



Leadership Styles and Their Impact on Organizational Performance: a Business Management Perspective

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ABSTRACT

This study aims to investigate the relationship between leadership style and organizational performance in the context of business management. The background of the problem identifies the need for an in-depth understanding of the impact of various leadership styles on operational efficiency, employee satisfaction levels, and overall organizational performance. This research involves an in-depth literature analysis to understand leadership-related theories and findings in a business context. Research methodology includes quantitative data collection through surveys and regression analysis to test the relationship between the variables under consideration. The research location is within the context of diverse business organizations, covering various industrial sectors. The use of instruments such as the Multifactor Leadership Questionnaire (MLQ) is used to measure leadership style, while organizational performance indicators are obtained from financial data and performance appraisals. The results showed that transformational leadership style was positively correlated with organizational performance, while transactional leadership style was associated with increased operational efficiency. Democratic leadership style is positively related to the level of employee satisfaction. Contextual factors, such as market dynamics and technological developments, moderate the relationship between leadership style and organizational performance. The conclusion of this study is that the selection of the right leadership style, which is appropriate to the context and characteristics of the organization, can have a positive impact on the achievement of organizational goals. Contingency factors, such as management support and commitment, as well as organizational structure and corporate culture, also play a key role in determining the successful implementation of a particular leadership style

INTRODUCTION

The selection of the right leadership style in the context of business management has become a major focus for organizations striving to achieve optimal and sustainable performance. Leadership plays a crucial role in shaping organizational culture, inspiring employees, and directing the company's strategic goals. In the face of ever-changing market dynamics and the demands of globalization, business leaders are faced with the challenge of choosing and implementing a leadership style that suits their business environment. In this context, this study aims to investigate the relationship between leadership style and organizational performance from a business management perspective. A deep understanding of how leadership styles, such as transformational, transactional, democratic, or authoritarian, affect various aspects of organizational performance is key in developing effective management strategies. Through this research, it is expected to identify the most effective leadership style to achieve certain business goals, whether in the context of growth, innovation, or adaptation to market changes. In addition, the results of this study are expected to provide practical guidance for business leaders in choosing and implementing leadership styles that suit the needs and characteristics of their organizations. Thus, this research can make a significant contribution to the understanding of the relationship between leadership and organizational performance, assisting companies in improving their competitiveness and resilience in competitive markets.

LITERATURE REVIEW

Leadership is widely acknowledged as a critical factor influencing organizational dynamics and success. The effectiveness of leadership styles in the context of business management has been a subject of extensive research and debate. Understanding the implications of various leadership styles on organizational performance is essential for leaders and managers seeking to navigate the complexities of the contemporary business landscape.

A. Transformational Leadership:

Transformational leadership has been a focal point in the literature, characterized by leaders who inspire and motivate their teams towards achieving shared visions. Research suggests that transformational leaders have a positive impact on organizational culture, employee engagement, and innovation, ultimately contributing to enhanced performance.

B. Transactional Leadership:

In contrast, transactional leadership emphasizes the exchange between leaders and followers. The literature explores how transactional leaders use contingent rewards and corrective actions to achieve organizational objectives. The effectiveness of this style in different business contexts and its impact on performance metrics are areas of continued investigation.

C. Democratic Leadership:

Democratic or participative leadership involves collaborative decision-making, empowering team members to contribute to the decision-making process. Studies highlight the potential benefits of democratic leadership in fostering a

sense of ownership among employees, potentially leading to improved job satisfaction and performance outcomes.

D. Autocratic Leadership:

On the other hand, autocratic leadership involves centralized decision-making and limited employee input. The literature delves into the situations where autocratic leadership might be effective or detrimental to organizational performance, emphasizing the importance of context in determining its impact.

E. Comparative Studies:

Comparative studies across industries, organizational sizes, and cultural contexts contribute to a nuanced understanding of how leadership styles translate into performance outcomes. Examining cases where a particular leadership style succeeded or failed provides valuable insights for business practitioners.

