

THE IMPACT OF LEADERSHIP STYLES ON ORGANIZATIONAL PERFORMANCE

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ABSTRACT

Leadership is among the major drivers to improve the performance of an organization. It is believed that an organization's kind of style of leadership influences its overall results. This report focuses on the three styles of leadership which are autocratic leadership, democratic leadership, and laissez faire style of leadership. The roles of leadership styles towards the organizational performance were also discussed. It is seen that leadership styles definitely have a strong relationship towards a company's success, as the way the leader manages his employees will ultimately decide the performance of the organization itself. When a leader is engaging and puts employees' ideas and input into account when making decisions, productivity will indirectly increase especially from the employees as they feel like they are a part of an input that leads to motivation. It all comes down to human behaviour and psychological views when it comes to having the right leadership style a leader wants to adopt in an organization. A few recommendations were made to further improve organizational performance in the long run. According to this report, democratic leadership is the most effective style of leadership towards attaining and enhancing organizational performance. In depth explanations are given in this report.

Keywords: Leadership styles, performance of the organization, democratic leadership, company's success.

INTRODUCTION

Leadership as a type of guidance where a person could give to a particular group, he manages relations in a way as to impact another individual's or group's behaviour. Leadership is a mutual social power system in which leaders and superiors affect one another to accomplish corporate objectives. Leadership is a vital leadership function that requires the potential to inspire a set of people towards a common objective. Leadership centres onto the growth, expectations and capacity building of followers (Klein et al., 2013). Focusing on the growth of staff's system of values, their degree of motivation and moral with the growth of their talents is essential for managers in leadership positions (Sougui, 2015). As they work in the corporate environment, this strategy can ultimately aid followers

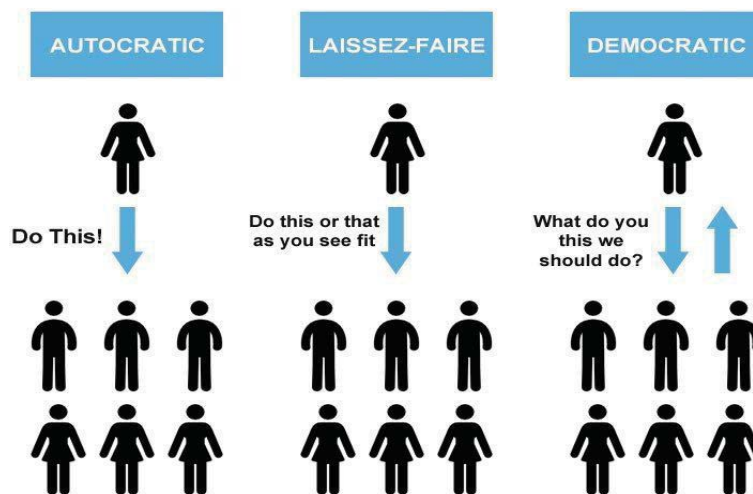
achieve their goals. Followers will be motivated to be creative and responsive to completely new technologies and environmental changes (Khan et al. 2014).

Leadership has a direct cause-effect relationship on organizations and their performance. Leaders determine values, culture, tolerance for change, and motivation for employees. They shape organizational approaches, including their efficacy and implementation. It must be emphasized that leaders could be seen at any organizational level and aren't exclusive to management (Igbaekemen, 2015). Therefore, leaders' impact everyone to help achieve team and corporate objectives. It is observed, though, at a given point in time the use of suitable style of leadership is a medium for organizational performance. Leadership is any company's heart and soul and its significance should not be overlooked. A style of leadership is the method that managers use to practice their leadership role, according to Armstrong Sofi, M (2015). It is seen as a specific behaviour employed by a leader in a company to empower staff to achieve the organization's set of goals. Leadership style plays a vital role in today's businesses. Leadership style is the manner in which a director or boss wants to behave with his or her staff or colleagues and the manner in which they exercise the leadership role (Xenikou, 2017).

Leaders must be capable of knowing whether their leadership skills affect their followers as it supports or does not help the followers (Saleem, 2015). This may have an effect on the actions of employees to follow their leaders; followers or employees who do not have respect towards the leaders may be susceptible to disappointment, which may give rise to an employee's intention of leaving. Some researchers have concluded that styles of leadership can influence the level of job satisfaction of an employee and job satisfaction is a function of leadership style (Iqbal, 2015). It indicates that style or conduct of leadership has an effect on job satisfaction and the willingness and purpose of an employee to quit an organization or not. It is worth noting that the right leadership style practiced in a given point in time, regardless of low pay, could still inspire an employee to offer his / her best in the company.

LEADERSHIP STYLES

Leadership style represents what people are "doing" and "behaving." Leadership has many aspects and there are many ways to describe leadership styles such as dictatorial, bureaucratic, charismatic, and participative. According to Bhargavi and Yaseen (2016), in common, there are three leadership styles as illustrated in Figure 1.



(Source: Bhargavi & Yaseen, 2016)

Figure 1: Types of Leadership Style

Autocratic Leadership

An autocratic leader is often seen as someone that is well aware of his status and has little faith or trust in the subordinates. Autocratic rulers in nature are classic and bossy. Those leaders need their subordinates to function as they dictate (Al Khajeh, 2018). In general, autocratic rulers like them reserve the right to take decisions (Longe, 2014).

