



Research Paper

## Impact of Leadership Styles on Organizational Performance

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### ABSTRACT

One of the most important factors in an organization's success or failure is the quality of its leadership. People are guided and inspired by a leader's leadership style in order to achieve corporate goals. This research explores the influence of leadership styles on the functioning of a company. Transformational, transactional, charismatic, bureaucratic and democratic leadership styles were all examined in the course of the presentation. Leaders who are democratic, transformational and bureaucratic have a favourable impact on organisational performance; leaders who are charismatic or transactional have a negative impact on organisational performance since they don't give employees with opportunity and flexibility. According to the research, leadership styles such as charismatic, bureaucratic, and transactional have a detrimental impact on an organization's productivity. There was a favourable correlation between the organisational performance and the use of transformational, authoritarian, and democratic styles of leadership. Organizations have been advised to implement a leadership style that increases the competencies and capabilities of their employees.

**KEYWORDS:** Organizational performance, Transformational, Transactional, Autocratic, Bureaucratic, Charismatic, Democratic, Leadership Style.

### I. INTRODUCTION

Organizational leadership is essential in developing a vision, mission, and goals, as well as designing strategies, policies and procedures for achieving those goals. It also involves directing and organising the efforts and activities of the entire organisation (Xu & Wang, 2008). Acquiring the company's objective and vision is only possible if its leaders are of the highest calibre (Harris, et al., 2007). Many firms are currently dealing with issues such as unethical tactics, excessive turnover, poor financial performance, etc. in the current climate. Ineffective leadership may be to blame for this. When a company is trying to achieve its stated goals, it needs competent leaders who can motivate and coordinate their staff (Vigoda-Gadot, 2012). Sadly, some firms don't take into account the leadership style of their managers. An investigation into how leadership style affects organisational performance is the focus of this study. It's important to know that there are a variety of leadership styles that may be used in a variety of situations, from transformative to transactional. The leadership styles studied are charismatic, transformational, transactional, bureaucratic, and democratic. If new ideas can be discovered through study, these leadership styles can be improved even further and bring more success to organisations. This is why these leadership styles have been chosen as a starting point. Because of this, the poll was intended to focus solely on these six leadership styles.

### OBJECTIVE OF THE STUDY

In this study, the primary goal is to "identify the impact of autocratic leadership style, democratic leadership style, transactional leadership style, transformational leadership style, charismatic leadership style, and bureaucratic leadership style on the organisational performance." An organization's performance will be affected by the leadership style used.

### ORGANIZATIONAL PERFORMANCE

The literature on organisational performance describes it as a multifaceted and intricate phenomenon. The results or actual outputs of an organisation can be measured against the intended outputs, goals, and objectives that make up an organization's performance. Return on investments, profitability, and shareholder returns are all factors that contribute to an organization's overall performance. Similarly, product/service market performance (market share, sales, etc.) also plays a role (Gavrea, et al., 2011).

## **RELATIONSHIP BETWEEN LEADERSHIP STYLES AND ORGANIZATIONAL PERFORMANCE**

The leadership style has a significant impact on the functioning of a business. As a result of the leadership style, an organization's culture and performance are influenced. According to Klien et al (2013), 2,662 employees working in 311 organisations were surveyed and 2,662 of them were found to agree with this conclusion. The type of leadership style has a direct impact on the culture and performance of a business (Klein, et al., 2013).

