



## LEADERSHIP STYLES AND ORGANIZATIONAL PERFORMANCE: A LITERATURE REVIEW

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### Abstract:

In particular, the relationship between democratic, autocratic, transformational, and transactional leadership styles and organizational performance was the focus of this study. The study was an organized review of the literature (Desk Review), concentrating on general discussions that were already accessible through database search engines like Google Scholar. The most pertinent journal papers, books, and dissertations were also looked for by the researcher. The theoretical foundation of democratic, autocratic, transformational, and transactional leadership styles as well as organizational performance was uncovered by the study's findings. According to a study that examined many authors' studies on leadership behaviors and the performance of organizations, some leadership styles are good for an organization's success while others are bad depending on the circumstance.

**Keywords:** democratic, autocratic, transformational, transactional leadership styles, employee performance

### 1. Introduction

For the previous two decades, leadership has gained great consideration mindfulness, and review from researchers around the globe. The notion and definition of leadership

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style may be different from one person or condition to the other. The word leadership has been used in various ways of human activities such as politics, business, academics, social work, etc. Leadership has unquestionably a crucial role in the outcome of any activity or plan in which all known leadership styles have a variety of results under diverse circumstances.

Leadership style is viewed as a mixture of different characteristics, traits, and behaviors that are used by leaders to interact with their subordinates.

Leadership is one of the most important dynamic forces for improving organizations' performance. It is understood that the type of leadership adopted in organizations has an effect on organizational performance. The role of leadership is critical in terms of creating a vision, mission, determining and establishing objectives, designing strategies, policies, and methods to achieve organizational objectives effectively and efficiently, as well as directing and coordinating efforts and organizational activities. To achieve the purpose and vision, as well as cope with changes in the external environment, effective leadership is required.

Unfortunately, a huge number of organizations spend tremendous sum of time on tackling managerial problems. Some organizations these days have difficulty with the leadership style to be practiced in leading employees of the organization. In the current time, numerous companies and organizations are facing problems related to untrustworthy behaviors, high labor turnover, poor budgetary performance, etc. This may be due to the need for successful leadership. Some companies don't keep in mind the leadership style held by their supervisors.

The lack of a useful leadership style is a severe difficulty prevalent in many organizations. It is clear that the consequential output is poor workforce performance, lack of motivation, reduced growth, and deprived institutional development.

Businesses must provide an enabling environment for tacit knowledge to be stimulated in order to address challenges like creativity and effectiveness, which will lead to improved organizational performance (Abdullah F. Al Mulhim, 2020).

According to (Debebe's, 2020) study on leadership styles, organizational culture, and organizational performance found that the presence of an excellent and well-built culture can enhance performance by enabling organizations' employees to be dedicated to the attitudes, principles, and norms declared in the culture of the organization, this strong culture facilitates teamwork, decision-making and communication between employees and increases and leads to high-level performance, and result of the study has also shown that leadership styles have a considerable impact on organizational performance.

Leadership is a manner of influencing others' views, attitudes, and behaviors. Leaders provide the rest of us with a sense of direction; they help us see what is ahead; they assist us in envisioning what we might achieve; they motivate and excite us (Edoka, 2012).

The term "leadership style" refers to a set of features, traits, and behaviors that leaders employ when interacting with their subordinates (Jeremy Mitonga-Monga, 2012).

Organizational performance is defined as an organization's actual production compared to its intended output or goals and objectives (Odiri & Ideh, 2021).

The study will be guided by situational theory, sometimes known as the Situational Leadership Model, that was established by Paul Hersey and Ken Blanchard in 1969 and the mid-1970s while working on Organizational Behavior Management. The Situational Leadership Model is based on two key concepts: leadership style and a person's or a group's performance eagerness level, also known as maturity or development level.

