

Effective Dimension of Leadership Style for Organizational Performance: A Conceptual Study

Khan Sarfaraz Ali

Faculty of Business Administration, Canadian University of Bangladesh,
Dhaka, Bangladesh

Md. Ariful Islam¹

School of Economics, Finance and Banking, Universiti Utara Malaysia,
Sintok, Malaysia

Abstract

Corporate organizations are experiencing the challenges of understanding the factor that has significant and positive relationship on their performance. The aim of this study is to determine the role of effective leadership style on organizational performance. The aim of the findings of this study focuses on a significant and positive relationship between appropriate leadership style and organizational performance. The development of this extensive literature review, suggestions and conceptualization would be helpful for researchers while they aim for further empirical investigation of job engagement and organizational performance.

Keywords: Leadership, Leadership style, Transformational leadership, Transactional leadership, Passive-Avoidant leadership, Organizational performance.

Cite this article: Ali, K. S., & Islam, M. (2020). Effective Dimension of Leadership Style for Organizational Performance: A Conceptual Study. *International Journal of Management, Accounting and Economics*, 7(1), 30-40.

¹ Corresponding author's email: arifbsbd@gmail.com

Introduction

Organizational performance is deemed to be the most crucial constructs in the study of management literature (Martin-Rojas, Garcia-Morales & Gonzalez-Alvarez, 2019). Researchers have carried out a significant number of research on organizational performance in an exertion to provide an insight into the antecedents, processes and other factors that can improve organizational outcomes (Roundy, Harrison, Khavul, Pérez-Nordtvedt, & McGee, 2018). Researchers like Arnett, Sandvik, and Sandvik (2018) referred organizational performance as the effectiveness of the organization that denotes the organization's results or emphasizes on the objective achievement.

Performance success and failures of apparently alike industries have been experienced in recent years by many organizations over the world. World renowned organizations like Microsoft, Southwest Airlines, Nike and Wal-Mart turned into leading forces in their business whereas other equivalent industries like Apple Computer, People Express, L.A.-Gear, and K-Mart have experienced hurdles and faced failures after a certain period of rising progress (Flamholtz & Randle, 1998). Even after long-term organizational performance few companies have faced troubles and even failures. According to Flamholtz (1995), worldwide renowned industries like IBM, General Motors, Xerox, Glaxo, Unilever, Nestle, and Philips are among them. In order to achieve organizational performance, there is a need for the top management to display good leadership qualities and create a good working environment (Chatterjee, Pereira & Bates, 2018). According to Saleh, Nusari, Habtoor, and Isaac (2018), a leader generally determines the future and performance of an organization. Gandolfi and Stone (2018) further noted that using the correct leadership styles, managers could enhance employee commitment and productivity.

According to the previous researchers (Tang, 2019) a good number of studies have been executed that purports the influence of leadership styles on organizational effects like organizational effectiveness, organizational performance etc. As pointed by Saleem, Bhutta, Nauman, and Zahra (2019), for supporting and empowering followers to put more effort and dedication to the organization and for the best performance such study is obvious.

Literature Review

Leadership and Leadership Styles

Leadership is a process where the followers and leader interact with each other and the leader influences and drive groups in achieving a common goal or outcome (Yukl, 2002). Among the leadership scholars, Burns (1978) added a contribution to the study of leadership while carrying out a study on the leadership behavior of politicians. He was one of the pioneer scholars who attempted to address subordinates as either transformational or transactional. Bass (1985) modified Burn's model and applied it to the general organizational environment. Scholars like Eisenbach et al. (1999) found that theory on transactional and transformational leadership introduced by Bass's (1985) is considered as one of the most extensively researched dimensions of leadership style.

Apart from this, three styles of leadership such as transformational, transactional and passive-avoidant have been described by Bass (1985) in his model.