## **TRANSFORMATIONAL LEADERSHIP STYLE AND ORGANIZATIONAL PERFORMANCE**

In a transformational leadership style, a leader's primary goal is to help their subordinates grow. Transformative leadership is all on helping employees grow their values, ethics, and motivation. As a bridge between the followers and the leaders, transformational leadership helps create an awareness of the motivational level, values, and interests of the followers. Transformative leadership has been shown to be superior in leadership performance, according to Bass and Avolio (1994). Leaders who broaden or elevate the interest of their people are considered to be transformational, according to Bass and Avolio (1994). The transformative leaders are the ones that urge their staff to see beyond their own self-interest. A number of factors contribute to the effectiveness of transformational leaders: charismatic leaders who can inspire their workers; leaders who can provide emotional support; and leaders who can excite employees' minds intellectually (Bass & Avolio, 1994). Transformative leadership and follower performance are connected, according to Wang et al (2011). Further research shows that organisational success is positively linked to transformational leadership. A person's ability to perform is a function of their abilities, abilities, knowledge, and motivations as stated by Xu and Wang (2010). Transformative leadership has been shown to improve the overall growth of its followers, according to the research cited above. The followers of transformational leadership have a self-defining and rewarding relationship with an individual or group. Transformational leaders have an idealistic and behavioural charm that inspires their followers to identify with them (Jyoti & Bhau, 2015). A transformational leader creates an environment in which people are satisfied, and their total performance improves as a result of this personalised relationship. This means that organisational success and transformational leadership are linked (Jyoti & Bhau, 2015). When it comes to the success of a company, transformational leadership has an enormous impact, say Sofi and Devanadhen (2015a). With the use of statistical techniques like SEM and SPSS, they were able to conclude that transformational leadership has a direct impact on the performance of banking firms.

## **CHARISMATIC LEADERSHIP STYLE AND ORGANIZATIONAL PERFORMANCE**

Charismatic leadership is believed to be one of the most successful leadership styles, where the charismatic leaders generate a vision and the followers are urged to follow and execute the vision. The charismatic leadership fosters innovation and creativity and is regarded to be motivational for the employees. But the biggest problem of this form of leadership is that the followers are fully dependent on the leader and if the leader departs the organisation, they become direction-less. The problem deepens as charismatic leaders do not prepare their employees to function as their replacements in the future. This leadership approach results in "happy followers, but few future leaders". Thus, it can have a long-term negative effect on the organisational performance (Germano, 2010). (Germano, 2010). Similar findings were found by Ojukuku et al (2012) in their study as well. They conducted a quantitative research on the workers of twenty banks based in Nigeria utilising a survey questionnaire. The findings of their research revealed that the charismatic leadership carries a negative association with the organisational leadership. It does not motivate and induce the personnel sufficiently to extract the required performances out of them (Ojukuku, et al., 2012). (Ojukuku, et al., 2012).

## **TRANSACTIONAL LEADERSHIP STYLE AND ORGANIZATIONAL PERFORMANCE**

A transactional leader is one who is constantly eager to exchange something for something else in return (Uchenwamgbe, 2013). Promotions, wage increases, performance evaluations, and the addition of new duties are all examples of this. The fundamental difficulty with this form of leadership is the expectation. Hence, transactional leadership can be characterised as the exchange of aims and rewards between the management and the staff (Ojukuku, et al., 2012). (Ojukuku, et al., 2012).

According to Longe (2014)'s research, an organization's performance improves when its executives adopt a transactional leadership style. Using a transactional leadership approach, an organization's human and organisational resources can be used to their fullest potential since employees can always look forward to both monetary and non-monetary gains. This leadership style particularly assists in building an environment that is optimal for performance and also articulates the compelling vision that boosts the overall organisational performance (Longe, 2014). (Longe, 2014). According to the research conducted by Sofi and Devanadhen (2015), transactional leadership was not found to have a direct impact on the performance of the business. This leadership style discourages people from bringing their best ideas to the table, and as a result, the company's expectations of them aren't met.

### **DEMOCRATIC LEADERSHIP AND ORGANIZATIONAL PERFORMANCE**

Tannenbaum and Schmidt (2012) have defined democratic leadership as the leadership in which the decision-making is decentralised and is shared by all the subordinates. In the democratic leadership style, the possibility for weak implementation and poor decision-making is great. However, the democratic leadership is also recognised to motivate the staff to perform better, as their ideas and opinions are appreciated. Another important challenge linked with democratic leadership is the idea that everyone participating has an equal stake in the decision-making with a shared level of skill (Rukmani, et al., 2010). (Rukmani, et al., 2010).

