

# A Review of Literature on Leadership Styles and Employee Performance

Amir Hussain Shah<sup>1</sup>, Sabzar Ahmad Peerzadah<sup>2</sup>

<sup>1,2</sup>Research Scholar, Department of Commerce, University of Kashmir, Srinagar, India

**Abstract:** A principal topic in leadership research concerns the impact of leadership style—the configuration of attitudes that leaders hold and behaviors they exhibit. The leadership style is the act of providing direction, implementing strategies and motivating followers towards the attainment of the desired goals. Leadership styles are replicated in attitudes and behaviors but these, in turn, are the outcome of multifaceted interactions between the way individuals think and feel. Researchers have highlighted various approaches to leadership that are based on different suppositions and theories. As the time progressed, the analysts have worked out to design various models, theories and frameworks regarding the leadership styles. The major aim of their research was to elaborate the effectiveness of leadership in the re-organization including the establishment of authority, bringing sense of responsibility, restructuring and addressing the employees' issues in the context of already prevailing situation. Consequently, among many others, two styles of leadership became much prominent and widely researched namely transformational and transactional leadership. Both of these styles have been studied in the different socio-economic and academic sectors with their distinct advantages. The present study is an attempt to analyze the effectiveness of transformational and transactional leadership styles in relation with employee performance through review of literature.

**Keywords:** Employee performance, Transactional leadership, Transformational leadership.

## 1. Introduction

In the present times, institutions whether public or private need the effective leaders who through their competencies (innovativeness and creativity) achieve the task of restoration in these institutions (Avolio & Bass, 2004). The capable leadership can realize the obstructions in the performance together with the main problems behind. The same occurrence can be pushed forward to the ultimate objectives with the employees functioning on the front (Avolio, Walumbwa & Weber, 2009). In the same line, many issues like authority and performance of leadership, communication skills and decision-making, intellectual capabilities and personal characteristics are the core driving forces behind. The leaders and their followers underneath are bridged by the level of performance (Bass, Avolio, Jung & Berson, 2012). In the same line, the success of these institutions only rests upon the performance of the employees and the leadership at the helm. On the part of the employees, their fearless efforts, diligence, and efficiency leading to the desired objectives are the reproduction of various

leadership styles (Iqbal, Anwar & Haider, 2015). Among these leadership styles, the most prominent are the transformational and transactional leadership.

The present study is a progressive attempt to evolve a theoretical structure which may provide a strong basis for us to implement the theory that emerged from the already existing theories. These theories in total cannot be applied in any context. For this purpose, we thoroughly analyzed the main leadership theories, leadership styles, their related models and the status of institutions in the diverse circumstances. This study is an attempt to build a leadership model where leadership styles (transformational and transactional) acts as an antecedent for employees' performance. We are looking for such leaders who comprehensively investigate the impediments in the institutional uplift, the political and bureaucratic hurdles, the corruption within and seeking suitable measures through their competency and experience to boost the employees' level of performance. In this regard, the present study is the comprehensive review of the literature regarding leadership styles (transformational and transactional) and the employees' performance.

## 2. Literature review

### A. The leadership

The basic structure of an organization is comprised of different departments in which the employees work as the basic units with different capacities. In this structure, the main responsibility of the leadership is to strengthen the moral values and working capacity of its workforce that ultimately leads to increase in output graph of the organization (Avolio & Bass, 2004). The employees, in the presence of inspiring leadership, may not feel isolated from the central authority which keeps them intact and resultantly they work with integrity and utmost commitment. At macroscopic level, leadership is both a research area and a practical skill (King, Johnson & Vugt, 2009). On the part of the researchers, the current research highlights different leadership styles in the different circumstances in various spheres of life. On the part of individual level, it encompasses the abilities, leading capacity, skills, and experience of a person or group of persons (Tahir, Abdullah, Ali & Daud, 2014). While exercising the authority, the leadership seeks the participation of the employees with all

their dedication and sense of ownership through the power of mobilization, motivation and communication in the organization (Chandra & Priyono, 2016).