Transactional Leadership

Leaders and subordinates have substantial power and influence under this viewpoint. Here, the leader can influence and motivate individuals in an organization (Burns, 1978). Social psychological social exchange theory is the root of Transactional leadership style. Leadership scholars like Burns (1978); Bass (1981, 1985, 1997); Bass and Riggio (2006) and Judge and Piccolo (2004) suggested, the reciprocal and deterministic relationship between a leader and the subordinates is the basis of this type of leadership. In order to motivate the behavior of the subordinates, leaders use a bargaining process in this style. The transactional leadership has three core elements like (a) contingent rewards - expectations and rewards for undertaking goals are clarified here by the leaders and (b) management-by-exception - here goals are specified by the leaders and progress are monitored as well (Duguay, Loughhead & Munroe-Chandler, 2018).

Transformational Leadership

Bass promulgated this leadership approach. According to Burns (1978), an organizational vision is created by such leaders where the followers get inspiration and motivation. Holwell and Avolio (1993) addressed Transformational leaders as the agents of changes as the organizational vision is shared among the employees. Yukl (1989) found, long-term and extended positive effects on the organizational performance is possible through Transformational leaders, whereas the terms of the contract with the followers are monitored by the transactional leaders. According to Avolio and Bass (2004), influencing the ability of the leader on the followers is the basis of Transformational leadership theory. Idealized behaviours idealized attributes, inspirational motivation and individualized consideration and intellectual stimulation; all these factors constituted the foundation of transformational leadership.

Further to Benjamin (2006), in comparison to transactional style; the transformational leadership is more effective and businesses performance is positively correlated. Transformational style of leadership has been discussed in many studies in a different way. Heijden and Bakker (2011) explained, the transformational leader could be a visionary, inspiring or innovatively stimulating servant leader (Kearney, Shemla, van Knippenberg & Scholz, 2019). Transformational leadership is more about the process of leadership as opposed to the desired leadership aim. Hoopes (2008) found that the transformational leader attempt to change the attitudes of the follower. In another manner, the transformation might take the shape of inspiring the follower, creating a vision for the follower, and motivating the follower. Transformational leadership is the new paradigm for the post-industrial global society (Burns, 1978).

Passive-Avoidant Leadership

The third type of leadership style introduced by Bass (1985) is laissez-faire or passive-avoidant leadership which is characterized by a lack of leadership. Leadership scholars (Bass & Avolio, 2004; Gardner & Stough, 2002) explained that 'no leadership' or 'do

nothing' style is equivalent to Passive-avoidant leadership. Three types of leadership approach like transactional, transformational and non-transactional laissez-faire are included in the FRL theory of Avolio & Bass (1991).

Full Range Leadership Model

In the discussion of Full Range Leadership Model Researchers (Salter, 2007; Green et al., 2008) found the approach comprising of transactional, transformational, laissez-faire style and management by exception (active and passive). This model consists of a range of leadership behaviors. The following figure portrays leaders as using a wide range of different forms of leadership behaviors.

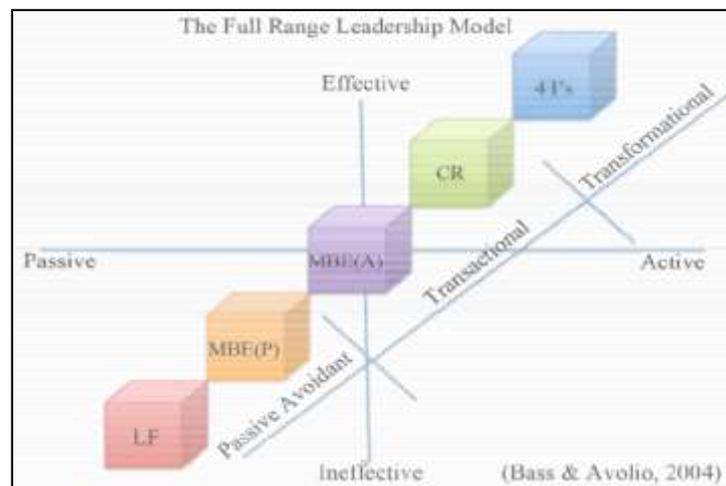


Figure 1 Full Rang Leadership Approach
Source: Bass & Avolio, 2004

Under the full-range leadership model, every leader demonstrates some characteristics of each of these leadership styles (Kirkbride, 2006). According to Kirkbride (2006), among different leadership models the FRL approach is one of the most researched and validated models which is currently being used widely throughout the world. Under this model, effective leaders display the transformational leadership style and the less effective leaders display the passive-avoidant leadership and transactional styles (Bass & Riggio, 2006). As Kirkbride (2006) viewed, ranging from non-leadership (passive leadership) to transformational style FRL approach exhibits the complete array of leadership model. Under FRL model, effective leaders display the transformational leadership style and the less effective leaders display the transactional and passive-avoidant style of leadership (Bass & Riggio, 2006).

