

Effect of Leadership Style on Employee Performance

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Abstract

The study sought to investigate the effect of leadership styles practiced in an organization and their effect on employee performance. The purpose of this study is to understand the effect of different leadership styles- autocratic, democratic, and participative style- on employee performance. The objectives that guided the study were; to investigate the effect of autocratic leadership styles affect employee performance, to investigate the effect of democratic leadership styles on performance and to analyze the effect of participative leadership styles on employee performance in an organization. The study followed the qualitative approaches, Secondary research will be integrated. The reason for this is to be able to provide adequate discussion for the readers that will help them understand more about the issue and the different variables that involve with it. On the other hand, sources in secondary research will include previous research reports, newspaper, magazine and journal content. Existing findings on journals and existing knowledge on books will be used as secondary research. The interpretation will be conducted which can account as qualitative in nature. To validate the research objective different scholarly views are presented of each independent variable effect on the dependent variable. At the end it was concluded that the autocratic leadership is useful in the short term and democratic leadership style is useful in all time horizon. And participation leadership style is most useful in long term and effect on employees is positive. At end some recommendations are discussed.

Keywords: Leadership; Participative; Autocratic; Democratic; Employee performance

Introduction

Background

This study is about the effect of leadership styles on employee performance which majorly focused on employees. This section elaborates the background of the study (Historical, Theoretical, and Conceptual perspectives), Problem statement, Purpose, Specific objectives, Research questions, Hypothesis, Scope of study and Significance of the study were explored.

Historical perspective

In the recent past years, leadership has engaged as a new effective approach for managing the employees and organization at large. The traditional concept of personnel administration has gradually replaced with the human resource management. This give importance to the strategic integration of new leadership styles into effective management of employees and to improve the employee performance. Kenneth and Heresy [1] assert that; "The effective leader must be a good diagnostician and adopt style to meet the demands of the situation in which they operates. Different leadership styles are used that fit to employees on the basis of amount of directions, empowerment, and decision making power. An administrative phenomenon reflects the contingency of leadership, and style, situation and performance criteria have been left to suffocate on their own. As a result, employee performance was affected due to lack of proper direction and application of strategic style in managing daily duties.

In past, the previous study investigated performance phenomena and how it was affected by various variables such as: Leadership, and with its different leadership styles such as participative, autocratic, and democratic. It was noted that, in most studies, the concept of participative approach was highly lacking yet in the data collected, it was noted that this approach was critical to the sustainability of leadership processes especially in large work environments. All in all, the history of leadership and how it affects performance of employees dates as back as early as the 17th century [2] where towards the end

of that century we started noticing a shift from treating humans as machines and rather see them as human capital necessary for the achievement of different work tasks.

Conceptual perspective

In this study, there are different leadership styles such as autocratic, democratic, and Participative which taken as independent variables and employee performance would be taken as dependent variable. A conceptual model is developed on the basis of their relationship with a view to analyze which one leadership style is most appropriate to improve the performance of employees of an organization. Consequently, performance was operationally perceived as: executing defined duties, meeting deadlines, team input, and achieving departmental goals. The above should lead to efficiency, specialization, effective feedback and good organizational relations.

Both terms (leadership and employee performance) cohesion should be proved through styles and approaches in attempt to cause efficiency which variable in this study was leadership and indeed Carter [2] defined leadership as the ability to employ managerial competencies to organized performance processes by inspiring, igniting and motivating teams to meet set organizational goals.

Theoretical perspective

The Fred Fiedler presents the theory of Fiedler leadership contingency model theory in which he proposed that effective

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employees performance depended upon the proper match b/w a leaders' ability to lead is contingent upon situational factors that include the leaders' capabilities, preferred style, and behavior, competency of employees [3]. This theory propounded that leaders should adopt that style which best to the situation and immediately stimulate the employee performance.

Leadership is increasingly understood to involve persuasion and explanation as well as ability to identify, affirm, and renew the values of the group the leader represents. Managerial expertise, technical skills, cultural literacy and other relevant knowledge and skills are not sufficient virtues for the leaders whose lives will be dedicated to public services. An effective leader has a responsibility to provide guidance and share the knowledge to the employee to lead them for better performance and make them expert for maintaining the quality. And become head of all team members is such a great responsibility. The introduction of the clear standards of leadership promotes the core values and maturity on their role and responsibility.