The autocratic ruler believes that an employee's advanced salary for work performed is a fair exchange and an employee can only be motivated by the bonus. This leadership style is characterized by personal control over all team members' decisions and little feedback. These leaders emphasize loyalty and devotion and are characterized as those who decide by themselves and require strict compliance to regulations. The decision-making process is centralized; autocratic rulers accept full responsibility for decision-making and controlling the performance of their followers. Followers' praise and critique play an important role in autocratic governance. Usually, autocratic leaders' base decisions on their own opinions and perceptions and never consider followers' advice. Autocratic leadership requires a group's complete, authoritarian control.

Longe (2015) indicates that autocratic leadership might be helpful in cases of emergency, where there is a homogeneous workforce included, in which the leader is smart, rational, and has a significant understanding of the followers. Special initiative might be required in these situations to avoid a potential incident. Among many of the weaknesses of autocratic leadership is the unwillingness of the subordinates to cultivate the satisfaction of achievement, rejection of individual development and self-actualization gratification, as well as antagonizing people and wiping the organization of lifelong allegiance and cooperation. Nevertheless, in some cases, an autocratic approach is acceptable. It is important when the organization faces a crisis or if there is an urgent issue that requires an instant response (Bhargavi & Yaseen, 2016). In addition to bullying, there is no common goal and hardly any encouragement. Autocratic leadership usually reduces engagement, innovation and creativity (Al Khajeh, 2018). Nonetheless, most followers of autocratic leaders can be

represented as bidding their time, waiting for the inevitable collapse which this leadership is creating, and removing the next leader.

An example of an autocratic leader is Steve Jobs, the founder of Apple. He is the main decision-maker and acts on the basis of their opinions instead of hard evidence. While his employees find this leadership style aggressive, it may have opened doors to Steve Jobs' success. Jobs have produced one of the world's leading tech companies through his innovative ideas. Although some may have found his attitude and leadership style cocky, his devotion to technological development and design has certainly benefited not just to his business, Apple, but customers around the globe. Jobs didn't seem to understand the advantage of working with your staff as a team. On his team members he was seen as controlling as and more of a tyrant than a real leader. Although his methods were hard for all those who worked for him, they have been very efficient for Apple products' success. Steve Jobs had a mind-set of creative design. He wanted his products to be produced as he saw fit best. Once he was quoted as saying "people don't know what they want until you present it to them." This helped Steve create products that he knew the people actually wanted in this innovative and design process.

Democratic Leadership

Democratic leadership, also known as participatory leadership, is a kind of leadership style in which members of the group play a more participatory part in the decision-making process. Success and people are the subjects of this leadership style (Bhargavi & Yaseen, 2016). Style of democratic leadership encourages staff to engage in the company's decision-making process (Nwokocha & Iheriohanma, 2015). The democratic leader helps the leader and the team to share decision-making. Arguments and compliments are offered critically and within the community a sense of responsibility is created. Until issuing general or specific orders through which subordinates feel free to act, the leader communicates with subordinates (Bhargavi & Yaseen, 2016). The superior encourages the subordinates to take advantage of their initiative and continue to contribute. The leaders even offer guidance in performing the role to the subordinates.

Democratic leadership characteristics typically involve: the idea which team members are able to exchange thoughts and opinions, while the leader has the final authority on decisions, group members feel more involved in the process, and creativity is promoted and rewarded. A lot of benefits come from democratic leadership. Subordinates are encouraged to post their experiences, which can result in better ideas and more innovative problem solving (Sadia & Aman, 2018). Staff will also be more engaged and dedicated to projects, making them more likely to be concerned regarding the current final outcome. Democratic leadership style is perceived to result in better productivity among members of the group. Democratic leadership performs best in conditions where members of the group are informed and willing to share their expertise. It is also vital that there is plenty of time to allow people to contribute, formulate a plan and afterwards decide on the best approach.

A great example of a democratic leader is Barack Obama, former president of the United States. Anyone who knew about the U.S. elections could have come across this Obama-coined term, "Yes we can!" Thanks to the background of the US economy at the time, it motivated a whole nation; unemployment was high and it was the result of the 2008 Lehman Crisis. This means a can-do attitude towards Obama, encouraging his followers to

realize that despite the challenges, all things are possible. In his course, he faced major obstacles that endeavoured him for many even beyond the United States ' borders. He, being black, ran for an office that had been occupied for decades by white males. He had a brief experience in politics, four years to be exact, but that certainly didn't stop him from taking on the Democratic Party's renowned names. Many around the world have been motivated by his performance. We must also display this can-do attitude as a leader; believe it is possible before our followers believe it; see the triumph before someone else sees it.

Laissez Faire

Laissez faire is a French term that means "let it be" and is also referred to as "hands off style" (Nwokocha & Iheriohanma, 2015: p. 194). It means putting fellow employees throughout the manner they like without compliance to any strict rules or protocols to complete projects and jobs. The laissez-faire leader avoids managing his staff, according to Puni et al. (2014), and therefore depends only on the few available staff that are committed to the job.

