



THE IMPACT OF LEADERSHIP STYLE ON EMPLOYEE'S PERFORMANCE IN AN  
ORGANIZATION

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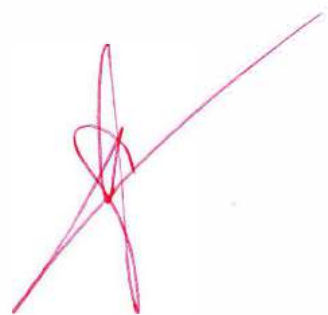
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### Abstract

This study attempted to investigate the effect of leadership styles of an organization and its impact on the employee's performance. This study aims to understand the transformative, transactional, and laissez-faire style effect on employee performance of different leadership styles. The goals that guided the study were to investigate the impact of transformational leadership styles on employee performance, investigate the effect of transactional leadership styles on performance, and analyze the effect of laissez-faire leadership styles on an organization's employee performance. The study followed qualitative approaches and integration of secondary research. The reason for this is to be able to provide the readers with adequate discussion to help them understand the issue and the various variables involved. Secondary research sources will include past research reports, newspapers, magazines, and newspaper content. As secondary research, current findings on journals and existing knowledge of books will be used. The interpretation will be conducted which can be considered qualitative. Various scholarly views of each independent variable effect on the dependent variable are presented to validate the research objective. It was concluded that at the end that short - term transactional leadership is useful and transformational leadership style is helpful in all time horizons. Some recommendations will be discussed at the end.

Keywords: Leadership styles, employee performance, organization



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## CHAPTER ONE

### BACKGROUND OF THE STUDY

Leadership is continuously gaining ground in society today as thousands of persons are either elected or appointed to carry the responsibilities of leadership. Leadership is essential in all works of life ranging from universities and colleges to the military and civil society. A leader should shoulder the burden of promoting unity, strength, harmony, prosperity, and happiness in the community.

The challenges of leaders dealing with the uncertainty of the business environment today have made many organizations struggle for survival. Surviving such competition has to deal with the leadership that has been provided by the managers who are supposed to influence their subordinates in achieving organizational goals and objectives and also improve on the performance of their employees.

The importance of leadership in the organization and especially on human beings who are the biggest asset of any firm is explained by Shafie et al. (2013). "Organizations ' main drivers are usually employees; they give life and goals to organizations" (Shafie et al., 2013). It is essential to provide employees with direction and psychological satisfaction to get the best performance. Thus, leadership is a critical factor for improving the performance of employees in many organizations. In the words of Paracha et al. (2012), "Leaders play an essential role in the accomplishment of goals and boost employee's performance by satisfying them with their jobs" (p.55)

Aboshaiqah et al. (2015) also examined the relationship between leadership and employee performance among hospital nurses and reported that transformation and transactional leadership styles are significantly positive for employee performance, while laissez-faire is significantly negative for employee performance.

Competent leadership, along with the main problems behind them, can realize the impediments. With front running employees, the same phenomenon can be pushed forward to the ultimate goals (Avolio, Walumbwa & Weber, 2009). In the same line, the core kinematics behind are several issues such as leadership authority and performance, communication skills and decision-making, intellectual skills, and personal characteristics. The performance level bridges the leadership and their workforce (Bass, Avolio, Jung & Berson, 2012).

In the same line, these institutions ' success is based solely on employee performance and leadership. Their relentless efforts, diligence, and efficiency leading to the desired goals on the part of the employees are the replica of different leadership styles (Iqbal, Anwar & Haider, 2015).

Many companies are currently facing issues related to unethical practices, high turnover of labor, poor financial performance, etc. This may be because of a lack of effective leadership. Many companies ' primary goal is to achieve their stated aims; thus, effective leaders are needed to coordinate and motivate employees (Vigoda-Gadot, 2012).

The styles of leadership chosen for the study are transformative, transactional, and laissez-faire. The reason behind selecting these leadership styles is because they are the most practiced leadership styles in organizations, and if any new ideology is developed through research, these

three leadership styles can be further enhanced, and organizations can be more also successful. The survey was therefore designed to focus only on these three styles of leadership.

## **STATEMENT OF THE PROBLEM**

The relationship between leadership style and employees' performance has been studied in different countries, and the results revealed the existence of a close relationship between the two. The performance of employees in organizations is significant to achieve organizational objectives. Leadership styles also play an essential role in the effectiveness and efficiency of the organization in general and employees' performance. Therefore, it is logically understood that leadership styles would have a significant relationship with employees' performance, though the nature of the relationship is not consistently the same across countries or organizations.

Research results also show that the quality of leadership has a direct relation with the attainment of organizational objectives. The most common parameter used to measure a leader's quality is how much influence the leader has on his/her subordinates to enhance their performance level and to accomplish over all organizational objectives. Thus, effective leadership enables greater participation of the entire workforce, and can also influence both individual and corporate performance to achieve organizational goals (Mullins, 2010). For that reason, organizational goal achievement and failure are highly related to the quality of leadership.