Statement of problem

Employee performance includes executing defined duties, meeting deadlines, employee competency, and effectiveness and efficiency in doing work. Various organizations need strong leadership styles that stimulate the employee performance. Some organizations such as tractor factory face the problems: poor innovation, low productivity, inability to meet performance targets. This problem happen due to lack of strategic interventions of specific leadership styles to the particular situations was predicted as the problem at hand. This problem was continuously affecting employee performance. That's why study investigates the best one leadership style that stimulates performance of employees.

It is believed that an effective organization rooted from the propellers or on the business leaders. The idea of effective leadership is also adopted in the world of technology. The employees also perceived that there is a need of a leader who should not only have to lead people but also be effective. So, they need an effective leader who can lead the people toward the changes and performance improvement.

How does a leader perform under the consideration of effective performance of employees and firm?

How does leaders effectiveness changes the performance.

Purpose

The purpose of the study was to investigate the effect of the different leadership styles (autocratic, democratic, and participative) on the employees' performance.

Specific Objectives

The research in testing the effectiveness of a leadership is fueled by the objectives. A research without purpose is worthless and part of the aims is to introduce the best leadership approach.

1. To explore the leadership styles that contributes to employee performance.
2. To explain the relationship between the effective leadership styles and performance of employees.
3. To know the significance of leadership styles in the employee performance.
4. To develop the model that shows relationship among different styles of leadership and employee performance.

Research Questions

1. How much effective leadership style caste an effect on employee's performance?
2. What are the outcomes if there is an effective leadership style?
3. What is the relationship between participative leadership and employee performance in an organization?
4. What is the relationship between the Democratic leadership style and employee performance?
5. To what extent does the authoritative style affect employee performance in an organization?

Significance of the Study

As such, the completion of this dissertation will provide understanding of the concept present so as to generate data and information that every planner could use in order to come up with strategies, plans and designs that will strategically position them in the highly competitive, diverse, and complex business environment that is experienced at present.

By fulfilling the aims that were stated in the objectives section, this study will be helpful for other researchers who may be focusing on understanding the concept of effective leadership. The notable significance of this study is the possibility that other researchers may be able to use the findings in this study for future studies that will create a huge impact on society. This study finding can be used for other findings that might prove to be helpful in introducing changes to the business.

The present study findings have been significant in number of ways. It has been contributed to the body of knowledge by; since the present area is highly under researched in Pakistan and developing countries. No study has been found to investigate the effects of leadership styles to increase the performance of employees in Pakistan. So, present study suppose that the findings of the present study has been helped the leaders in organization of Pakistan especially in tractor factory and those in developing countries in general to answer the long standing question of how to enhance leader's performance.

Scope of the Study

The study only focused on exploring how participative leadership, authoritative leadership and Democratic leadership styles stimulated the employees' performance which includes execution of defined duties, meeting of deadlines and achieving departmental goals. The collection of data is of recent decade (2000-2011) articles.

Literature Review

In this section firstly what is leadership is? What are leadership styles? And then explained the theoretical framework which elaborates the effects of three leadership styles (participative, autocratic, and democratic) on the employee performance.

Leadership

Leadership is a process by which an executive can direct, guide and influence the behavior and work of others toward the accomplishment of specific goals in a given situation. Leadership is an ability of a manager to induce the subordinates to work with confidence and zeal. Leadership can be defined as the capacity to influence a group realization of the goal. Leaders are required to develop the future

vision, and to motivate the organizational members to want to achieve the visions and to improve the performance. According to Adair, "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" [4].

Koudri suggests that leadership is to deal and cope with change, focusing on the long-term and the big picture, not always doing to safe himself in fact to take risks, and concentrating on people and their values, not just the bottom line [5].

Jim Collins 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 [6].

Leadership styles

The business writer Daniel [7] 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 (Figure 1).

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.