According to the situational theory of leadership, the situation determines by the style of leadership and techniques that are most appropriate for the situation. According to this idea, the most operative and convenient leaders are those who are able to adjust their leadership style to the situation and consider cues such as the work at hand, the character of the group, and other elements that may help them complete the task.

Different leadership styles were established focusing participative, directive and supportive leadership styles may be effective in higher levels of performance. In the United States, Finland, and Poland, using a leadership style that allows the participation in decision-making results in higher levels of motivation and performance (Mehta et al., 2003).

A study that was carried out in Mexico revealed that there is significant link between leadership styles and organizational performance and its effectiveness (Antonietta et al., 2013).

A study that was carried in Norway uncovered that there is association between leadership styles particularly transformational style and organizational performance and The proportionate impact of each leadership practice on organizational performance was discovered to be separate (Dag A. Sandbakken, 2006).

A study conducted in Malaysia found out that there is a positive, substantial, and medium link between leadership styles and organizational performance among academic leaders in Malaysian public universities within the Klang Valley area (Wahab et al., 2016).

The study looked at the leadership style used at Tuma Kavi Development Association (TKDA) in Ghana's Northern Region and how it affected the organization's performance. The findings of this study also demonstrated that there is a strong link between TKDA's organizational performance and its leadership style (Akpaprep et al., 2019).

Study conducted in Nigeria revealed that there is a positive significant relationship between the application of leadership style and the performance of business organizations in Nigeria; as a result, managers should adopt the appropriate leadership style that suits the organization while also considering effective employee management (Yusuf et al., 2014).

In Somalia, there is no research center, so academics don't have any evidence in the literature to analyze leadership styles and organizational performance. Although studies on leadership styles and organizational performance are not predominantly investigated and little studies investigated by (Mohamud et al., 2013) and (Sheikh et al.,

2013) found out that there is relationship between leadership styles and organizational performance in telecommunication in Mogadishu.

## **2. Leadership Styles and Organizational Performance**

### **2.1 Concept of Leadership Styles**

Leadership has been recognized as a vital force in any workplace performance to be effective, efficient, productive and profitable, since scholars and the subjects of the study from different countries with different cultural backgrounds live in different contexts believe that a particular kind of leadership style is appropriate to them while some argue to use the leadership style that enhances performance and the capabilities of the people. Researchers have advocated a variety of leadership styles over time since no single style of leadership can be considered universal. A good or effective leader inspires, encourages, and directs actions to help achieve group or organizational goals, despite the many different types of leadership. Ineffective leadership, on the other hand, does not contribute to corporate success and can even hinder achievement of organizational goals (Amanchukwu et al., 2015)

#### **2.1.1 Democratic Leadership Style and Organizational Performance**

Democratic leaders make the final decisions, although members of the team are involved in the process. They promote innovation, and team members are frequently involved in initiatives and decisions. There are numerous advantages to democratic leadership. Because they are more involved, team members have a higher level of job satisfaction and are more productive. This approach also aids in the development of employees' abilities. Team members are motivated by more than simply monetary compensation since they feel a part of something bigger and more significant.

A study examined public health center staff in Indonesia to know what kind of leadership style they would prefer and suggested that democratic leadership style allows participation in decision making process and that staff perspectives are asked and heard democratic leadership has a positive relationship with the performance of the head of the public health center in Central Java, Indonesia (Adha et al., 2020). This study was only confined to public health center staff but also it was about to investigate other industries such as universities, businesses.

A study carried out in various in popular restaurants of mymensingh in Bangladesh investigated the driving factors by identifying discussion, participative decision-making, guidance, participation and showed that democratic leadership style is the most critical dimension in performance so that it has strong positive association with organizational performance, employee happiness and organizational efficiency would both improve if a democratic approach was taken. Employees of democratic leadership have the discretion to undertake work that leads to better results to some extent(Toriql et al., 2019). The study did not focus whether democratic leadership style has ups and downs.