## **RESEARCH QUESTIONS**

- What is the relationship between transformational leadership style and employee performance in an organization?



- What is the relationship between the transactional leadership style and employee performance?
- To what extent does the laissez-faire leader's style affect employee performance in an organization?
- Will the transformational leadership style be more beneficial for employee performance as compared to other techniques?
- How can the transformational style of leadership influence employee's performance?

## **RESEARCH OBJECTIVES**

The main aim of this study was to investigate the effect of different leadership styles on the performance of employees.

### **Specific Objectives**

- To evaluate the effects of transformational leadership on employee performance.
- To evaluate the effects of transactional leadership on employee performance.
- To evaluate the effects of laissez-faire leadership style employee performance.

## **RESEARCH STUDY IMPORTANCE**

This study has multifaceted significance that can be drawn out from the stated objective, practical implementation, and reported findings. Some of the consequences of this study are:

- To provide information to organizations that will be used as input for the future improvement of the relationship and to take corrective measures in problems identified.

- The offices' leaders would consider the importance of leadership styles for employee performance while leading the work of subordinates.
- To provide insight to organization leaders, the existing relationship between leadership styles and employee performance to develop mechanisms to improve their leadership style.
- It is essential to create awareness to leaders of the organization about the most determinant leadership style that influences the employees' performance.
- To provide a base for other researchers to conduct similar research in organizations of different industries.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

Leadership was a topic for discussion with increasing complexity and globally changing operations, but no universal definition was agreed upon. According to Jong and Hartog (2007), leadership can be defined as a process of influencing individuals to achieve the desired results. Andersen (2016) said leaders are the ones who stimulate, motivate and recognize their employees to get the job done and achieve the desired outcomes. This study is an attempt to explore transformative, transactional, and laissez-faire leadership styles and understand their impact on employees' attitudes towards their leadership and performance.

### **LEADERSHIP AND LEADERSHIP STYLE**

Although over the year's leadership has been well researched, there is still a lack of a universally accepted definition. The following are a few examples of such descriptions that Talat et al. (2015) claim leadership is a wide-spread process that requires authority, accountability, and power delegation. Leaders help direct, guide, and persuade their followers (employees) to achieve their goals and objectives, both personal and organizational.

Leadership styles thus cover all aspects of dealing with conflicts within and outside an organization, helping and guiding the workforce to accomplish and fulfill their tasks, and appearing as a role model for all.

Leadership is defined as a process by which a person influences other to achieve an objective and directs the organization in a way that makes it more cohesive and coherent (p. 441), according to Kumar (2014). These are accomplished by applying attributes of leadership such as beliefs,

values, ethics, character, knowledge, and abilities. Leadership is the integrated sharing of vision, resources, and values that will lead to positive change. It is the ability to build people's trust and zeal and create an urge to be driven within them.

Wammy & Swammy (2014) view leadership as a process of social influence in which the leader seeks subordinates' voluntary participation to achieve organizational goals, and thus a leader is a person who delegates or influences others to act to achieve specific goals.

Memon (2014) defines leadership as a process by which an individual influences other people's thoughts, attitudes, and behaviors by taking responsibility for setting the company's direction, others seeing and visualizing what lies ahead, and figuring out how to archive.

Leslie et al. (2013) argue that leadership is the ability to influence people to follow one's guidance willingly or to follow one's decisions. Leadership is the ability to persuade and mobilize others to work together as a team under his command to achieve a particular goal (p.50) in Sundi (2013).

Memon (2014) defines leadership style as the style of leadership that provides direction, motivates people, and plans to implement. Leadership styles are viewed as approaches that are used by leaders when leading organizations, departments, or groups (Mehmood & Arif, 2011). Leaders who are looking for the most effective leadership style may find that a combination of techniques is useful because there is no best leadership style (Darling & Leffel, 2010).

## **LEADERSHIP STYLES**

The structure of the organization consists of different departments in which the employees work as basic units with various capacities. Employees may not feel isolated from the central authority

in the presence of leadership that keeps them intact and thus work with integrity and absolute commitment. Leadership is both a macroscopic field of research and a practical skill (King, Johnson & Vugt, 2009). The ongoing study on the part of the researchers highlights various leadership styles in various spheres of life in different circumstances. On the individual level, it includes a person or group of people's abilities, leadership abilities, skills, and experience (Tahir, Abdullah, Ali & Daud, 2014).

Leadership style is viewed as a combination of different characteristics, and behaviors used by leaders to interact with their subordinates (Coetzee & Coetzee, 2012). MitongaMonga and Coetzee (2012) see leadership as the pattern associated with managerial behavior designed to integrate organizational or personal interests and effects to achieve specific goals. Through the organization's power to mobilize, motivate and communicate, the leadership seeks employee participation with all their dedication and sense of ownership (Chandra & Priyono, 2016).