The study by Elenkov (2002) demonstrated that the democratic leadership has a good impact on organisational performance. The democratic leadership allows the employees to make decisions along with discussing them with the group and the manager. Praise and criticism are offered objectively under this leadership style, and employees develop a sense of accountability as a result (Elenkov, 2002). Bhargavi and Yaseen (2016) have investigated the impact of democratic leadership on organisational performance. When employees have the freedom and opportunity to participate in decision-making, democratic leadership has been shown to have a favourable impact on the organization's success. This leadership style also prepares future leaders and helps the organisation in the long run. Choi (2007) also claimed that a democratic leader is the one that concentrates on the group debate and group involvement and as a consequence it favourably improves the performance of the followers.

Therefore, the democratic leadership style can be applied for boosting the organisational performance as well as the efficiency. Hence, it can be stated that democratic leadership has a favourable impact on the organisational performance. (Elenkov, 2002).

### **AUTOCRATIC LEADERSHIP AND ORGANIZATIONAL PERFORMANCE**

Autocratic leaders are traditional and domineering in temperament. The autocratic leaders want their employees to operate according to them. Typically, authoritarian leaders retain the decision-making rights with them (Obiwuru, et al., 2011). (Obiwuru, et al., 2011). The authoritarian leaders force their people to implement the services and strategies according to the narrow approach. Iqbal, Anwar, and Haider (2015) conducted a study to investigate the impact of leadership styles on the organisational performance. The report claimed that autocratic leadership is also known as the authoritarian leadership style. The autocratic leaders are less innovative and just promote one-sided debate. This has a negative impact on employee morale and productivity. The authoritarian leadership style is nonetheless, acknowledged to be effective in the short run. Autocratic leadership stifles the friendly workplace contact and socialisation necessary for a business to operate efficiently. The authoritarian leadership also leads to organisational conflicts which negatively affect the overall performance (Iqbal, et al., 2015). (Iqbal, et al., 2015). Autocratic leadership, according to Bhargavi and Yaseen (2016), has a favourable effect on an organization's performance. This leadership style is more suitable when the projects are to be finished within stipulated timelines (Bhargavi & Yaseen, 2016). (Bhargavi & Yaseen, 2016). Igbaekemen and Odivwri (2015) also did a study on the impact of leadership styles on the performance of the organisations. The author mentioned that an autocratic leader is the one who determines the activities, procedures and policies to the employees and expects the staff to follow the same. In addition such leaders do not have much faith on their followers.

### **BUREAUCRATIC LEADERSHIP STYLE AND ORGANIZATIONAL PERFORMANCE**

People who work for bureaucratic leaders are influenced by their directives to follow the rules and regulations they have established. The leaders are highly dedicated to their processes and procedures but not to their people. This is the reason why they look to be aloof. This approach is ineffective because it fails to foster staff growth and inspiration. These people in positions of authority are solely concerned with getting the job done in a methodical manner (Germano, 2010). Ojukuku et al (2012) also said that bureaucratic leadership has a negative impact on the organisational performance. According to them, bureaucratic leaders do not persuade the people of their organisation to operate in the desired manner which might lead to enhanced organisational performance (Ojukuku, et al., 2012). (Ojukuku, et al., 2012). Sougui et al (2015) also showed similar data which stated that the bureaucratic leadership style does not effect the employee as well as organisational performance considerably. This strategy is effective only when the tasks are to be done in longer time following a given protocol (Sougui, et al., 2015). (Sougui, et al., 2015).

## **II. CONCLUSION**

This study has focused on the impact of leadership styles on organisational performance. The focus was on only six sorts of leadership styles- transformational, transactional, democratic, charismatic, bureaucratic, and autocratic. The transformational, autocratic and democratic leadership styles were found to have a positive influence on organisational performance, whereas, the transactional, charismatic and bureaucratic leadership styles were found to have a negative impact on the organisational performance in the organisations taken for

study. This study demonstrates that organisational performance is connected with the leadership style and they have both a good and a negative impact on the performance. It is crucial for a leadership style to offer possibilities to employees, offer a sense of belonging along with allowing them to participate in the decision - making. In this context, it is recommended that organisations should focus on using the transformational and democratic leadership styles in the organisations so as to increase the organisational performance.

This study has provided profound insights about the impact of leadership styles on the organisational performance. This has greatly decreased the scope and application of the research.

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