The democratic approach is characterized by an "I share" philosophy. Decisions are made within teams, with each member having equal inputs. Martin is Tesco's programmed manager for education and skills in UK. He has a range of responsibilities associated with people, process and standards. Martin style may use a democratic approach when setting training budgets.

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. This type of involved leadership style can be utilized in business settings, volunteer organizations and even in the function of the home.

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. Because leaders who favor this

style encourage active involvement on the part of everyone on the team, people often are able to express their creativity and demonstrate abilities and talents that would not be made apparent otherwise that ultimately improve the performance of employees. The discovery of these hidden assets help to benefit the work of the current team, but also alerts the organization to people within the team who should be provided with opportunities to further develop some skill or ability or future use.

Although each person will have their own preferred leadership style, the most effective leaders adopt a style which appropriate for the situation. They will consider several factors in deciding which to use:

- a. The task-is it business critical? Must a decision be made immediately? What will be potential impact on the business?
- b. The team-does it have the right skills and resources? Is it used to making decision?
- c. Tradition-what has been the norm in the past?

Theoretical framework

The Fred Fiedler presents the theory of Fiedler leadership contingency model theory [3] in which he proposed that effective employees performance depended upon the proper match b/w a leaders' ability to lead is contingent upon situational factors that include the leaders' capabilities, preferred style, and behavior, competency of employees. This theory propounded that leaders should adopt that style which best to the situation and immediately stimulate the employee performance.

An effective leader has a responsibility to provide guidance and share the knowledge to the employee to lead them for better performance and make them expert for maintaining the quality. And to become a head of all the team members is such a great responsibility. The introduction of clear standards of leadership promotes the core values and maturity on their role and responsibility.

As the situation affects which functions the leaders carries out, it would also affect the manner in which the functions are performed. There are broadly three types of leadership styles according to Carter [2] and he also explains the different traits of each style that significantly affect the employee performance.

Autocratic/Authoritarian: Both words describe the type of leaders who give orders and expect instant obedient without argument. Plans and policies are made in isolation from the group. Orders are given without explanation for the reasons or of future intentions. The autocratic leaders do not become part of them at all, but merely direct it.

Traits of autocratic style: All decision making power is theirs, unrealistic in demands, uses excessive discipline and punishment, does not allow others to question decisions or authority, feels he/she is the abilities, critical of differing opinions, rarely gives recognition, is easily offended is offended, uses others for his/her benefit, actions oriented, highly competitive, useful in the short term focus.

Democratic/Passive: Theoretically the best type of leaders. The democratic leader makes no suggestions but asks for the groups opinions. The group is left to make its own decisions democratically which, are then "rubber stamped" by the leader.

Participative: The participative leader is a leadership style in which employees takes part in the decision making process. Opinions of the group are sought by the participative leader who uses this information

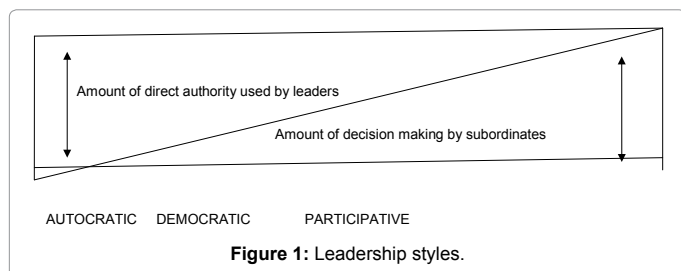


Figure 1: Leadership styles.

to make decisions. The group is kept informed about the future and are allowed to debate and proposed Changes to long term policy.

Effect of different styles on employee performance

As elaborate by Myron Rush and Cole the participative style of 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.

Research Methodology

The study will explore the problem in an interpretative view and investigation, using a descriptive approach which uses focus group, interviews. To illustrate the descriptive type of research, Bushman [8] will guide the researchers when he stated: descriptive method of research is to gather information about the present existing condition. The purpose of employing this method is to describe the nature of a situation, as it exists at the time of the study and to explore the effects of particular phenomena on the performance of employees and firm.

