



A study on impact of leadership on organisational performance

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Abstract

The main aim of any organization is to sustain competitive advantage and considered to be effective between the demands of various stakeholders and the needs of the employees. Based on the previous studies in related field, it has been demonstrated that an appropriate leadership style can influence the success and the economic growth of both the organizations and employees. Leadership style is a double-edged tool in work-organizations. As a human resource management skill, it has both the constructive as well as disruptive dimensions in the workplace. Depending on the circumstance and appropriateness, leadership style can pose as a pure incentive and positive in building a performance oriented organisation. On the other hand, it can also act as a disincentive and negative backlash corroding responsibility for performance in organisations. Therefore, the purpose of this paper is to explain the effects of leadership styles on the organizational performance.

Keywords: leadership style, employee performance, organisational performance

Introduction

In the environment of fierce competition, an enterprise faces multiple challenges. Thus, it has become the primary target to create competitive advantages of how an enterprise draws up strategies suitable to improve its operational performance. In the past, enterprises emphasized financial performance. But now, information development has transformed their competitive basis into the intangible assets and the leadership performance from previous tangible financial performance. Therefore, it should include non-financial indices such as quality and customer satisfaction, which can be used for an enterprise to effectively evaluate its operational performance and consolidate competitive advantages. However, if an enterprise wants to improve the organizational performance, the leadership style of administrative supervisors will play a crucial role in its overall operational performance. The effective leader must be a good diagnostician and adopt style to meet the demands of the situation in which they operate. When reviewing literature related to leadership and performance, we found that most papers emphasized effects of the leadership style on organizational promise and performance, but few discussed correlations amongst the leadership style, the organizational performance and the human resource management strategy. It was also seldom considered that the leadership style may be a key factor to affect its smooth progresses if managerial activities can be implemented.

Review of Literature

Leadership has drawn great attention from scholars in various fields in the recent years. The following presents the review of the existing literature that have explored the relationship between the leadership style, employee performance and organisational performance.

- Yukl (1989) Leadership has been altered over time, with the change in employee requirements resulting in a

demand for change in the relationship between a leader and his subordinates. Leaders have been found to influence followers in many ways, including coordinating, communicating, training, motivating, and rewarding.

- Bryman (1992) ^[5] presented that there is a positive relation between the leadership style and the organizational performance.
- Jim Collins (1995) ^[3] published an article in the Harvard Business Review about leadership Good to Great. In that article, titled leadership, "the most powerfully transforming executives possess a paradoxical mixture of personal humility and professional will...they are timid and ferocious. They are focus on empowerment rather than control for the development of employees' performance.
- Campbell (1977) ^[6] thought that when executives use their leadership style to concern, care and respect for employees, it would increase self-interests of employees in work as well as organizational promises, enable them to make better performance in work place and affect their job satisfaction
- The business writer Daniel (2002) ^[4] categorized different leadership styles. They suggested that leadership styles could be explained on a scale ranging from autocratic through democratic to participative to show the degree of authority and decision makes power of leaders and employees.
- According to Adair (2002) ^[1] Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and to improve their performance and to direct them towards goals.

Objectives of the Study

- To know about the effectiveness of various styles of leadership.
- To study the outcomes of different leadership styles.

- To analyse the impact of leadership style on employee performance.
- To examine the impact of leadership style on organisational performance.

Hypothesis of the Study

Ho: There is no significant relationship of leadership style on employee performance.

Ho: There is no significant relationship of leadership style on organisational performance.

Methodology of the Study

The study was conducted by collecting the data from both the

primary and secondary data sources. The primary data was collected with the help of a questionnaire, formal structured interviews, interaction with the employees. The secondary data was collected from the company records, research articles, journals etc. The opinions of employees were on leadership styles was collected. The data was thus analysed and interpreted with the help of statistical tools such as means, standard deviation, regression etc. A sample of 200 employees working in JOCIL Ltd, Guntur was collected through random sampling method.

Data Analysis and Interpretation of Results

Table 1: Attributes of Autocratic Leadership Style

Attributes	Mean Score
My superior holds all the information and shares only when needed	2.56
My superior frequently interferes in my work	2.78
I don't have enough authority to take decisions	3.1
My superior criticises me if I fail	2.69

The autocratic style is characterized by an "I tell" philosophy. Autocratic leaders tell their staff members what to do. This can give a business a clear direction but it may also lead managers to under value or ignore input from teams. However, an autocratic approach is appropriate in some situations. It is valuable when the business faces a crisis or

when an urgent problem arises that requires an immediate response.

From the above results it can be interpreted that most of the sample employees said that they don't have enough authority to make decisions and their superior frequently interferes in their work.

Table 2: Attributes of consultative Leadership Style

Attributes	Mean Score
My superior asks my opinion before he make a decision	3.45
Unless the target cannot be reached my superior does take the actions	3.01
Unless the problem gets worse my superior interferes	3.22

Consultative leadership is also task oriented. While he ultimately has the authority to make the final decision, he is willing to listen to the viewpoints of his team. This is likely because the consultative leader is in a position where he does not know the whole situation and he requires the views and

opinions of the team on the ground that he may be able to make an informed decision.