A study carried out in Nigerian banks, Mellat Bank's branches in Bushehr province found out that banks in order to become stronger in a global competitive context, bank management should adopt a democratic leadership style since it promotes participation, showcasing what is in employees' minds sharing information and employees feel that they are the citizens of the organization (Ojokuku et al., 2013).

A study carried out in Nigerian employees suggested that because of the benefits that will be gained by the employees as well as the overall result to the organization as a whole, it was deduced that democratic or participative types of leadership are the finest of all the leadership styles. The study also demonstrates that, in order to improve performance, it is vital to adjust the impact of leadership when the need arises in an organization (Igbaekemen, 2015).

### **2.1.2 Autocratic Leadership Style and Organizational Performance**

Autocratic leadership is a type of transactional leadership in which the boss has entire control over his or her employees. Staff and team members have limited opportunities to make proposals, even if they are in the teams or organizations best interests. The advantage of autocratic rule is that it is extremely efficient. Decisions are made swiftly, and work on putting those decisions into action can begin right away.

Study conducted in Kenya found out that authoritarian or autocratic influences employee performance because they demonstrate a sense of power, make personal sacrifices, and always think for the welfare of the entire group, authoritative leaders make employees feel proud to be affiliated with them. This type of leader is continually thinking about the organization's goals and talking about them in a positive way. They also intellectually stimulate employees, re-examine ways of doing things, treat everyone as a person rather than a group, and demonstrate empathy when necessary, all of which have an impact on employee performance (Nawoseing & Roussel, 2017).

Study carried out in Indonesia and conducted by (Adha, 2020) found out that autocratic leadership style has positive association with organizational performance in health sector staff.

### **2.1.3 Transactional Leadership Style and Organizational Performance**

When team members accept a position, they commit to obey their boss, which is the foundation of this leadership style. In most cases, the transaction entails the organization compensating team members for their efforts and compliance. If a team member's work does not meet an acceptable standard, the leader has the right to discipline them.

A study carried out in Pakistan found out that transactional leadership has the greatest influence on the organization's performance because it is a management style that focuses on monitoring, organization, and performance by rewarding and punishing followers for their compliance. Transactional leaders can keep followers motivated in the short term by using a rewards and punishments system (Ahmad, 2019).

In contrast to (Ahmed, 2019), a study conducted by (Al Khajeh, 2021) figured out that transactional leadership style has negative relationship with organizational

performance since it does give opportunities and freedom to employees instead punishing and supervising strictly to them.

A study conducted by (Elenkov, 2002) in Russian companies demonstrated that above and beyond the impact of transactional leadership, transformational leadership directly and positively predicted organizational performance in Russian companies; Russian managers who displayed more transactional-leadership behaviors also contributed positively to the achievement of organizational goals; support for innovation significantly moderated the relationship between transformational leadership and organizational performance.

A study conducted by (Zeb & Rabi, n.d.) and (Ikechukwu, n.d.) found out that transactional leadership style has positive effect on organizational performance.

#### **2.1.4 Transformational Leadership Style and Organizational Performance**

Transformational leadership is a management style that encourages, inspires, and motivates people to innovate and generate change in order to help the organization grow and influence its future success. Transformational leaders inspire and motivate their teams without micromanaging; instead, they trust their staff to make decisions in their areas of responsibility.

A study carried out in Pakistan found out that transformational leadership style has great impact on organizational performance as the mediating role of innovation. The study discovered a substantial link between transformative leadership and organizational success. As a result, it will assist managers in developing such a leadership style in their firms. Employees who want to be more creative and productive in running great firms need to work in an environment where leaders stimulate and encourage them (Arif & Akram, 2018).

A study investigating transformational leadership and organizational performance found out there is a favorable, significant, and medium link among academic leaders in Malaysian public universities in the Klang Valley area (Wahab et al., 2016).