Data collection

Secondary source: Secondary research will be integrated. The reason for this is to be able to provide adequate discussion for the readers that will help them understand more about the issue and the different variables that involve with it. On the other hand, sources in secondary research will include previous research reports, newspaper, magazine and journal content. Existing findings on journals and existing knowledge on books will be used as secondary research. The interpretation will be conducted which can account as qualitative in nature.

Data period: The research papers/articles from 2000-2011.

Sampling unit: The CEO's and employees of Al-Ghazi Tractor Factory is the sample unit of my research.

Hypothesis

(H₀): There is not a significant relationship among effective leadership styles and performance improvement of employees.

(H₁):The Democratic leadership style has a significant effect on employee performance.

(H₂):The autocratic leadership style has a significant effect on employee performance.

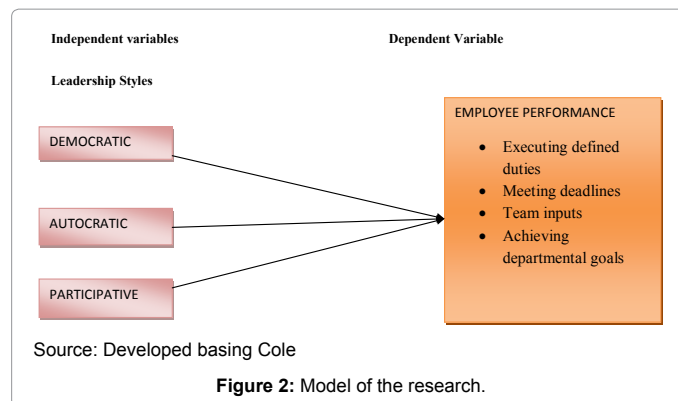
(H₃):The participative leadership style has a significant effect on employee performance.

Model of the research

The model of the research (with Independent variables, Dependent Variable, Leadership Styles) is explained in Figure 2.

Data Analysis and Discussion

Leadership styles have significant and substantial effects in the small businesses and also in the world's largest corporations. These styles affect everyone from senior and top management to the new entrant even of employees and new firms. They create the corporate culture that influences the organization and performance of employees in term of meeting deadline projects.



Leadership style refers to a leader's behavior and attitude of governance and supervision. It is the result of personality traits, experience, attitude and philosophy of the leaders. Rhetoric specialists have also developed framework for understanding leadership [8-10].

Different situations require different leadership styles. when there is little time to coverage on an agreement and quick work is required and where a designated authority has significantly more experience or expertise than the rest of the team, an autocratic leadership style may be most effective, however, in a highly motivated and aligned team with a homogeneous level of expertise, a more participative and democratic style may be more effective. The style should be one that most effectively meets the objectives of the team while balancing the interest of its followers and team members of that group which led by an effective leader.

Autocratic style effects

Also known as authoritarian leadership, Milgron [11] said autocratic style clearly defines the division between leaders and workers. Autocratic leaders make decision with little or no involvement from employees. These types of leaders are more confident, more sure about and comfortable with the decision making responsibility for the strategy plans and company operating. Although research indicates that autocratic leaders display less creativity than more contemporary (new) styles.

Adair [9] only one person has the full authority and power over the followers or workers. His decision would be viewed and taken as the golden rule and should never be questioned and cannot be interrupted by any one. They make plans of each milestone and their followers are bounded to work or follow the rules. In short, the autocratic leader has full control of those around him and believes to have the complete authority to treat them as he wants. This is useful when immediate and quick decision and performance is required.

Dawson [12] state that the autocratic style may show great results in a short time period. However, excessive use of authority will distort productivity in the long term. People either get bored and dissatisfied and leave or fall into a malaise of hum-drum repetitive tasks without creativity and innovation and in short become demotivated.

Heneman and Gresham [13] under the autocratic leadership style, all decision making powers are centralized and remains in the hand of leaders, as with dictators. These leaders not welcome any suggestion and initiative from the follower's side. It has not been successful as it not provides strong motivation to the managers and employees. This style allows quick decision making. These leaders don't take any type of consult from their employee. They believe that leaders only have to take

decision and employees should have to follow only either they want to follow or not. This type of leadership is so much rigid and may be a cause of employees de-motivation.