### **TRANSFORMATIONAL LEADERSHIP STYLE**

The transformation leader has charismatic capabilities, induces moral values, and attempts to develop employee capabilities. This leadership provides a kind of vision that elevates the follower's/employees' work potential and commitment to achieving the highly valued tasks that yield maximum output (Avolio & Bass, 2004).

As a result, the underlying employees put forward all their efforts to bring organizational standards in line with global values. At the same time, transformation leadership is innovative, somewhat creative, take courageous initiatives and stand firm in cooperation with everyone's popular will relevant organizational units (Salman, Riaz, Saifullah & Rashid, 2011).

A transformational leader's main task is to rebuild the organization's structural framework according to the employees' wins and wishes, taking into global account standards and the current situation. The transformative leader cultivates a level of trust to further raise employee confidence by assembling the employee's thinking values resulting in improved performance (Chandra & Priyono, 2016).

Transformational leadership is fully express in four elements: Individualized Consideration, Intellectual Stimulation, Inspirational Motivation, and Idealized Influence.

**Idealized Influence:**

Idealized influence is characterized by leaders who are admired, instills pride, respected, trusted, and they behave as a role model to their followers. The leaders display a consistent behavior rather than arbitrary, and they share in any risk taken. Yukle (2010) maintain that idealized influence includes making sacrifices and leading by example, such behavior is being used to manage follower impressions and gain their trust rather than to express a leader's genuine concern for the mission or subordinates.

According to Bass and Riggo (2009) leaders will often behave in a manner which will make them serve as a role model to their followers. The leaders will be admired, respected, and trusted by their followers. Followers always want to follow the footsteps of their leaders. Their followers consider leaders as having extraordinary capabilities, persistence, and determination.

Idealized influence is classified by Bass & Avolio (1990) as idealized influence attributes and idealized influence behavior. Idealized influence attributes occur when followers identify with and follow those leaders who are trusted and seen as having an attainable mission and vision.

Idealized influence behavior refers to a leader's behavior that results in followers identifying with leaders and wanting to emulate them. This dimension is reflected in an organization when leaders act as role models to their followers or subordinates.

### **Inspirational Motivation**

Inspirational motivation refers to a leader's ability to instill confidence, motivation, and a sense of direction and purpose in his followers. Transformational leaders always state clearly the vision for the future, demonstrate a commitment to the goals that have been set, and communicate expectations to their followers. (Matthew Schieltz, Demand Media, 2014). This transformative leadership feature requires excellent communication skills, and the leader has to translate his messages with accuracy, power, and authority. We also have enthusiasm, continued optimism, and the ability to point out the positive and some of the essential behaviors of the leader.

Transformation leaders act in ways that motivate and inspire their followers by giving meaning and challenge to the work of their followers (Bass & Riggio, 2006). That aroused the spirit of teamwork.

### **Intellectual Stimulation**

Transformational leadership values creativity and autonomy among the leader's followers. The leader supports his followers by involving them in the decision-making process and encourages their efforts to identify solutions as creative and innovative as possible. To this end, the transformational leader challenges assumptions and solicits ideas from followers without criticizing. She helps change the way followers think about and frame problems and obstacles. The vision the leader conveys helps followers see the big picture and succeed in their efforts.

Inspirational motivation describes leaders who communicate high expectations to followers, inspiring them to be committed to and part of the organization's shared vision through motivation. Symbols and emotional appeals are used to focus group members' efforts to achieve more than they would succeed in their self-interest. According to Northouse, 2013, team spirit is enhanced by this type of leadership. From the viewpoint of Yukl, 2010, even though the leaders care only about self-enhancement and career advancement, inspirational motivation can be used as a tool to increase subordinate commitment to task objectives.

### **Individualized Consideration**

Transformational leaders always keep communication lines open so that followers feel free to share ideas and this helps leaders to direct recognition of the unique contributions of each follower. This process is done to boost supportive relationships. (Kendra Cherry, 2014). Transformational leaders exhibit a leadership behavior that pays attention to each follower's need for achievement and growth by acting as a mentor. Through successively higher levels of potential, followers and colleagues are developed. Individualized consideration is practiced when a supportive climate and new learning opportunities are created. They recognized individual differences in terms of needs and desires.

Individual differences are accepted through the leader's behavior (Bass & Riggio, 2006). Subordinate loyalty can be built if it is being used in an inauthentic way (Yukl, 2010). Special consideration may be shown explicitly when leaders guide, motivate and support by providing more attention for employees individually to perform their best. The above four factors of transformational leadership style were considered to investigate whether they correlate or not with employees' performance.



## **TRANSACTIONAL LEADERSHIP STYLE**

Transactional leadership theory focuses on the role of supervising, organizing, and group performance. This theory bases leadership on a system of reward and penalty. Management approaches in business are often used. They are rewarded when employees succeed; and they are penalized when they fail (Cherry, 2012).

