

THE RELATIONSHIP BETWEEN LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE

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Abstract

The main purpose of this paper is of twofold: to investigate the relationship among effective leadership and employees' job performance at TVS Pvt., Ltd., and Solamalai Automobiles Pvt., Ltd., from Madurai and to assess the employees' preference over leadership behaviours out of transformational, transactional and laissez faire leaders. A quantitative research design had been employed for the present study. The research instrument consisted of 40 questions covering transformational, transactional and laissez faire leadership and the various performance variables. A total of 200 questionnaires were issued and received 158 valid replies. Descriptive statistics and the regression analysis were used to find out the most relevant leadership styles in the selected enterprise and the relationship of these leadership styles with the selected outcomes such as extra effort, effectiveness and satisfaction. From the study, it was concluded that the transformational leadership was able to predict extra-effort, effectiveness and satisfaction of the employees in the case of both full-scale and sub-scale models. In the case of Passive Leadership, it was observed a negative significance on extra-effort and effectiveness, but, not on satisfaction. This implies that the avoidant behaviour was not at all satisfying the employees in any sense. The Transactional Leadership did not have any significant predictability in the level of Extra Effort, Effectiveness, or Satisfaction. However, when one of the sub-scale of Transactional Leadership (i.e. Management by Exception (Active) was reversed, it significantly predicted Effectiveness and Satisfaction but not Extra Effort.

Keywords: *Effective Leadership, Employee performance and Regression.*

Introduction

In the 21st century, managers and leaders are expected to cope with a rapidly changing world of work (Lewis, Goodman & Fandt, 1998). Lewis et al. (1998) assert that the managers of the future will have to be prepared to cope with change if they are to be effective. They will require abilities such as being team oriented, strong communicators, team players, problem solvers, change-makers and leaders (Lewis et al., 1998).

The changing structure of the Organisations to a flatter structure may also be an important factor for the changing role of managers which challenge additional responsibility to them. Managers will have to be competent leaders in order to transform their people to achieve the required company outcomes (Hooper & Potter, 2000). Ryback (1998) describes a 21st century leader as having the ability to demonstrate a greater empathy and concern for people issues than his/her earlier counterparts.

This new environment challenges a leader to play various roles. To ensure that change takes place successfully, greater consideration for the individual should be instilled in leaders with regard to aspects such as understanding how people view the world (Hooper & Potter, 2000). The realization that the knowledge, skills and experience of people are fundamental to the success of an organisation has resulted in the expectation that leaders of the future will need to pay more attention to developing the “people” aspect of the organisation (Steers, Bigley & Porter, 1996).

Review Of Related Literature

Molero et al (2007) contributed their study to identify two main goals: (a) to compare the relationship between transformational leadership and other important leadership styles (i.e., democratic versus autocratic or relations- and task oriented leadership) and (b) to compare the effects of transformational leadership and the other styles on some important organizational outcomes such as employees’ satisfaction and performance. From a sample of 147 participants, working in 35 various work-teams, high correlations between transformational leadership, relations-oriented, democratic, and task-oriented leadership were found. On the other hand, according to the literature, transformational leadership, especially high levels, significantly increases the percentage of variance accounted for by other leadership styles in relevant organizational outcome variables (subordinates’ performance, satisfaction and extra effort). **Mester et. al (2006)** determined the relationships between leadership style and organizational commitment, job satisfaction, job involvement and organisational citizenship behaviour and whether these relationships were stronger for transformational than for transactional leaders. A sample of 52 leaders and 276 raters from a world class engineering company participated. The results of a canonical correlation analysis using the rater data indicated that the most prominent relationship was that between transactional leadership and affective commitment. Furthermore, transformational and transactional leadership did not correlate significantly with the constructs of job involvement and job satisfaction.

Aragon-Correa et al. (2007) studied 408 companies in Spain; service companies were part of the sample. CEOs of each company (45% response) completed a questionnaire on company information and his/her own Transformational Leadership behaviors. The authors

used five questions from a previously published tool to measure Transformational Leadership behaviors and a self-developed tool to measure organizational performance. The authors found Transformational Leadership behaviors to be correlated with organizational learning and organizational learning to be correlated with organizational performance. The authors also found an indirect relationship between Transformational Leadership behaviors and organizational performance, mediated through organizational learning. Based on their findings, the authors believe Transformational Leadership is important for improving financial performance. **Walumba et al. (2004)** researched 402 employees from Chinese and Indian financial firms. The authors measured Transformational Leadership behaviors using 20 questions adopted from the MLQ. The authors found Transformational Leadership behaviors to be significantly related to organizational commitment and inversely related to job and work withdrawal. The authors also found Transformational Leadership behaviors to be related to collective efficacy, an employee's judgment of his/her group being able to perform a task. The authors suggest if an employee develops collective efficacy through Transformational Leadership then withdrawal behaviors will go down. **Whitelaw and Morda (2004)** used a snowballing technique to survey 264 participants. Participants were employed in the hospitality industry. The researchers used the MLQ Form 5X to measure leadership behaviors, effectiveness, satisfaction, and extra effort. Both male and female participants agreed that a mix of Transformational Leadership and transactional leadership was needed. Small differences between genders were noted, whereby males perceived inspirational motivation and intellectual stimulation as important factors in receiving satisfaction and extra effort. Females tended to lean towards contingent rewards, part of transactional leadership.