### *B. The transformational leadership*

The concept of transformational leadership was originally introduced by leadership expert James MacGregor Burns (1978). It is a process where a leader engages his/her followers by motivating them through empowerment, learning, trust, and communication. Transformational leader boosts collaborative approach by which both the leader and followers work together on a shared vision for the present and the future of the organization. The transformational leader possesses charismatic abilities, induces moral values and tries to develop the capabilities of the employees. This style of leadership gives a kind of vision which increases the working potential and commitment of the followers/employees to achieve the high valued tasks those which yields a maximum output (Avolio & Bass, 2004). Consequently, the employees beneath put forward all their efforts to bring up the organizational standards at par with the global standards. At the same time, the transformational leadership is innovative, creative to some extent, takes bold decisions and stands strong in collaboration with the popular will of all the units of the concern organization (Salman, Riaz, Saifullah & Rashid, 2011). Transformational leader is believed to rebuild a structural framework of the organization according to the wins and wishes of the employees keeping in view the global standards and the contemporary situation. The transformational leader develops a level of trust to up-bring the confidence among the employees which assembles the thought values of the employees resulting in the enriched performance (Chandra & Priyono, 2016). Transformational leadership style has four attributes namely the idealized influence, individualized consideration, inspirational motivation, and the intellectual stimulation.

### *C. The Transactional leadership*

The present study tries to examine to what extent the relationship of the leadership styles and employees' performance is affected by the transformational and transactional leadership and which style successfully impacted upon the employees' level of performance. At the same time, it analyzed the impact of transactional leadership in relationship with employees' performance. The transactional leader, following his/her style by implementing rules and regulations, institutes writ of authority, assigns and focuses upon certain goals and directs the employees to achieve the pre-determined tasks (Avolio & Bass, 2004). In using the transactional style, the leader focuses on contingent reward and on management by exception. Research indicates that when contingent reinforcement is used, followers believe that accomplishing objectives will result in their receiving desired rewards. Using management by exception, the leader does not play any substantial role unless objectives are not being accomplished (Orji et al.).

During the course of time under transactional leadership, the skills and experience of the employees are utilized to its maximum through a system of rewards and punishments for good deeds and otherwise (Udoh & Agu, 2012). This entire process is spanned not over a long period of time rather the organizational profile gets re-oriented and the whole dynamics is geared up to certain desired standards. The transactional leadership strictly follows the rules and regulations, prefers to remain in a stipulated framework for the maximum employees performance (Shah & Kamal, 2015). The attributes associated with transactional leadership style include Contingent rewards, management-by-exception (active) and management-by-exception (passive).

## **3. Employees performance**

The term performance is defined as the ultimate ability of an individual (employee) to use its knowledge and skills efficiently and effectively. According to the research findings, the performance of employees is strictly related to their physical and academic profile (Dvir, Eden, Avolio & Shamir, 2002). In this regard, the employees' performance is most significant to bring about the results according to the international standards. The performance of the individuals depends much upon the policies of the concerned organization about their pay package, rewards, bonuses, yearly increments and other perks and privileges (Bodla & Nawaz, 2010). Still, the academic profile of the employees has the highest rating among all other factors. On the whole, the productivity/output can be enhanced and sustained by the effectiveness of the leadership at the helm of affairs and an active response of the employees (Rizwan, Nazar, Nadeem & Abbas, 2016).

The relationship between leadership and employee performance has received extensive scholarly attention (Vigoda, 2007). On one hand, the leadership style prompts emotional strength, motivation, commitment, and the working relationship while on the other hand, the employees perform with their utmost ability and persistence. The main characteristics associated with employee performance extracted from the relevant literature are the efficiency, effectiveness, innovativeness, and responsiveness. Furthermore, there are some other attributes related with the employees' performance such as work ethics, communication, creativity, development, professionalism, and the commitment. All of these attributes contribute to the effective performance on the part of employees.