Organizational Performance

In the management arena, the most widely studied aspect is organizational performance (Neely, 2005). Scholars like Ford and Schellenberg (1982); Johannessen et al. (1999) clearly mentioned that regardless of the extensive studies carried out in the literature about organizational performance, no universal consensus has been reached on the way it should be defined. Hammer and Champy (1993); Henri et al. (2004) further

examined organizational performance as the organizational effectiveness that represents the results of the organization's activities or focuses on the objectives achievement. Surprisingly, the area of organizational performance is enriched with the contribution of the scholars in the fields like operations management, human resources management, strategic management, marketing and organizational behavior (Neely, 2005; Marr & Sciuma, 2003). Organizational performance is identified with a comparison to some benchmarks in terms of effectiveness and efficiency and concurrently to the action. (Neely, 2002). According to Sawalha (2013), organizational performance denotes the organizational skill of organization to accomplish its goals like profitability, strong financial results, sizeable market share, quality products, customer satisfaction, and long-term survival, using appropriate strategies and action plans. According to Boyne & Walker (2005), many factors influence organizational performance in including a set of internal factors like organizational culture, leadership styles, human capital and capacity, and other external factors such as environmental, political and social factors.

It is a continuous innovation and advancement process that remains evolving in line with the organizational growth that requires the involvement of all levels of management and staff within the organization (Sener et al., 2011). Highly performing organizations not only aim to maintain at a predefined level of performance but also continuously drive towards raising the performance by enhancing performance elements. Tan and Li (2013) emphasized on adopting policies to reach the performance and raise the efficiency in organizational performance both in profit and non-profit organizations.

Leadership Styles on Organizational Performance

In the light of the literature reviewed, it can be mentioned that the leadership styles have significant influence on organizational performance (Rahmat, Ramly, Mallongi & Kalla, 2019). Particularly, the transformational leadership style refers to an approach by which leaders inspire followers to perform beyond expectations and thus transformational leadership plays a crucial role in organizational performance (Buil et al., 2019). Empirical evidence further suggests that transformational leadership is one of the more effective leadership styles for encouraging positive in-role and extra-role behaviors (Weller, Süß, Evanschitzky & Wangenheim, 2019).

Researchers also found that good leadership capacity is more likely to improve the performance level and to draw the organization's workers to give their best. Conversely, ineffective leadership will restrict the organization performance (Hersona & Sidharta, 2017). Scholars observed leadership as getting people to do things they have never thought of doing, or that they do not want to do and do not believe are possible (Taylor, Santiago, Hauer, Hynes & Mickahail, 2019). Other researchers have considered transformational leadership style as a factor in the organization professed to influence the organizational performance of public organizations (Han, Harold & Cheong, 2019; Yukl, 2010). According to Elbaz and Haddoud, (2017), performance and failure of an organization are meaningfully influenced by the exhibited styles and behaviors of the leaders.

As previous researchers mentioned, the transformational leadership style enhances organizational performance which is consistent with previous studies (Buil et al., 2019).

The significant positive relationship reported between the transformational leadership and organizational performance are consistent with the results of previous studies conducted by Buil et al. (2019), Ahmad and Ejaz (2019), and Arif and Akram (2018). Similarly, other empirical studies find a significant relationship between transformational leadership style and organizational performance (Patiar & Wang, 2016). Furthermore, transformational leadership style inspires the followers towards achieving a shared vision for organizational performance (Ghafourian et al., 2010). Hence, the positive relationship between transformational leadership style and organizational performance is established in comparison to other forms of leadership styles.