A study carried out in China on small and medium enterprises found out that transformational leadership style is more valuable. Despite the fact that both transactional and transformational leadership are important for organizational performance, transformational leadership is more effective (Danso et al., 2018)

### **2.2 Concept of Organizational Performance**

Today, multinational corporations are ranked based on their performance over a period of time, usually annually. Organizational performance is the transformation of inputs into outputs for the purpose of achieving specific goals is referred to as organizational performance.

Organizational performance is also defined as an organization's ability to survive and profit, and it is measured in both manufacturing and services. Customers' satisfaction is the yardstick by which a service organization's success and performance are judged, and a good connection is valued over profit. Manufacturing companies' major

performance and effectiveness is based on the quality of their products, and they are more concerned with profit maximization (Islam, 2013).

Employees are the most important players in every business because their focused joint efforts promote organizational efficiency, and most organizations would not exist or function without them. According to (Ali, 2013), an organization's performance is influenced by its staff at all levels; therefore, it is critical to examine individual performance.

### **3. Methodology**

The researcher relied on previous existing literature review to examine broad discussions on leadership styles and organizational performance. This literature review study focused on the contribution of leadership styles on organizational performance. Throughout the entire study, the research has carried out the effect of democratic, Autocratic, transformational and transactional leadership styles on organizational performance using search engines as database source such Google scholar and many others. During searching, the researcher strived to figure out the most relevant articles, books with our study.

### **4. Findings of the Study**

The study found out that the four dimensions such as democratic, autocratic, transformational and transactional leadership styles affects organizational performance depending on the circumstance in which the leadership style is used, According to (Al Khajeh, 2019) investigated six dimensions of leadership styles; democratic, autocratic, transformational, charismatic, bureaucratic and transactional leadership styles and found out that democratic, autocratic, bureaucratic transformational leadership styles have a positive impact on organizational performance while other two leadership styles have a negative effect on organization performance.

A study examined transformational and democratic leadership styles and concluded that these two dimensions of transformational and democratic leadership are positively correlated with organizational performance and they are very important in global competitive market environment.

According to (Bhargavi & Yaseen, 2016), democratic leadership style is very appropriate when employees are skilled, competent and trained and excited to share their knowledge.

### **5. Conclusion**

Although previous studies have examined the leadership styles and organizational performance and the relationship between different leadership styles and organizational performance are still in demand and need to be investigated further. Further studies are

needed to fill the following gaps in literature and empirical study should be done to determine statistical findings:

### **5.1 Contextual Factors**

While leadership styles have been extensively studied, there is a need for further research on how contextual factors, such as organizational culture, industry dynamics, and national culture, can influence the effectiveness of leadership styles.

### **5.2 Long-term Impact**

Many studies focus on short-term performance outcomes, such as productivity or financial metrics. There is a gap in understanding how different leadership styles impact long-term organizational performance, sustainability, and resilience.

### **5.3 Cultural Diversity**

Most research has been conducted in Western contexts, leading to a limited understanding of how leadership styles interact with cultural diversity. Exploring the influence of diverse cultural backgrounds on leadership effectiveness and organizational performance can provide valuable insights.

### **5.4 Mediating Mechanisms**

While there is evidence linking leadership styles to organizational performance, there is a need to further explore the underlying mechanisms and processes through which leadership styles influence performance outcomes. Understanding these mediating mechanisms can help identify specific interventions and strategies to enhance organizational performance.

In conclusion, research on leadership styles and organizational performance has provided valuable insights into the relationship between leadership and performance outcomes. However, there are still gaps that need to be addressed, including contextual factors, long-term impact, cultural diversity, and mediating mechanisms. Further research in these areas can contribute to a more comprehensive understanding of effective leadership and its impact on organizational performance.

### **Conflict of Interest Statement**

I approve that there is no disagreement of interest related to the publication of this paper. As the corresponding author, I also affirm that the information presented in the paper is accurate and complete to the best of my knowledge and belief, on behalf of all contributing authors. This declaration ensures transparency and upholds the integrity of the publication process.

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