According to Northouse (2013), transactional leaders provide valuable things to subordinates to advance their own and the agendas of the assistants. Transactional leadership depends on contingent reinforcement, either positive contingent reward or an active or passive form of management-by-exception. These dimensions of transactional leadership styles may be exhibited in different situations. Given that, transactional leadership style was also considered as an independent variable. Using a system of rewards and punishments for good deeds and otherwise, the skills and experience of employees are used to their maximum over time (Udoh & Agu, 2012).

Instead of spanning this entire phenomenon over a long period, the organizational profile becomes re-oriented, and the whole dynamics is aligned with specific desired standards. Transactional leadership follows the beeline strictly, preferring to stay within a stipulated framework for maximum performance of employees (Shah & Kamal, 2015). Transactional leadership has also gained importance in recent decades, along with transformation leadership. Researchers argue that transactional leadership is a subset of leadership in transformation, both related to organizational performance (Odumeru & Ifeanyi, 2013). Miller (2011) explained that transactional leaders are clarifying roles and tasks to followers and telling them what to do to

achieve their goals. Sadeghi and Pihie (2012) have shown that the theory of transactional leadership is based on the exchange of leaders and followers.

There are four transactional leadership style attributes, namely contingent rewards, contingent punishment, management-by-exception (active), and management-by-exception (passive).

### **Contingent Reward**

According to Odumeru and Ifeanyi (2013), the contingent reward may be classified into two types. Contingent positive strengthening and negative strengthening of the contingent. Contingent positive reinforcement occurs when the defined goals are reached on time or in advance. This positive strengthening is given in the form of praise or rewards. Transactional leaders recognize and reward followers for positive output for their successful performance. On the other hand, if the set goals are not met, tasks are not accomplished, and performance falls below standard, contingent negative reinforcement is given.

Northouse (2013) sees the contingent reward as an exchange process between leaders and followers in which effort by followers is exchanged for prizes. With this type of leadership, the leader tries to reach an agreement with the followers on what is expected to be done and what the payoff will be for the followers who work by it.

### **Management by Exception**

According to Northouse (2013), management-by-exception has to do with corrective criticism, negative feedback, and negative reinforcement. There are two forms of management-by-exception. The active and the passive management-by-exception.

### **Management by Exception-Active**

Exceptionally active control means that the leader observes the performance of followers, watches the deviations from the rules and regulations, anticipates problems and issues, takes action according to the production of followers, and makes corrections to solve the problems (Odumeru & Ifeanyi, 2013).

### **Management by Exception-Passive**

Unless the issue is severe, leaders who follow passive control by an exceptional route will not be involved in fixing the problems. Leaders stay aside and only intervene if the problem gets too severe (Odumeru & Ifeanyi, 2013).

### **LAISSEZ-FAIRE LEADERSHIP STYLE**

Laissez-faire leadership is also known as delegate leadership. This is a type of leadership style in which leaders are hands-off and allow group members to make the decisions. According to Northouse (2013), they do not have any exchange with their followers, and they do not help their followers to grow. The leadership of Laissez-Faire is the characteristic of leaders who avoid decision-making and avoid responsibility (Robbins, 2007). Leaders regard subordinates as fully responsible for any decision and give assistants complete freedom and power to make work decisions (Chaudhry & Javed, 2012).

Yukl (2010) considered laissez-faire leaders as those who show passive indifference about the task and subordinates, for example, ignoring problems and ignoring baser needs. It is best defined as the absence of effective leadership rather than as an example of transactional leadership.

## **EMPLOYEES PERFORMANCE**

Before talking about employees' performance, we, first of all, need to know what performance is. Therefore, performance is often defined simply in an output terminal that is needed for the achievement of pre-decided goals. Performance concerns the job that has been done, how it has been done and what has been achieved. The Oxford English Dictionary confirms this definition by including the phrase "carrying out" into the definition of performance. 'The accomplishment, execution, carrying out, working out of anything ordered or undertaken.'

Employee performance is defined differently by different scholars. Employee performance is a term typical to the human resource field where employee performance can refer to the ability of employees to achieve organizational goals more effectively and efficiently. Organizations need high performing employees to achieve their goals, to deliver the products and services they specialized in, and to achieve competitive advantage. The performance of employees is the successful completion of tasks by individuals or individuals to pre-defined acceptable standards as the set and measured by a supervisor or organization while efficiently and effectively utilizing available resources in a changing environment (Mathis & Jackson, 2009).

Aguinis (2009) indicated that performance definition should not include the employee's behavior, but only the actions themselves. Mwita (as cited in Ali, Elmi & Mohamed, 2013) viewed performance as a significant multidimensional construct directed towards achieving results and has an active link to the strategic goals of an organization. There is a vital role played by employee performance for organizational performance. Employee performance can be described as what an employee does or does not do such as the quantity of output, timeliness of production, presence at work, cooperativeness (Gungor, 2011). It is worth noting that, the

organization itself determines the nature of the performance. On the other hand, employees are of vital importance in the achievement of any organization.