## **4. The leadership and employees performance**

To augment the performance of employees, their dependence upon the leadership, which is operative, has a definite bearing on the overall productivity/output. In the same way, the central role of the leadership along with its credibility becomes most prominent (Bass, Avolio, Jung & Berson, 2003). Actually, the transformational leader is a psychoanalyst, as he/she learns, comprehends and analyze the minds, thoughts, attitudes, and

desires of the followers/employees to reach the conclusions which help in augmenting the employees level of performance (Qaisar & Sara, 2009). The leadership of this style always pursues goals democratically and believes to solve every issue in the organization according to the popular will of the employees. The diagnostic skills of the leadership, either they are intrinsic or learned are valuable for resolving the issues related with the individuals and with the organization as a whole (Durga & Prabhu, 2011). The employees' performance is believed to be directly proportional to the effectiveness of the leadership. The transformational leaders augment the mercury level of the employees output through the powers of comprehension, analysis, planning, and motivation (Iqbal, Anwar & Haider, 2015).

### 5. Discussions

The present study has tried to advance the knowledge about the relationship between leadership styles and employee performance. In today's competitive environment, the survival and development of organizations are required to stress upon the responsibilities and processes that play a vital role in augmenting their performance. In the prevailing situation, the main objectives for any dynamic institution are the development of individual capabilities and ultimately the performance of the institutions (Dvir, Eden, Avolio & Shamir, 2002). The performance of employees is the outcome of individuals' behaviors which contributes to the realization of institutional objectives. At present, the researchers count many factors for refining the performance of employees. These include the leadership, work conditions, co-worker relationships, promotion, wages, job security, personal characteristics supervision, motivation, equality, personality factors and structure of organization (Smerek & Peterson, 2006). There is a need to improve the employees' performance to bring a significant change by the acceptance of mechanisms to enhance the performance of the institutions (Salman, Riaz, Saifullah & Rashid, 2011).

Owing to its popularity, transformational leadership occupies high standing among all the leadership theories. In the prevalent situation, the success of this leadership style is due to the close proximity in all respects between the leader and his/her followers. The layout of this leadership style mainly rests upon the level of trust and motivation leading to a decentralized system where an individual can perform to his/her maximum beyond the personal interests what so ever (Udoh & Agu, 2012). The leaders' ability to accurately practice transformational style in managing the organizational tasks may affect the performance of employees. By way of leading employees, leaders with transformational leadership can be characterized as ideally influencing, inspiring employees' motivation, encouraging intellectual stimulation and having individualized consideration (Tahir, Abdullah, Ali & Daud, 2014). Unlike the transformational leadership that works on the popular will with utmost flexibility, transactional leadership

does what is written in black and white. The transactional leadership specifies the bond between employees and leaders in terms of exchanges of psychological and economic values. The transactional leaders generally focus on how to develop and sustain the performance standards, how to minimize conflict to specific actions, how to substitute one goal for another and how to enforce decisions (Saqib, Irfan, Qamar & Farooq, 2015). These leaders involve their followers in an affiliation of shared dependency in which the influences of both sides are recognized and pleased. Transactional leaders are effective in these situations because doing what the leaders do is in the best interest of the employees. Active transactional leaders repeatedly realize the hopes of their followers (Chandra & Priyono, 2016). Therefore, transactional leadership is very much dependent upon the abilities of leaders to meet and respond to the responses and altering prospects of their followers/employees. The transactional leadership is an outcome of extrinsic motivation, contingent reinforcement and passive direction of employees towards peculiar performances.

### 6. Conclusion

Each leadership style is unique regarding its communication, motivation, objective setting and decision making. The present research work attempted to explore the suitable leadership style (transformational & transactional) with respect to the performance of employees. Both these styles are reported to have significant impact upon the performance of the individuals in organizations. But the confusion is that when the leaders stick to the transformational leadership style, it does not mean that they do not reward their employees for enhanced performance. On the other hand, if the leaders are transactional in nature then it also does not mean they don't motivate and encourage their employees. It connotes that every leader has both the attributes of transformational and transactional leadership. If the leader adapts the transformational style in a certain context, it does not mean that he/she does not follow the rules and regulations. Same way if the leader adapts the transactional style that does not mean he/she does not motivate and inspire his/her followers. So what is required for effective performance is shared leadership styles which contains the mixture of attributes of both the aforementioned styles. The leadership form with these shared attributes will strengthen the institutions and thus the productivity will be enhanced.

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