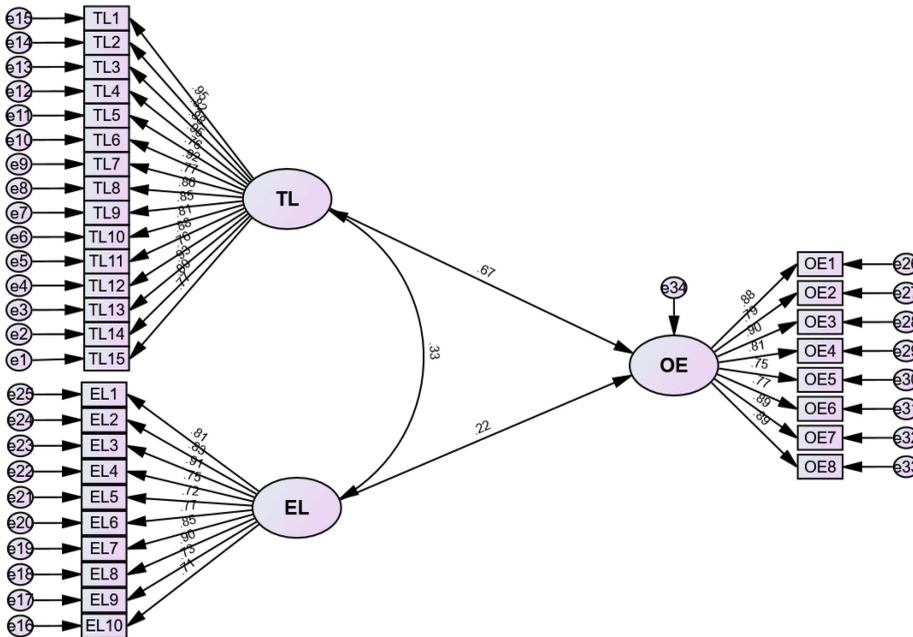

Figure A1.
Before COVID
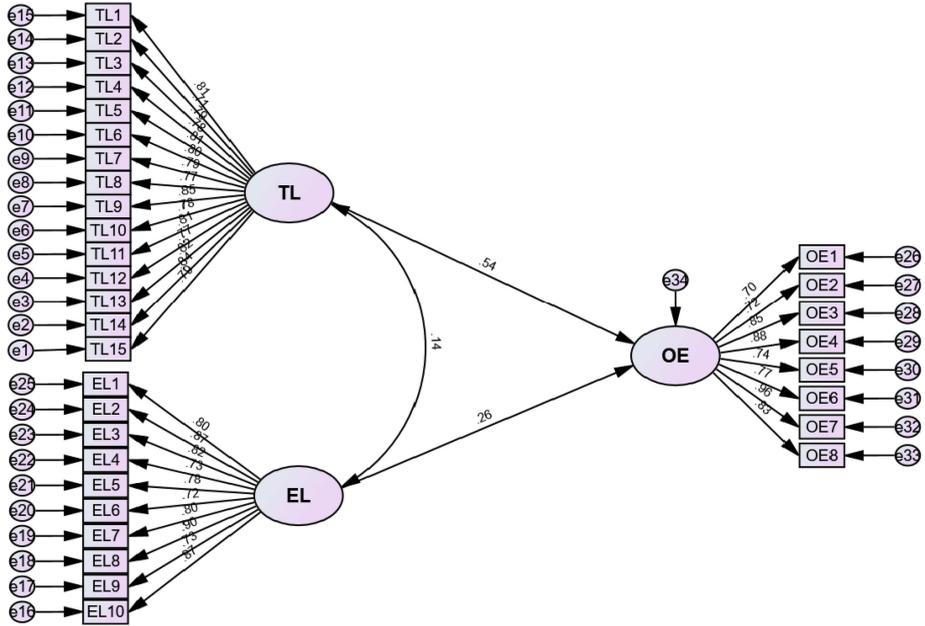(composite)

Figure A2.
During COVID
(composite)

Figure A3.
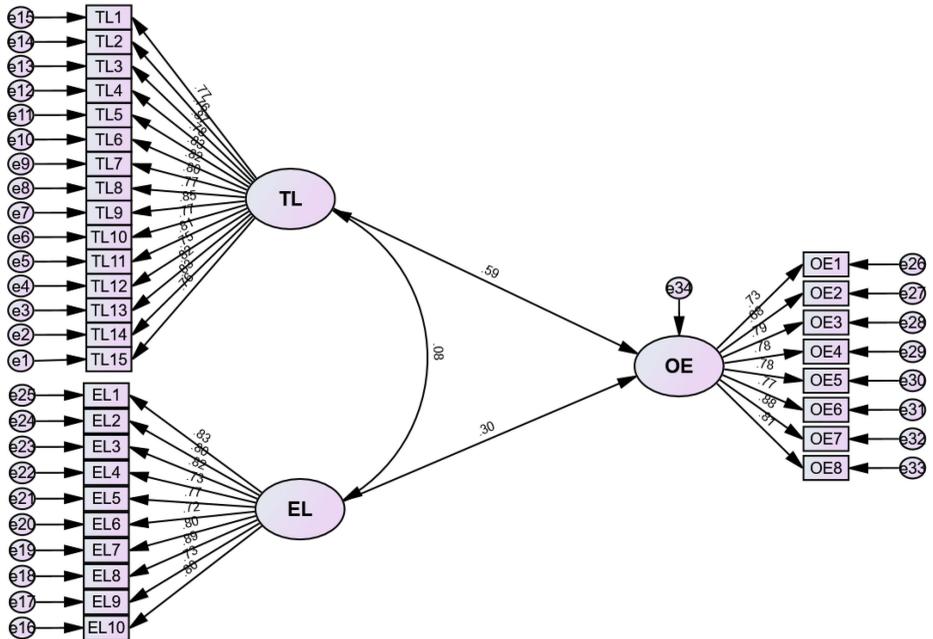Before COVID
(public)