Ittner [14] Autocratic leadership style promotes a one sided conversation and due to this the creative and leadership skills of the employees become restrictive and all are involved in repetitive work of daily activities. As leaders have the authority, there is a chance of exploitation and distortion of employees. This style restricts workplace communication and socialization. It's important to have cordial work environment, where everyone is friendly and want social network. It can also lead to disagreements and conflicts, if a group or company is led by an autocratic leader.

Democratic leadership effects

Milgron and Ittner [11,14] state that this style is usually considered a benefit for the most companies. This style focuses the management that provides guidance and help to its team and departments while accepting and receiving the inputs from individual team members. These leaders not reserve to their activities and authority only but in actual they bother about consultation of employees.

Heneman and Gresham [13] under the democratic style promote the sharing of responsibility, the exercise of delegation and continual consultation. In this style managers suggestions and recommendations on all major issues and decisions and effectively delegate tasks to subordinates and give them full control and responsibility for those tasks, and encourage others to become good leaders and involved in leadership and employee development. That led to more commitment of employee to department goals, performance to meeting deadlines.

Kirega [15] evaluated worker's views of their senior and top leadership team and state that this style focuses on using the skills, experience, and ideas of others. However, the leaders or managers using this style but still remains the final decision making power in the leader's hand. To his or her credits, they will not make major decision without firstly getting the input from those that will be affected, provide proper recognition, and delegate responsibilities. This leadership styles improve the performance in both short term and long term and can be used for any type of work project.

Debashis [16] conclude that when organization need creative problem solving, conducting meetings for organization or department, training people for leadership roles and performing the day to day organizational tasks. This style provides confidence to employees who will help them for meeting deadlines, and departmental goals, to provide efficient team inputs.

Participative leadership effects

Waggoner [17] said this is viewed as effective option. As compared to other typical styles, delegative leaders rarely make decisions; leave this portion on the employees. Mostly, these leaders delegate responsibility to their employees and offer guidance to trusted team members.

Graver and Austin [18] states that a participative style will be unproductive in the short term. But in longer time period, this style is more productive for an organization. This productivity increases due to feeling of empowerment and more commitment to their work and departmental goals.

Northouse [19] argue that Participative leadership style: the leaders invite and encourage the team members to play an important role in decision making process, though the ultimate decision making power rests with the leaders. Leaders tell and guide the employees what to do?

and how to do? And at the other hand, employees communicate to the leader their experience, suggestions and recommendations. The main benefits of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic and open work environment and also encourages creativity. This leadership style has the only negative aspect is that it is more time-consuming.

Mullins, Kerr [20,21] of participative leadership is that the process and behavior which allows for the development of additional leaders who can serve the organization at a later date or in future. Because advocate of this leadership who favor this style state that this type of leaders encourage active involvement on the part of employee on the team, people seldom are able to express their creativity and express abilities and talents that would not be made apparent otherwise.

Conclusions

As elaborate by Myron Rush and Cole the participative style of 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

If the employee constantly misusing their authority

When company rules are violated by employees

When the sole person responsible for a decision making and implementing

The consultative style is appropriate

When organization needs creative problem solving

When organization is conducting planning meetings for the department's working improvement

When organization is training people for leadership roles

When you need good and efficient performance of the day-to-day organizational tasks

The participative style is appropriate

When organization have competent and talented team members

When company or department planning meetings for improvements

When company conducting evaluation sessions

When you are motivating top-performers in an organization

When you need of innovative and creative work

Recommendations

a. In respect of the above conclusion, the democratic leadership style in Al-Ghazi tractor factory would further empower their employees by developing teams and according some measure of power and authority to their employees. In this way, employees would ignite their potentials, feel part of an organization and perform maximally for the organization.

b. Following the second conclusion, the Al-Ghazi tractor factory would immediately reduce the autocratic leadership practices. Hence, Al-Ghazi tractor factory would advocate for the better leadership styles that suit different situations so as to reduce the dominance of autocratic leadership unless in situations where it is necessary.

The researcher further recommended that it was important for the Al-Ghazi Tractor to professional performance guidelines that create a sense of responsibility to employees.

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