Hence, effective leadership enhances greater participation of the entire workforce, thereby influencing both individual and organizational performance (Mullins, 2010). The style of leadership is vital to enable employees' performance. Thus, employees' performance is being considered as a dependent variable.

## **LEADERSHIP AND PERFORMANCE**

Northouse (2013) claims that ineffective or inappropriate leadership styles can have a direct impact on employee performance and retention in contemporary organizations. According to Dale Carnegie Training (2012), leadership allows employees to connect with the organization, and those who join an organization emotionally feel a sense of ownership and are more likely to stay with it, delivering excellent work in less time and reducing the cost of turnover. Lee & Chuang (2009), explains that in the process of achieving organizational goals, excellent leaders do not only inspire their low potential of enhancing efficiency but also meets their requirements. The administration also promotes justice, and corporate truth is essential because employees who have a perception of regulatory fairness are reported to have a higher level of work performance, trust in their supervisor, psychological ownership, and organizational commitment (Cheung, 2013).

Also, leaders who consider work-life balance promote performance. Work-life balance benefits have the potential to simultaneously improve an employee's quality of life and organizational effectiveness (Peters & Heusinkveld, 2010). However, according to Koubova and Buchko (2013) involvement in multiple roles, be it a family role, work role, or some other roles may have either

a negative or positive effect on job performance. Suleman et al. (2011) argue that leadership and its effectiveness are the organization's primary focus in achieving the organizational goals and building organizational commitment among its employees.

Sifuna (2012) found out that in many African Universities that leaders are not recruited and awarded for their leadership potential but their academic qualifications, research, teaching, and community service and rarely receive critical training in strategic planning, budgeting, human resources development, and faculty management.

From this review of related literature, it is evident that although some scholars believe that leadership enhances organizational performance while others contradict this, different concepts of administration have been employed in various studies, making direct comparisons virtually impossible.

## **THE RELATIONSHIP BETWEEN THE STYLE OF LEADERSHIP AND EMPLOYEES' PERFORMANCE**

An organization's success depends on the leadership's ability to optimize human resources. A good leader understands the importance of employees to achieve the organization's goals, and it is of paramount importance to motivate employees to achieve those goals. Fiedler and House, (as cited in Pradeep and Prabhu, 2011) leadership have been widely accepted that active organizations require effective leadership and that organizational performance will suffer in direct proportion to the neglect of this. Effective leadership thus allows the entire workforce to be more involved and can also influence individual and organizational performance (Bass, 1997; Mullins, 2010).

Leadership style is the combination of attitude and behavior of a leader, which leads to specific patterns in dealing with the followers (Dubrin, 2004). The leadership style within an organization has a bearing on encouraging or inhibiting employee's performance (Armstrong & Murlis, 2004). Employees are the most valuable assets in organizations that may not achieve goals and goals without them. Many studies have been conducted on the roles that good leaders can play in attaining increased job performance for employees. Good leadership can play a mediating role in the relationship between organizational culture and the results of employees, and an atmosphere for good leadership to thrive, ultimately leading to higher job performance for employees (Toor & Ofori, 2009).

Studies about leadership styles and employees' performance relationship found out that leadership styles of leaders have a direct effect on employee performance. Regarding this, Mohammed et al., (2014) in their study the Relationship between Leadership Styles and Employees' Performance in Organizations reveals that there is a significant relationship between leadership style and performance in an organization. This study has observed that leaders' leadership style in organizations has affected the ability of their organizations to achieve corporate goals and objectives. A study conducted on the Impact of Leadership Style on Employee's Performance in an Organization by Babatunde and Emem (2015) revealed that there was a significant relationship between leadership style and employees' performance in the attainment of organization goals and objectives.

In the context of South Africa, Hayward and others (2003) found that transformational leadership in increasing employee performance was more effective than transactional leadership. A research (Hayward et al., 2003) found a significant positive linear relationship in a South African pharmaceutical organization between transformation leadership and performance of employees,

but no meaningful direct relationship between transactional leadership and performance of employees. Also, transformation leadership is more closely correlated with higher employee satisfaction and individual/organizational performance in the Canadian financial industry than transactional leadership (Meyer & Botha, 2000). It could then be suggested, based on the literature, that transformative leadership would be more effective in achieving higher levels of employee performance as opposed to transactional leadership.