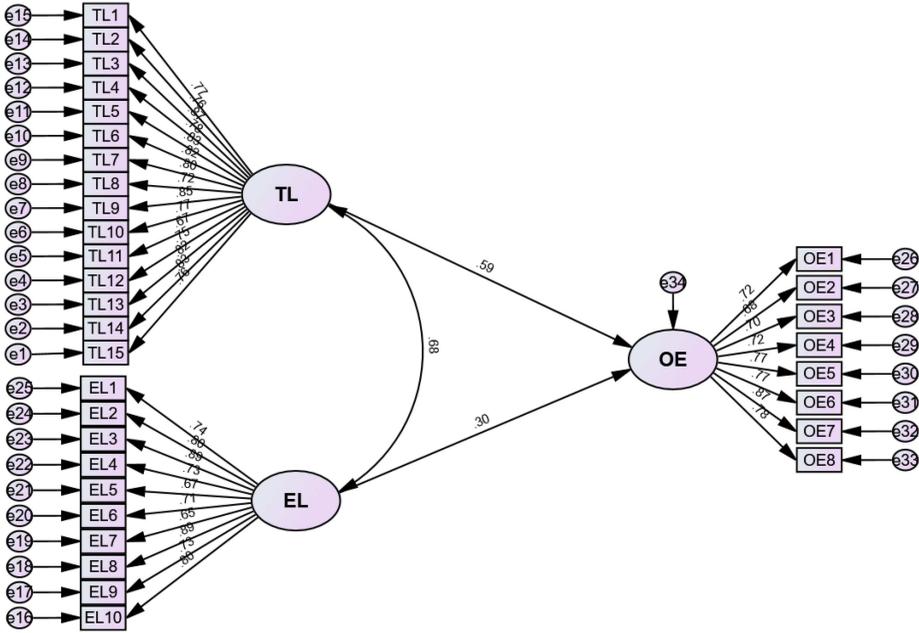
Figure A4.
Public during COVID

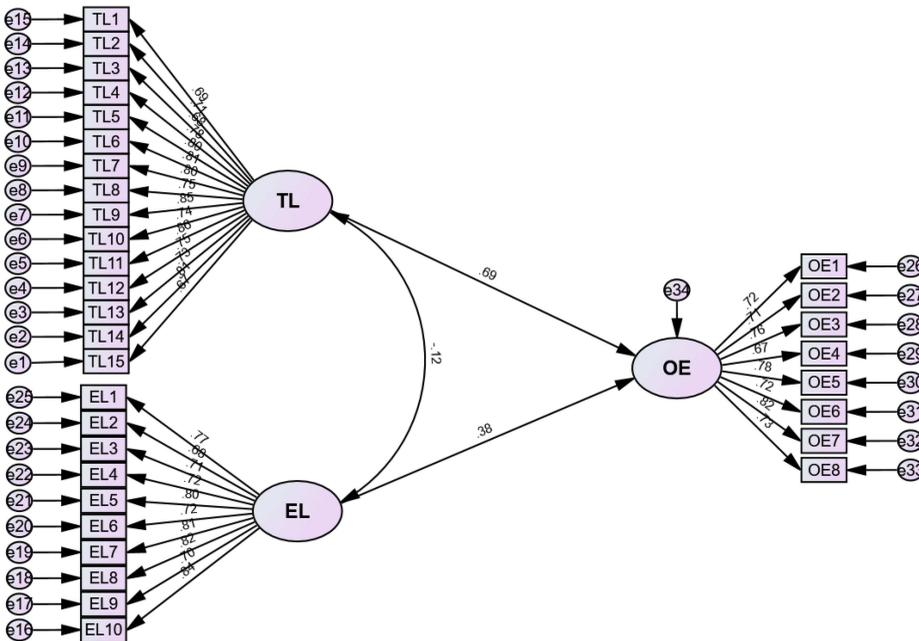Figure A5.
Private before COVID

Figure A6.
Private during
COVID

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Authors' contributions: Nazia Habib: Developed the idea for the study. Data collection and interpretations and wrote the initial draft. Shaheryar Naveed: Coordinated in developing research questions. Supervised the data collection and analysis and established the findings of the study. Muhammad Mumtaz (Corresponding Author): Collaborated in the development of the research idea. Established conclusions and policy recommendations. Revised the paper and acted as the corresponding author. Rabia Sultana: Developed the initial idea and involved in data collection and interpretations and writing the initial draft. Shoaib Akhtar: Helped in developing the research question and revision of the draft version.

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Data availability statement
Research data are not shared.