

Impact of Leadership Styles on Employee Performance

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Abstract:

This paper examines the impact of leadership styles on employee performance in organizational settings. It reviews classical and contemporary leadership theories, highlights empirical research findings, and proposes an empirical study to analyze the influence of transformational, transactional, participative, and laissez-faire leadership on employee performance. The study design includes a cross-sectional survey, validated measurement instruments, and regression-based data analysis techniques. Expected outcomes, practical implications, and recommendations for leadership development are presented to guide future research and practice.

Keywords: Leadership styles, employee performance, transformational leadership, transactional leadership, organizational behavior.

1. Introduction:

Leadership plays a central role in shaping employee attitudes, motivation, and performance. Effective leadership fosters job satisfaction, commitment, and productivity, while ineffective leadership often leads to disengagement and reduced performance. Despite extensive research, many organizations continue to face challenges in selecting or developing leadership styles that align with their workforce and strategic goals. This study explores how different leadership styles—transformational, transactional, participative, and laissez-faire—affect employee performance and proposes a comprehensive empirical design to evaluate these effects.

1.1 Research Problem:

Organizations often assume that a single leadership style is suitable across all contexts. However, research suggests that leadership effectiveness depends on situational factors and

employee characteristics. There is a need for comparative empirical evidence examining multiple leadership styles within one framework.

1.2 Objectives:

1. To review theoretical concepts and empirical findings on leadership styles and employee performance.
2. To design an empirical study investigating the impact of leadership styles on employee performance.
3. To provide recommendations for organizational leadership development.

1.3 Research Questions:

1. What is the relationship between transformational leadership and employee performance?
2. How do transactional and laissez-faire leadership styles influence performance relative to transformational leadership?
3. Do demographic and organizational variables moderate these relationships?

1.4 Hypotheses:

H1: Transformational leadership is positively associated with employee performance.

H2: Transactional leadership positively influences performance but less strongly than transformational leadership.

H3: Laissez-faire leadership is negatively associated with employee performance.

H4: Employee characteristics (e.g., tenure, education) moderate leadership–performance relationships.

2. Literature Review:

This section synthesizes foundational theories and recent empirical findings on leadership styles.

2.1 Classical Leadership Theories:

- Trait Theory: Early attempts to identify inherent leader traits showed limited predictive validity.
- Behavioral Theory: Differentiated task-oriented and people-oriented leadership behaviours.
- Contingency Theory: (Fiedler, Path-Goal, situational leadership) emphasized that leader effectiveness depends on situational alignment.

2.2 Contemporary Leadership Styles:

- Transformational Leadership: Inspires employees through vision, motivation, intellectual stimulation, and individualized consideration (Bass & Avolio).
- Transactional Leadership: Focuses on contingent rewards, corrective actions, and clear expectations.

- Laissez-Faire Leadership: Avoids decision-making and oversight; often linked to negative performance outcomes.
- Participative/Democratic Leadership: Involves employees in decision-making, improving commitment and effort.

2.3 Empirical Evidence:

Meta-analyses show:

- Transformational leadership consistently predicts higher performance and satisfaction.
- Transactional leadership is effective for routine tasks.
- Laissez-faire leadership shows harmful effects on motivation and performance.

3. Conceptual Framework:

Leadership styles (transformational, transactional, participative, laissez-faire) are proposed as independent variables. Employee performance is the dependent variable. Demographic and organizational factors (age, tenure, job level, climate) act as moderators and controls.

4. Methodology:

4.1 Research Design:

A cross-sectional survey design is proposed, supplemented with objective performance indicators when available. A mixed-method extension may include interviews.

4.2 Population and Sampling:

- Population: Employees from medium-to-large organizations across sectors.
- Sampling Method: Stratified random sampling for department-wise representation.
- Sample Size: Minimum 150–200 for regression; 200–400 for SEM.

4.3 Measures and Instruments:

- Leadership Styles: Measured using MLQ (transformational & transactional) and LBDQ (participative and laissez-faire).
- Employee Performance:
- Self-rated performance scale
- Supervisor ratings
- Objective indicators (sales, KPIs)
- Control Variables: Age, gender, tenure, education, job level, industry.
- Moderators: Job autonomy, task complexity, organizational climate.

4.4 Validity and Reliability:

- Cronbach's alpha (>0.70) for internal consistency
- Confirmatory factor analysis (CFA) to establish construct validity

4.5 Data Collection Procedure:

- Organizational permission and ethics approval
- Anonymous online surveys (Google Forms/Qualtrics)
- Supervisor performance evaluations

4.6 Data Analysis Techniques:

1. Descriptive statistics
2. Reliability analysis
3. Correlations
4. Multiple regression analysis (hierarchical models)
5. SEM or multilevel modeling where applicable

5. Expected Results:

- Transformational leadership expected to show a strong positive effect on employee performance.
- Transactional leadership expected to show a moderate positive effect.
- Laissez-faire leadership expected to show a negative effect.
- Moderators such as job autonomy likely strengthen transformational leadership effects.

6. Discussion and Implications:

The expected findings highlight that leadership style is a key determinant of employee performance. Transformational leadership is likely to be the most effective due to its emphasis on vision, motivation, and employee development. Transactional leadership supports performance through structure but may not drive long-term motivation. Laissez-faire leadership is expected to negatively impact performance due to the absence of direction and feedback. Contextual variables such as job autonomy and organizational climate are expected to moderate these relationships, consistent with contingency and situational leadership theories.

6.1 Theoretical Implications:

- Reinforces transformational leadership theory.
- Highlights the role of contextual variables in leadership effectiveness.

6.2 Practical Implications:

- Organizations should emphasize transformational leadership skills in training programs.
- Clear decision-making guidelines can reduce laissez-faire tendencies.
- Multi-source performance evaluations are recommended to reduce bias.

7. Limitations:

- Cross-sectional design limits causal conclusions.
- Self-reported performance measures may introduce bias.
- Findings from specific industries may not generalize broadly.

8. Ethical Considerations:

- Informed consent and voluntary participation
- Confidential handling of data
- Transparency regarding usage of performance information

9. Conclusion:

This study underscores the significant influence of leadership styles on employee performance. Transformational leadership appears to be the most effective style, while transactional leadership provides moderate benefits. Laissez-faire leadership negatively affects outcomes and should be minimized. The proposed research design provides a robust framework for analyzing leadership– performance relationships. The findings have valuable implications for leadership development and organizational performance enhancement. Future research can adopt longitudinal designs and explore additional mediating factors such as trust, well-being, and organizational culture.

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