Methodology

In the current study, the researchers relied on existing literature to explore organizational performance and some extensive discussions on leadership styles. This review study has examined the contribution of leadership styles on organizational performance. Throughout the study, the researchers have conducted a general search for a relationship within transformational leadership style and organizational performance more specifically. Researchers gathered the information by searching in different online database sources such as Google Scholars, Springer Link, Research Gate, Wiley, Science Direct, Taylor and Francis, JSTOR, Emerald, Scopus, Repository of Universiti Utara Malaysia Library, WorldCat, and EBSCO HOST etc. During the searching of articles, the researchers have tried to figure out the most relevant articles, conference proceedings, books, published dissertations in order to provide an extensive review of the topic and as well as to provide legitimate suggestions for future study. The review has been examined on the basis of research objectives, methods, and findings of the study in accordance with previous empirical and conceptual studies on that particular subject area.

Conceptual Model

The study proposes the following research model on the basis of the thorough literature review. The model conceptualizes the relationship between the leadership styles and organizational performance. The future empirical research can be formed on the basis of this model.

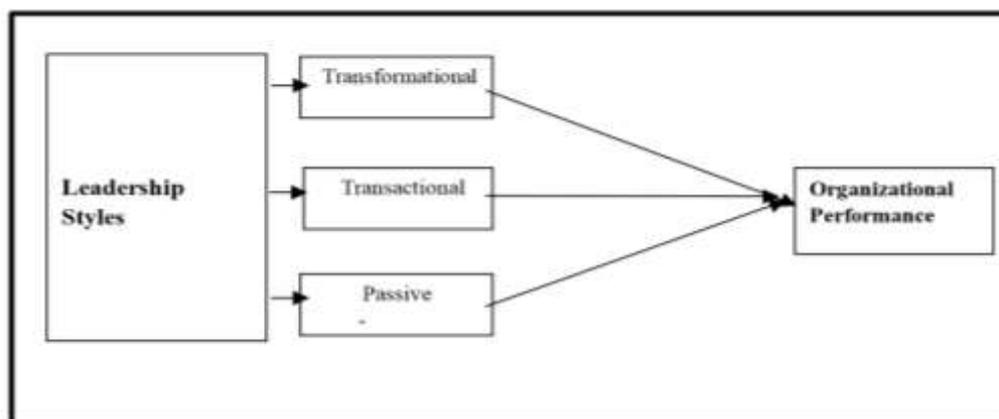


Figure 2 Conceptual Framework

Conclusion and Future Studies

Although previous studies have examined the factors influencing the organizational performance, studies on the relationship between transformational leadership style and organizational performance are still in demand. Accordingly, by determining the relationship between the transformational leadership style and organizational performance present study minimizes the gap in the literature, with present context. Along with a follow-up of survey further empirical study in this area is in progress to determine statistical findings.

References

- Ahmad, M., & Ejaz, T. (2019). Transactional and Transformational leadership impact on Organizational Performance: Evidence from Textile sector of Pakistan. *European Online Journal of Natural and Social Sciences: Proceedings*, 8(2 (s)), pp-97.
- Arif, S., & Akram, A. (2018). Transformational Leadership and Organizational Performance. *SEISENSE Journal of Management*, 1(3), 59-75.
- Arnett, D. B., Sandvik, I. L., & Sandvik, K. (2018). Two paths to organizational effectiveness—Product advantage and life-cycle flexibility. *Journal of Business Research*, 84, 285-292.
- Bass, B. M., & Riggio, R. E. (2006). *Transformational leadership* (2nd ed.). Mahwah, NJ: Lawrence Erlbaum Associates.
- Bass, B. M. (1985). *Leadership and performance beyond expectation*. New York: Free Press.
- Bass, B. M., & Avolio, B. J. (2004). *Multifactor Leadership Questionnaire-5X Short Form*. Redwood City, CA: Mind Garden.
- Benjamin, L. Flynn, F.J. (2006). *Leadership style and regulatory mode: Value from fit? Organizational Behavior and Human Decision Processes*, 100, pp. 216-230.
- Boyne, G. A., & Walker, R. M. (2005). Symposium edition on determinants of performance in public organizations. *Journal of Public Administration Research and Theory*.15 (4), 483–639. doi:10.1093/jopart/mui029
- Buil, I., Martínez, E., & Matute, J. (2019). Transformational leadership and employee performance: The role of identification, engagement and proactive personality. *International Journal of Hospitality Management*, 77, 64-75.
- Burns, J.M. (1978). *Leadership*. New York. Harper & Row.
- Chatterjee, A., Pereira, A., & Bates, R. (2018). Impact of individual perception of organizational culture on the learning transfer environment. *International Journal of Training and Development*, 22(1), 15-33.