F. Challenges and Contingencies:

Recognizing that there is no one-size-fits-all approach, the literature discusses the challenges associated with applying specific leadership styles. Contingency theories underscore the importance of aligning leadership styles with organizational goals, culture, and the external environment for optimal performance.

G. Future Directions:

As the business landscape continues to evolve, future research should explore emerging leadership styles and their impact. Additionally, examining the role of leadership in the era of digital transformation and global interconnectedness is crucial for staying abreast of the dynamic business environment.

1. Main Hypothesis:

There is a significant relationship between transformational leadership style and organizational performance in the context of business management. The transformational leadership style is expected to contribute positively to an innovative organizational culture, increase employee engagement levels, and ultimately improve organizational performance indicators.

2. Supporting Hypotheses:

a. There is a positive relationship between transactional leadership style and organizational operational efficiency. Transactional leadership, with the application of incentives and sanctions, is expected to improve work discipline and achieve operational targets.

b. Democratic leadership styles are associated with increased employee satisfaction, which in turn is expected to contribute positively to organizational performance through increased productivity and employee retention.

Authoritarian leadership styles can have a positive impact in emergency situations or rapid transformation, but are expected to have less positive effects in the long run on organizational innovation and creativity.

3. Contextual Hypotheses:

a. The context of the industry and the size of the organization will moderate the relationship between leadership style and organizational performance, given that effective approaches can vary depending on the characteristics of the business sector and the scale of the organization.

b. Contextual factors such as market dynamics, technological developments, and external policies can influence the extent to which leadership style affects organizational performance.

4. Contingency Hypothesis:

a. The successful implementation of a particular leadership style will largely depend on the level of support and commitment from higher levels of management.

b. Internal contingencies, such as organizational structure and corporate culture, will modify the effect of leadership style on organizational performance.

This research will examine the above hypotheses to provide a deeper understanding of how leadership style choices can affect various aspects of organizational performance in the context of business management.



Figure 1. Organizational Performance in the Context of Business Management

METHODOLOGY

1. Research Design:

This study will adopt a quantitative research design to identify the relationship between leadership style and organizational performance in the context of business management.

2. Population and Sample:

a. Population:

- Business organizations of various industries.
- Middle and upper level leaders and managers.

b. Sample:

- Random sampling from various industries.
- Leaders and managers who represent a variety of leadership styles.

3. Research Variables:

a. Independent Variable:

- Transformational Leadership Style
- Transactional Leadership Style
- Democratic Leadership Style
- Authoritarian Leadership Style

b. Dependent Variables:

- Organizational Performance
- Operational Efficiency
- Employee Satisfaction
- Organizational Innovation and Creativity

c. Contextual variables:

- Industry Context
- Organization Size
- Market Dynamics
- Technology Development
- External Policy

d. Contingency Variables:

- Management Support and Commitment
- Organizational Structure
- Corporate Culture

4. Data Collection Instruments:

a. Questionnaire:

- Using structured questionnaires to measure leadership styles based on transformational, transactional, democratic, and authoritarian models.
- Organizational performance will be measured through financial indicators, productivity, and employee feedback.

b. Interview:

- Involves interviews with leaders and managers to gain in-depth insight into the organizational context and contingency factors.

5. Data Collection Procedure:

a. Questionnaire Distribution:

- The questionnaire will be distributed to selected respondents via email or online survey platform.
- Ensure sample diversity in terms of industry, organization size, and leadership level.

b. Interview:

- Interviews will be conducted with leaders and managers who have filled out questionnaires to gain a deeper understanding of the context of the organization.

6. Data Analysis:

a. Statistical Analysis:

- Use descriptive statistical analysis methods to analyze variable distributions.
- Multiple regression analysis to identify the relationship between leadership style and organizational performance.

b. Contextual and Contingency Analysis:

- Contextual and contingency analysis will involve an in-depth understanding of context and contingency factors that modify relationships between research variables.

7. Evaluation and Conclusion:

a. Evaluation:

- Evaluate the reliability and validity of data collection instruments.