Overall organization performance is the main determining factor for organizational success and failures which is the cumulative effect of individual performance. It is influenced by different factors related to the person him/herself, the working environment, and leadership styles used by leaders within the organization. Organizations need to be efficient in doing the right things, using their resources as best as possible, and in the ratio of outputs to inputs. But organizations also need to be effective in doing the right things and their purpose, objective, or task-related outputs. Performance should be linked to factors such as enhancing portability, enhancing service delivery, or achieving the best results in vital areas of organizational activities. As stated by Mullins (2010), organizations must also ensure that they meet or satisfactorily exceed customer demands and requirements and that they are adaptable to specific conditions, changes in the external environment, and situation need. The above studies which were reviewed by the student researcher revealed that leadership styles of leaders have a direct effect on employee performance.



## **EMPIRICAL ANALYSIS**

### **General Studies**

Raja and Palanichamy (2015) examined the impact of leadership styles on the performance of employees in India's public vs. private sector companies. The study results show sufficient evidence from 43 middle-level managers and 156 subordinates that there is a positive linear relationship between transformation leadership and employee performance at the 5 percent level of significance, there is a significant positive relationship between transactional leadership employee performances. The study, however, found that the leadership of laissez-faire had a negative correlation with the performance of the employee.

Leaders and their leadership styles in the recent past are some of the most researched topics. Several studies on the impact of leadership styles on employee performance have been conducted. Rassol et al. (2015) studied leadership styles and their effect on the performance of employees in Pakistan's health sector and concluded that forms of transformation leadership have more positive effects on employee performance than transactional leadership. They found that in a highly organic environment where the focus is on competitive advantages, transformational leadership can perform better. Their study results also explored that transactional leadership's impact on job performance was not much stronger compared to transformation leadership. According to Pradeep and Prabhu (2011), both transformative leadership behaviors and transactional contingent reward leadership behaviors are positively linked with employee performance. Managers perceived to demonstrate active leadership behaviors, whether transformative or transactional, are seen to be engaged in increasing the production of employees.

It was found that the transformation leadership style has significant relationships with performance outcomes in giving their summary. Their study added some additional knowledge to understand the preferred leadership approach and the appropriate method better to use with subordinates at different professional levels. Leaders can adjust their behaviors in practical ways by using their results to improve job performance for assistants, leading to increased productivity for their organizations. They stress the need for leaders to be able to attract/influence their subordinates, set clear performance standards for their peers, and act as the best role model for workers.

According to a study by Aboshaiqah et al (2015) on the perception of nurses of the leadership styles of managers and their associated outcomes showed that nurses perceived that transformation leadership and its factors were used more frequently than transactional and laissez-faire leadership styles and further analysis revealed that there was a positive correlation between outcome factors (effectiveness, extra). They concluded that a combination of transformative leadership styles and behaviors/factors contributed to an increase in the employee's extra effort, satisfaction, and overall performance, and perceived leadership efficiency among nurses.

Kehinde and Banjo (2014) also tested the impact of leadership styles on employee performance. A study conducted by the Department of Petroleum Resources; their research implied that "transformation leadership style" would bring effective results to organizations because it motivates employees to go beyond ordinary expectations, appeals to the higher-order needs and moral values of their followers, generating moral values. "As a determining factor in employee behavior and performance, leadership has been given paramount attention in both academia and practitioners since recent decades." Rasool, (2015). "The measure of the relationship between job

performance and leadership style attracts the students ' considerable attention. Leader and their leadership styles are one of recent history's most studied topics.

Tsigu and Rao (2015) found that transformational leadership style explained the variation in performance better than transactional leadership style in their study "leadership styles: their impact on job outcomes in the Ethiopian banking industry." The researchers, therefore, recommended that if the banks under investigation emphasize more on the dimensions of transformational leadership style, it will enable them to satisfy their employees better and thus gain more output.

## **RESEARCH GAP**

Leadership and employee performance literature is scattered across countries and industries. There is also a variety of evidence of the impact of leadership style on employee performance. While several of the research reviewed is somehow consistent in suggesting that transformative and transactional leadership styles are significantly related to employee performance and that the effect of transformation style is more pronounced than that of transactional leadership style (Rasool et al., 2015; Kehinde and Bajo, 2014; Tsigu and Rao, 2015), the evidence on the story is consistent. While, for example, some report negative relationships, a positive correlation was reported by Aboushaqah et al. (2015), others such as Gimuguni et al. (2014). This suggests that there is inconsistent evidence of this leadership style.

Besides, the literature does not cover all industries or countries. The medical field is represented among those reviewed (Rassol et al., 2015; Aboushaqah et al., 2015), local government (Gimuguni et al., 2014), hotel (Ipas, 2012), petroleum (Kehinde and Bajo, 2014). The lack of research in this area from Africa and East Africa, in particular, is of more significant interest to

this study. Some reviewed here are Tsigu and Rao (2015), Ejere and Abasalim (2013) and Gimuguni (2015), Nuhu (2010), but there are those from South Africa as well (Howard et al., 2003).

Accordingly, it is evident from the preliminary literature that research evidence on the impact of leadership style on employee performance can explain significant numbers of individual and organizational outcomes. But the evidence is not distributed evenly across large economies or even within African economies.