The results showed that the superior is the main standard and inspiration for them to set objectives and to learn. The superior seeks the opinions before he makes a decision.

Table 3: Attributes of Participative Leadership Style

Attributes	Mean Score
My superior would tell me my job performance	3.56
My superior will help me build self confidence	3.78
My superior inspire me with new ways to think about the problem	4.1
My superior will provide me a thinking approach for my problems	3.69

Participative leadership style is that involves all members of a team in identifying essential goals and developing procedures or strategies for reach those goals. From this perspective, participative leadership can be seen as a leadership styles that relies heavily on the leader functioning as a facilitator rather than simply issuing orders or making assignments. One of the

main benefits of participative leadership is that the process allows for the development of the additional leaders who can serve the organization at a later date.

From the above it was observed that the superior inspires them to think of new ways of doing things.

Table 4: Attributes of Democratic Leadership Style

Attributes	Mean Score
My superior inspires me to rethink the key points of the past operation	3.98
My superior make me feel proud of being a member of the department	3.99
I don't have enough authority to take decisions	3.25
My superior gives me the confidence to achieve the task alone	3.87

The democratic approach is characterized by an "I share" philosophy. Decisions are made within teams, with each member having equal inputs. The democratic leadership style is a very open and collegial style of running a team. Ideas move freely amongst the group and are discussed openly. Everyone is given a seat at the table, and discussion is relatively free-flowing. This style is needed in dynamic and

rapidly changing environments where very little can be taken as a constant. In these fast moving organizations, every option for improvement has to be considered to keep the group from falling out of date.

From the above it was clear that the employees feel very proud to be the member of the department.

Table 5: Attributes of organisational performance

Attributes	Mean Score
The company's image is superior than that of its competitors	3.20
The company's employee morale is high than that of its competitors	3.26
The company's innovative degree is superior than that of its competitors	3.67
The company's staff turnover is low than that of its competitors	3.91

In a competitive business environment, organizations rely upon their leaders to facilitate the changes and innovations required to maintain competitive advantage. Leaders are perceived as persons who can single handedly create order out of chaos, navigate organizations through unthinkable environmental turbulence, bring mightiness out of mediocrity, and thrive where lesser mortals will quickly fade away. The above results shows that the employees' morale is very

high and they try out their innovative thinking and the staff turnover is very low when compared to their competitors.

Impact of Leadership style on Employee performance

Ho: There is no significant impact of Leadership style on employee performance.

H1: There is significant impact of Leadership style on employee performance.

Table 6

Independent Variable	Dependent Variable	F value	P Value	R ²	Adjusted R ²
Leadership Style	Employee Performance	0.067	0.660	0.051	0.003

*P<0.05

Leaders inspire people, motivate them and bring out the best in them. Thus, the behaviour of a leader, the style that he chooses to adopt can have an effect on work outcomes, on the way tasks are completed. In other words, leadership style can have an effect on employee work performance. The leadership style is the manner of providing direction, implementing strategies and motivating individuals towards the attainment of the desired objectives. Leadership styles are replicated in attitudes and behaviors but these in turn are the outcome of complex interactions between the way individuals think and feel. Leadership is influential processes which distinguish a leader by their actions, and also encourage a group of people to more towards a common or shared goal. A leader is an individual, while leadership is the function that the individual

performs. Besides, an individual within an organization who have authority are often referred to as a leader, regardless of how they act in their job.

The regression analysis showed that there exists a significant impact of leadership style on employee performance indicating that the leader plays an significant role in persuading employees to perform their tasks effectively. And hence the null hypothesis can be rejected.

Impact of Leadership style on Organisational performance

Ho: There is no significant impact of Leadership style on employee performance.

H1: There is significant impact of Leadership style on employee performance.

Table 7

Independent Variable	Dependent Variable	F value	P Value	R ²	Adjusted R ²
Leadership Style	Organisational Performance	1.374	0.253	0.135	0.037

*P<0.05

The goal of an organisation is not only to survive but also to sustain its existence by improving its performance. It has been widely accepted that effective organisations require effective leadership and that organisational performance will suffer in direct proportion to the neglect of this. Furthermore, it is generally accepted that the effectiveness of any set of people is largely dependent on the quality of its leadership.

The null hypothesis that there is no significant impact of leadership style on organisational performance can be rejected as the regression analysis shows a significant impact of leadership style on organisational performance.

Conclusion

Leadership has a greater positive effect on employee performance in which situation employee feel power and confidence in doing their job and in making different decisions. And in autocratic style leaders only have the authority to take decisions in which employees' feels inferior in doing jobs and decisions. In democratic style employee have to some extent discretionary power to do work so their performance is better than in autocratic style. The authoritative style is appropriate When new employees are unfamiliar and don't have sufficient know how about their jobs. The consultative style is appropriate when organization needs creative problem solving. The participative style is appropriate when organization have competent and talented team members. Results showed that the leadership style has a significant relation with the organizational performance. Therefore, the leadership style should be properly and carefully used to guide and motivate subordinates.

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