- Duguay, A. M., Loughead, T. M., & Munroe-Chandler, K. J. (2018). Investigating the Importance of Athlete Leadership Behaviors and the Impact of Leader Tenure. *Journal of Sport Behavior*, 41(2).
- Elbaz, A.M. & Haddoud, M.Y., 2017. The role of wisdom leadership in increasing job performance: evidence from the Egyptian tourism sector. *Tourism Management*. 63, 66–76
- Eisenbach, R., Watson, K. and Pillai, R. (1999). Transformational leadership in the context of organizational change. *Journal of Organizational Change Management*, 12 (2), 80-89.
- Flamholtz, E. & Randle, Y. (1998) *Changing the Game: Organizational Transformations of the First, Second and Third Kinds*. Oxford University Press, New York.
- Flamholtz, E. (1995). Managing organizational transitions: implications for corporate and human resource management. *European Management Journal*, 13(1), 39-51.
- Ford, J. and Schellenberg, D. (1982). Conceptual issues of Linkage in the Assessment of Organizational Performance. *The Academy of Management Review*. Jan: 49-58.
- Gandolfi, F., & Stone, S. (2018). Leadership, leadership styles, and servant leadership. *Journal of Management Research*, 18(4), 261-269.
- Gardner, L. and Stough, C. (2002). Examining the relationship between leadership and emotional intelligence in senior level managers, *Leadership & Organization Development Journal*, 23(2), 68-78.
- Ghafourian SharifHeravi, M., Shahidi, S. E., & Nik Mahmood, N. H. (2010, May). Investigating the relationships between leadership style and personnel turnover intention in it companies in Iran. In *Proceedings of the 2010 Special Interest Group on Management Information System's 48th annual conference on Computer personnel research on Computer personnel research* (pp. 48-54). ACM.
- Green, M., Kodatt, S., Salter, C., Duncan, P., Garza-Ortiz, D., & Chavez, E. (2008). The relationship between follower ratings of leadership and the leader's spirituality - God matters. Paper delivered: *The International Conference on Studying Leadership*, Auckland, New Zealand, 2008.
- Hammer, M., & Champy, J. (1993). *Reengineering the Corporation*. (1st, Ed.). New York, USA: Harper Collins Inc.
- Han, S., Harold, C. M., & Cheong, M. (2019). Examining why employee proactive personality influences empowering leadership: The roles of cognition-and affect-based trust. *Journal of Occupational and Organizational Psychology*, 92(2), 352-383.

- Heijden, B.I.J.M. & Bakker, A.B. (2011). Toward a mediation model of employability enhancement: a study of employee-supervisor pairs in the building sector. *The Career Development Quarterly*. 59 (3), 232-248.
- Henri, J., Laval, U., Hoque, Z., Maurice, J., Séguin, F., & Thibodeau, N. (2004). *Performance Measurement and Organizational Effectiveness: Bridging the Gap*. Managerial Finance, 30(6).
- Hersona, Sonny. & Iwan Sidharta. (2017). Motivation and Work Discipline on Employees Performance. *Journal of Applied Management (JAM)* 15(3).
- Hoopes, J.E. (2008). *Hail to the CEO: The Failure of George W. Bush and the Cult of Moral Leadership*. Westport, CT: Praeger.
- Howell, Jane. M., & Bruce J. Avolio. (1993). Transformational Leadership, Transactional Leadership, Locus of Control and Support for Innovation: Key Predictors of Consolidated-Business-Unit Performance. *Journal of Applied Psychology*, 78(6): 891- 902. DOI: 10.1037/0021-9010.78.6.891.
- Johannessen, J., Olaisen, J., & Olson, B. (1999). Strategic Use of Information Technology for Increased Innovation and Performance. *Information Management and Computer Security*.
- Judge, Timothy A.; Piccolo, Ronald F. (2004). Transformational and Transactional Leadership: A Meta-Analytic Test of Their Relative Validity. *Journal of Applied Psychology*, 89(5), Oct 755-768. <http://dx.doi.org/10.1037/0021-9010.89.5.755>.
- Kearney, E., Shemla, M., van Knippenberg, D., & Scholz, F. A. (2019). A paradox perspective on the interactive effects of visionary and empowering leadership. *Organizational Behavior and Human Decision Processes*.
- Kirkbride, P. (2006). Developing transformational leaders: The full range leadership model in action. *Industrial and Commercial Training*. 38(1), 23–32. doi:10.1108/00197850610646016
- Marr, B., & Schiuma, G. (2003). Business performance measurement—past, present and future. *Management Decision*. 41(8), 680-687.
- Martin-Rojas, R., Garcia-Morales, V. J., & Gonzalez-Alvarez, N. (2019). Technological antecedents of entrepreneurship and its consequences for organizational performance. *Technological Forecasting and Social Change*, 147, 22-35.
- Neely, A. (2005). The Evaluation of Performance Measurement Research: Development in the Last Decade and a Research Agenda for the Next, *International Journals of Operations & Production Management*, 25(12), 1264- 1277.
- Neely, A.D. (2002). *Business Performance Measurement: Theory and Practice*. Cambridge University Press, Cambridge.