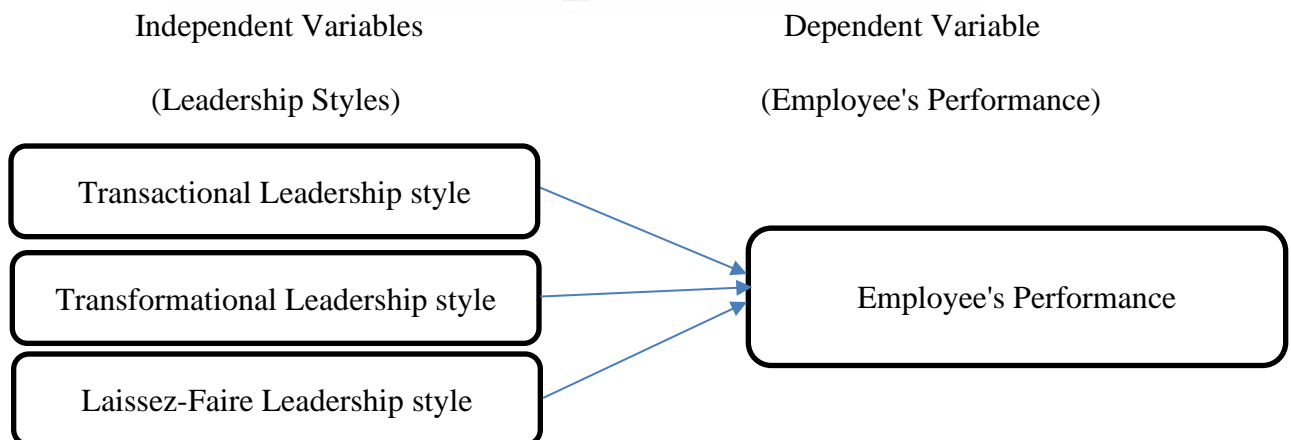
## CHAPTER THREE

### FINDINGS

The findings show that the style of transformation leadership is the bank's most exhibited style followed by the style of transactional leadership and laissez-faire. The performance of employees is above average. Overall, scores in the transformation leadership style were found to be strongly correlated with both employee performance and overall performance measurements, except for the intellectual simulation dimension, which had an insignificant positive correlation with performance quality.

It was found that the style of transactional leadership is positively correlated with both employee performance measures and overall performance. Contingent rewards, however, had a negative but insignificant correlation with performance, while management by exception had irrelevant positive relationships. There was an insignificant positive correlation between laissez-faire styles. Transformation leadership style significantly affected employee performance while the transactional leadership style significantly adversely affected employee performance.

### CONCEPTUAL FRAMEWORK



To see the relationship between leadership styles and performance of employees, the review of the literature on the status of leadership styles and performance of employees was analyzed. The discussion provides an essential framework in terms of the variables that will be used for this study. Studies conducted on the relationship between styles of leadership and performance of employees revealed that styles of leadership affect and correlate the performance of employees. Employees are the essential assets in organizations that cannot achieve goals and objectives without them. Leaders' leadership styles can enhance the performance of employees as well as organizational performance in achieving the corporate purpose and Dependent Variable. To this end, this study attempts to examine the connection between independent variables (three leadership styles) and dependent variables (employee performance).

## **DISCUSSIONS**

Institutions need to survive and develop in the contemporary competitive environment to emphasize the responsibilities and processes that play a significant role in increasing their performance. Employee performance is the summary of behaviors of individuals that contribute to the achievement of institutional goals. The researchers are currently counting many factors for refining employee performance. It includes leadership, working conditions, relationships between colleagues, promotion, wages, job security, supervision of personal characteristics, motivation, equality, personality factors, and organizational structure (Smerek & Peterson, 2006). Employee performance needs to be improved by accepting mechanisms to develop institutional performance to bring about a positive change (Salman, Riaz, Saifullah & Rashid, 2011).

Because of its attractive characteristics, the transformation leadership occupies a high standing among all the theories of leadership. In the prevailing situation, this style's success is due in all respects to the proximity between the leader and the followers. The format of leadership style rests primarily on the level of trust, motivation leading to a decentralized system in which an individual can perform as much as possible beyond personal interests as ever (Udoh & Agu, 2012). The ability of leaders to practice transformational styles accurately in managing organizational tasks can affect employee performance. Leading employees can be characterized as idealizing attributes /behavior, inspiring employee motivation, encouraging intellectual stimulation, and individualized consideration (Tahir, Abdullah, Ali & Daud, 2014).