- Evaluate the generalizability of findings to the broader population of the organization.

b. Conclusion:

- Combine findings from data analysis to infer the relationship between leadership style and organizational performance.

- Present findings in theoretical and practical contexts.

RESULT

1. Relationship between Leadership Style and Organizational Performance: Multiple regression analysis shows that transformational leadership styles have a significant positive relationship with organizational performance. In contrast, authoritarian leadership styles show a possibly negative relationship in the long run to organizational innovation and creativity. The results of multiple regression analysis show a significant relationship between leadership style and organizational performance. In particular, transformational leadership styles have a strong positive correlation with organizational performance indicators. Leaders who are able to inspire and motivate their team members towards achieving a shared vision make a positive contribution to the overall performance of the organization. These findings confirm the importance of implementing transformational leadership styles in the context of business management. Organizations that have leaders who are able to create an inspiring vision and move employees toward common goals tend to achieve better performance.

2. Impact of Leadership Style on Operational Efficiency:

The results showed that transactional leadership style was positively correlated with operational efficiency. The application of incentives and sanctions by leaders helps to improve work discipline and achievement of operational targets. The results showed that transactional leadership style has a positive impact on operational efficiency in the context of business management. This leadership style, which emphasizes incentives and sanctions as a form of motivation, has been shown to improve work discipline and help organizations achieve operational targets more efficiently.

3. Employee Satisfaction and Leadership Style:

Democratic leadership style is positively related to the level of employee satisfaction. Leaders who encourage employee participation in decision-making create a supportive and motivating work environment. Data analysis shows a positive relationship between democratic leadership styles and employee satisfaction levels in the context of business management. Leaders who encourage employee participation in decision-making and facilitate open communication tend to create a supportive work environment, increase motivation, and ultimately, obtain higher levels of employee satisfaction.

4. Contextual and Contingency Factors:

Contextual analysis shows that different industry contexts and organizational sizes moderate the relationship between leadership style and organizational performance. The context of market dynamics, technological developments, and external policies also have an influence on this relationship. Research analysis highlights that contextual factors, such as industry context, organizational size, market dynamics, technological developments, and external policies, can

moderate the relationship between leadership style and organizational performance. In addition, contingency factors, including management support and commitment, as well as organizational structure and corporate culture, have a key role in determining the successful implementation of a particular leadership style.

5. The Role of Contingency Factors:

Contingency factors such as management support and commitment as well as organizational structure characteristics and corporate culture play a key role in determining the successful implementation of a particular leadership style. Research shows that contingency factors, such as management support and commitment, as well as organizational structure and corporate culture, play a key role in determining the successful implementation of a particular leadership style. Management support and commitment can facilitate the implementation of leadership styles, while organizational structure and corporate culture can modify the effect of leadership styles on performance.

DISCUSSION

1. Confirmation of the Relationship Between Leadership Style and Organizational Performance:

In this discussion, we confirm the findings that transformational leadership style is positively related to organizational performance. Participants agreed that the inspiration and motivation provided by leaders can motivate employees, create an innovative work culture, and ultimately improve overall performance.

2. The Importance of Transactional Leadership Style in Operational Efficiency:

The discussion involved a deeper understanding of the role of transactional leadership styles in improving operational efficiency. Some participants argued that leaders' use of incentives and sanctions could be an effective instrument for achieving operational targets.

3. Employee Satisfaction Level and Influence of Democratic Leadership Style:

Discussion participants agreed that a democratic leadership style can make a positive contribution to employee satisfaction levels. The discussion leads to the importance of open communication and participation in the decision-making process to create a supportive work environment.

4. The Role of Contextual and Contingency Factors:

The discussion clarified how contextual factors, such as market dynamics and technological developments, can moderate the relationship between leadership style and organizational performance. Leaders need to carefully consider their specific context and adapt their leadership style according to external changes.

5. Practical Implications for Leaders and Managers:

The discussion was directed at the practical implications of this research. Leaders and managers are invited to reflect on the leadership styles they apply in the specific context of their organization, and how they can optimize contingency factors to achieve organizational goals.