- Neely, A.D. (2002). *Measuring Business Performance: Why, What, How?* Portuguese Edition. Economist Books, London.
- Patiar, A., & Wang, Y. (2016). The effects of transformational leadership and organizational commitment on hotel departmental performance. *International Journal of Contemporary Hospitality Management*, 28(3), 586-608.
- Rahmat, R., Ramly, M., Mallongi, S., & Kalla, R. (2019). The leadership style effect on the job satisfaction and the performance. *Asia Pacific Journal of Management and Education*, 2(1).
- Roundy, P. T., Harrison, D. A., Khavul, S., Pérez-Nordtvedt, L., & McGee, J. E. (2018). Entrepreneurial alertness as a pathway to strategic decisions and organizational performance. *Strategic Organization*, 16(2), 192-226.
- Saleh, R. M. M., Nusari, M., Habtoor, N., & Isaac, O. (2018). The effect of leadership style on organizational performance: Organizational commitment as a mediator variable in the manufacturing sector of Yemen. *International Journal of Management and Human Science*, 2(4), 13-24.
- Saleem, M. A., Bhutta, Z. M., Nauman, M., & Zahra, S. (2019). Enhancing performance and commitment through leadership and empowerment: An emerging economy perspective. *International Journal of Bank Marketing*, 37(1), 303-322.
- Salter, C. R. (2007). *A Study of the Relationship Between Follower' Personality and the Leadership Ratings of George W. Bush*. Midwest Political Science Association, Chicago, IL, Apr 2007.
- Sawalha, S. (2013). Investigation of heat recovery in CO2 trans-critical solution for supermarket refrigeration. *International Journal of Refrigeration*, 36, 145-156.
- Sener R, Dirlik S. (2012). Stratejik Yönetim Kapsamında Stratejik Yönetim Muhasebesi Araçlarının Kullanım Düzeyi Üzerine Ampirik Bir Araştırma.
- Tan L, L Chen, Z Chen, Z Zong, R Ge, D Li. (2013). Improving performance and energy efficiency of matrix multiplication via pipeline broadcast. *IEEE International Conference on Cluster Computing (CLUSTER)*. 1-5.
- Tang, K. N. (2019). Leadership Styles and Organizational Effectiveness. In *Leadership and Change Management* (pp. 11-25). Springer, Singapore.
- Taylor, A., Santiago, F., Hauer, J., Hynes, R., & Mickahail, B. K. (2019). Leadership, Growth, and the Future. In *Effective and Creative Leadership in Diverse Workforces* (pp. 101-153). Palgrave Macmillan, Cham.
- Weller, I., Süß, J., Evanschitzky, H., & von Wangenheim, F. (2019). Transformational Leadership, High-Performance Work System Consensus, and Customer Satisfaction. *Journal of Management*, 0149206318817605.



Yukl, G. (2009). *Leadership in organizations*. (7th Education. ed.). NY: Pearson.