Laissez faire leaders were argued not to invest in the advancement of staff as they assume that staff should take good care of themselves (Puni et al., 2014). This style of leadership has not been shown to be functional in the financial sector or Non-Governmental Organizations which allow both the leader and subordinates to contribute to the decision-making process and complete tasks to ensure the organization's performance. This is described as a leadership style in which leaders refuse to take decisions, are not present when necessary but do not want to take on responsibility towards their lack of leadership capacity. Leaders of laissez faire do not use their power and refrain from taking initiative. It is regarded a passive form of leadership that is inefficient. This style encourages setting up a comfortable work environment; it puts morality down and reduces the group's performance. With such style of leadership, leaders are trying to move on the decision-making process burden to the team. The team is poorly organized as its leadership capacity is not respected by the leader. Laissez faire style is associated with unhappiness, unproductivity, and inefficiency. But that's debatable. Under this leadership style, decision-making is carried out by anyone who is ready to accept it.

An example of a laissez faire leader would be Andrew Mellon, an American banker and politician. A great innovator, Mellon is the prime example of a laissez faire American leader of the 20th century who was as confident in philanthropy and politics as he was in banking and commerce. He is credited with helping to build American manufacturing sector, including the giant refineries of oil, steel and aluminium. Mellon represents the leader of the laissez faire as he believed not only in selecting skilled and knowledgeable individuals to run business, but also resisted government regulation in the context of tariffs and other regulations.

LEADERSHIP STYLES AND ORGANIZATIONAL PERFORMANCE

The leadership of a company is certainly considered to have a strong impact on its success, employee satisfaction, and employee engagement. Some researchers have concluded that by using effective leadership styles, leaders inspire and enable their staff to be successful (Bhargavi & Yaseen, 2016). Leaders must use effective leadership styles to encourage levels

of performance in the professional growth of company employees. Leadership styles and organizational efficiency are strongly related. Effective leadership style is seen as a strong source of sustainable competitive advantage and growth management (Al Khajeh, 2018). Style of leadership allows the company accomplish its current goals more effectively by connecting employee performance to expected incentives and ensuring that staff have the tools for doing the task. Without leadership there is an increase in the probability of errors happening with more and more reduction in prospects for success. Among this way, leadership, along with stimulants and opportunities, fosters the desire of individuals to accomplish objectives, playing a significant role in the processes of creating, communicating and transforming organizational culture. Considering the nature of leadership is power, the art of mobilizing another to battle for common interests could be commonly viewed as leadership. Leadership has everything to do with outcomes. Leaders face a tough challenge in today's globalized economy, with businesses facing constantly changing environments.

Operating in dynamic environments and linked by digital real-time messaging, mobile staff have become their organizations' critical resource (Ogunyomi, 2015). What will be required are now leaders who could be innovators and centres of gravity simultaneously, retain internal emphasis and allow individuals and organizations to adapt and thrive.

RECOMMENDATIONS

There are various ways to adopt good leadership styles in a working environment. The best leadership style that could be seen from the three common styles that were discussed is the democratic leadership. In the current working environment, most organizations adopt the democratic leadership style as it aids the organization in meeting its goals and objectives. As the organization's strength relies heavily on democratic leadership style, it is suggested that the company's leadership strive to get more out of this leadership style in its operations. In this diverse working environment, it is also suggested that the company adopt certain leadership styles where appropriate throughout order for the organization to grow in strength in its industry. Because there is no "one size fits all" leadership style, it is also advised that management try to use different techniques and approaches as the circumstance can require people to work harder to achieve organizational objectives and further improve performance. Apart from that, the organization's top management must make efforts to identify the critical factors impacting organizational members' success and the possible actions (training, motivation and performance assessment) to be implemented to resolve them. The combination leadership styles should be implemented by corporate managers, but with due regard for the circumstance and complexity of the role entrusted to their employees.

CONCLUSION

This report mainly focused on the common three styles of leadership which are autocratic leadership, democratic leadership as well as laissez faire style of leadership. The democratic leadership deems best compared to the other two styles as it will aid in enhancing the performance of the employees and the organization as a whole. The autocratic is the least effective as it might demotivate employees and reduce the productivity and performance of the organization. This report showed the styles of leadership as well as the impacts on the organization. It is crucial that managers that adopt the leadership style should contribute to

the well-being of the employees as well as provide opportunities and allow them to be involved in decision-making. In this context, leadership styles play a significant role in the organizational performance and it is merely up to the managers to adopt the right one.

To have an impact on the organization through leadership development, these development programs require to be upheld in organizations by ongoing, reflective practices with objective setting and review that are connected to the leadership role and the organizational strategy though literature reflects on lack of universal robust evaluation of leadership development programs, especially those that fail to identify the effectiveness of long-term outcomes on the investment made. In today's global scenario, the important aspect of a leadership style and leadership development is to stimulate, motivate, empower and direct the follower's/group members by being sympathetic to achieve the organizational objectives by being a visionary, having big-picture thinking, flexible and who initiates change.

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