Transactional leadership describes the bond in terms of psychological and economic value exchanges between employees and leaders. Transactional leaders generally reflect on how to develop and maintain performance standards, how to reduce conflict with specific actions, how to replace one goal with another, and how to implement decisions (Saqib, Irfan, Qamar & Farooq, 2015). The transactional leaders involve their followers in a shared dependence affiliation that recognizes and enjoys the influences of both sides. In these situations, the leaders are effective because doing what the leaders need is in the employees ' best interest. The hopes of their followers are often realized by active transactional leaders (Chandra & Priyono, 2016). Thus, transactional leadership depends on leaders' ability to meet and respond to their employees' responses and changing prospects. Transactional leadership is a substance of extrinsic motivation, resistance to change, contingent strengthening, and employees' passive direction to an impressive performance.

## **CONCLUSION**

The finding shows that the transactional leadership style was the dominant leadership style in banks. However, literature informs that transformational leadership is critical for the improvement of institutional goals. Hence, there is a need to maintain the ongoing positive impact of the transactional leadership style, while seeking a mechanism for shifting towards a transformational leadership style that ultimately will ensure success in the banks.

The finding of this study revealed transformational and transactional leadership styles had a weak, positive, and statistically significant relationship with employees' performances. But, the relationship between laissez-faire leadership style and employees' performance was weak, negative, and statistically insignificant. From this one can conclude that banks employees' performance is assumed to be enhanced when leaders employed transactional and transformational leadership styles. Thus, there is a need to uphold the concurring transactional leadership style accompanied by transformational leadership style both of which accounted for the significant and positive change in the performance of the employee and to lead towards transformational leadership style.

## **RECOMMENDATIONS**

In the organizations, the transactional leadership style was the dominant leadership style. Now a day, the application of transactional leadership style contribution is not that much for the success of the organization. Therefore, it is recommended that organizations use other dimensions of transformational leadership style such as special consideration, idealized influence, and intellectual stimulation to build mutual trust between leaders and subordinates, act with integrity,



and foster innovative thinking to enhance employee performance and effectively and efficiently achieve educational goals.

Both transformational and transactional leadership styles have shown a positive but weak relationship with employees' performance. Thus, organizations are suggested to maintain and improve these positive relationships through building a high level of trust and confidence, developing a strong sense of loyalty to employees, inspiring a shared vision by building the capacity of leaders' and subordinates, organizing management development programs, and by creating an interactive discussion with employees.

Currently, governments advocate that organization leaders be transformational leaders. It is expected that transformational leaders will enhance their followers' performance capacity by setting higher expectations and generating a greater willingness to address more difficult challenges. Concerning the extent to which leadership style influences employee performance, the study revealed that transactional leadership style was found to be predicting employees' performance more than transformational leadership styles.

Organizations expect to perform, employees and supervisors also expect their followers to act. The results of this study gave insights into what employees need from their supervisors and how they prefer leadership behaviors. This information could be used through leadership behavior development to help develop strategies and meet organizational needs. Some plans could be suggested to improve the leadership of the supervisor and the performance of the employee according to the results. It indicated that the behavior of transformation leadership would result in higher production of employees.

Leaders or supervisors should be aware of what's vital for their subordinates and organizations as a whole and should encourage employees to look creatively at their surrounding opportunities and challenges. The supervisors should also have their own followers' visions and development plans, work in groups, and work in the spirit of the champion team. The supervisors should have a sense of innovation, as well as encouraging followers to seek more opportunities and not just achieve performance in expectations. Supervisors should understand followers' values and try to build the business strategies, plans, processes, and practices of their department/unit that are likely to improve employee well-being. Proper respect is also fundamental in building a positive relationship between leaders and staff.

Employees prefer their supervisor's idealized attributes of leadership behaviors as it may increase their performance level. Employees want to see more of their supervisors' idealized characteristics; therefore, supervisors should act to foster faith from their subordinates. They should connect beyond self-interest with the working groups and the individuals. Workloads should have a sense of trust and power. They should, therefore, try to avoid this type of form of leadership. Contrary to this, supervisors should clarify expectations and provide followers with goals and standards to be met.

Thus, as mentioned earlier, leaders or supervisors should be aware of the importance of the style of transformation leadership and try to put it into practice. Supervisors should enrich their knowledge about the perceptions of leaders' behaviors and how these behaviors relate to employee performance. Leadership development programs, based on current study results, could help leaders understand the relationships between effective leadership styles and employee performance. Organizations can develop specific training programs or mentor by professionals for the supervisors and leaders. The results of the current study may be used by professionals and

trainers to develop training programs that support the development of leadership. An organization can provide programs or interventions for leadership training to improve the guidance of supervisors.

To achieve the best out of such specific programs, the leadership training program can be designed based on the needs of employees and the organization. Also, psychological interventions are needed to clarify the relationship with supervisors for employees, and the impacts of leadership styles on the performance of loyal employees, including the daily practice of the leader, leadership behaviors, and the importance of feedback.

The organization and supervisors should involve staff in decision-making and leadership improvement as well as facilitating training and teamwork. Besides, policies and practices related to rewards or feedback systems in the organizations can be adjusted to meet employees' needs to improve employee performance.

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