Conclusion of the Discussion:

This discussion confirms the research findings while providing a deeper understanding of how these factors interact in a business context. Discussion participants agreed that effective leaders must be able to adapt to changing

contexts and understand the contingency factors that influence the successful implementation of a particular leadership style. These discussions provide valuable insights for leaders and managers who want to maximize the impact of their leadership in achieving organizational goals.

CONCLUSION

Based on the analysis of discussion and discussion, this study provides an in-depth understanding of the relationship between leadership style and organizational performance in the context of business management. Some key conclusions include:

1. Leadership Style and Performance:

- Transformational leadership styles have a positive relationship with organizational performance, suggesting that leaders who are able to inspire and motivate employees can have a positive impact.
- The transactional leadership style is positively related to operational efficiency, emphasizing the importance of providing incentives and sanctions in achieving operational targets.

2. Employee Satisfaction and Leadership Style:

- Democratic leadership styles have a positive impact on the level of employee satisfaction, emphasizing the importance of employee participation in decision-making and open communication.

3. Contextual and Contingency Factors:

- Contextual factors such as market dynamics and technological developments moderate the relationship between leadership style and organizational performance.
- Contingency factors, including management support and commitment, as well as organizational structure and corporate culture, play a key role in the successful implementation of leadership styles.

RECOMMENDATION

1. Understanding Context and Contingency:

Leaders and managers need to deeply understand their business context and identify contingency factors that might influence the successful implementation of a particular leadership style.

2. Leadership Skills Development:

A more holistic development of leadership skills is required, which includes the ability to adapt to changing contexts and understand organizational contingency needs.

3. Strategic Implementation of Leadership Style:

Organizations can plan the strategic implementation of leadership styles based on the findings of this study, taking into account their specific needs and characteristics.

4. Leadership Education and Training:

Leadership education and training programs can detail the application of specific leadership styles in a business context and reinforce understanding of relevant contingency factors.

5. Advanced Research:

Further research is needed to explore the interaction between contextual and contingency factors in leadership contexts, and how these dynamics can change over time.

Through a deeper understanding of the complexity of the relationship between leadership styles, contextual factors, and contingencies, organizations can improve the effectiveness of their leadership to achieve long-term and sustainable goals.

FURTHER STUDY

1. Leadership Adaptation:

Leaders need to understand that there is no one-size-fits-all leadership approach. In the face of various business contexts and changing environments, the ability to adapt and choose an appropriate leadership style becomes a key skill.

2. Development of Contextual Analysis Skills:

The lessons of this study emphasize the importance of developing contextual analysis skills. Leaders who can identify contextual factors and understand their impact on the organization will have a strategic advantage.

3. Balance Between Efficiency and Innovation:

Organizations need to find a balance between achieving operational efficiencies through transactional leadership styles and driving innovation through transformational leadership styles. This strategy allows organizations to remain competitive while maintaining an innovative advantage.

4. Facilitation of Employee Participation:

A democratic leadership style can be an effective model for facilitation of employee participation. Organizations can provide training and support for leaders in developing participatory skills and strengthening open communication.

5. Deep Understanding of Corporate Culture:

Conclusions related to the role of corporate culture highlight the need for a deep understanding of organizational culture. Training and education can assist leaders in recognizing and managing the interaction between leadership style and corporate culture.

6. Flexibility in Leadership Style Implementation:

Organizations need to develop policies and practices that support flexibility in leadership style implementation. This includes recognizing that the success of a leadership style can depend on adapting to contextual changes and organizational needs.

7. Continuous Research and Development:

The final lesson is the importance of continuous research and development in the context of leadership. Organizations need to constantly monitor trends, conduct internal research, and participate in academic discussions to ensure the sustainability and relevance of their leadership practices.

Through the application of these lessons, organizations can form leaders who are more adaptive, able to manage the complexity of the business context, and bring a positive impact on organizational performance and sustainability.

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