Bono and Judge (2003) explored why followers of transformational leaders exhibit higher performance, motivation, job satisfaction, and organizational commitment by studying leaders in service and manufacturing organizations. There were 247 leaders (76% response) who completed the questionnaire. Up to 6 followers for each leader were invited to complete a questionnaire. Of the 1,368 surveyed, 954 followers completed the initial questionnaire, the MLQ. Sixty days after the initial questionnaire, a second set of questionnaires were completed by 243 leaders and 775 followers, giving an overall response rate of 70% for leaders and 57% for followers. For the second set, leaders completed job performance questionnaires on their followers and the followers submitted job attitude questionnaires. A 15-item tool was used to measure followers' job performance, this tool included items for both task performance and initiative aspects of performance. The tool had items on self directions developed by **Stewart, Carson and Cardy (1996)**, innovation and task performance adapted from the Role-Base Performance Scale developed by **Welbourne et al. (1998)**, and personal initiative which were developed for this study. The authors found Transformational Leadership behaviors, as evaluated by followers, to be positively related to followers' job performance. **Purvanova et al. (2006)** invited employees from a manufacturing plant and the customer service department of a private company via e-mail to complete web-based questionnaires. The study included 254 employees from the manufacturing company and 258 employees from the service company (79% response). The employees completed questionnaires describing the leadership behaviors of their managers. After two months, the managers, 68 from the manufacturing company and 56 from the service department, responded to questionnaires about the citizenship behaviors of their employees. The MLQ Form 5X was used to measure Transformational Leadership behaviors. The Role-Based Performance Scale, developed by **Welbourne, et al. (1998)**, was used to

measure citizenship performance. The authors found if job complexity was controlled, Transformational Leadership behaviors were significantly related to citizenship performance and perceived job characteristics. Perceived job characteristics were significantly related to citizenship performance.

Significance Of The Study

This study is important because it provides a set of data, which currently does not exist for Indian enterprises at a pivotal point. The data provided gives information regarding leadership behaviors such as, transformational, transactional and laissez-faire. This information will be helpful in determining some of the cause and effect relationship in the change initiative programs. The goal of the study was to test for differences in the choice of leadership behaviors in the private sector enterprises within the sample and the inter-relationship between such appropriate leadership behavior and employee performance. The findings provide the leaders with information that will enable them to become more effective as leaders and enhance the results of their performance metrics. In addition, the findings provide an understanding of the predominant leadership styles and provide some indication of whether the identified styles will sustain the current change initiatives of the business environment. Finally, the study provides information to create change in the current leadership practices, which will necessitate behaviors more conducive to transformative leadership that will inspire and encourage followers.

Objectives And Hypotheses

Leaders are not born; but are only made; Effective leadership lies in the fact that how far they will be able to stimulate the performance of their subordinates. Hence the present study aims at providing in-depth knowledge on effective leadership approach and its outcome with the following objectives.

1. To evaluate the leadership styles and the performance measures of the selected
2. samples;
3. To identify the relationship between leadership and performance;
4. To critically evaluate the impact of scoring on Transactional leadership.
- 5.

In order to ascertain the relationship of leadership styles and employee outcomes the following hypothesis (H_0) were framed:

H_1 : There is a relationship between the subordinates' perception of the leadership style and extra effort

H_2 : There is a relationship between the subordinates' perception of the leadership style and effectiveness

H_3 : There is a relationship between the subordinates' perception of the leadership style and satisfaction

Research Methodology

The data for the present study was collected primarily to identify the various leadership styles, and employee performance selected from Solamalai Automobile Pvt. Ltd., TVS Pvt. Ltd., from Madurai District - Tamil Nadu. A total of 200 questionnaires were issued and received 158 valid replies. The research instrument consisted of 40 questions covering transformational, transactional and laissez faire leadership and the various performance variables. The transformational leadership was characterized by Idealized Attributes, Idealized Behaviour, Intellectual Stimulation, Confidence, Individual Consideration and Inspirational motivation. The transactional leadership was measured by Contingent Reward and Management by Exception (Active) whereas the avoidant behaviours were described by Management by Exception (Passive) and Laissez-Faires. The performance measures that are included in this study were Extra Effort, Effectiveness and Satisfaction. The rating for each scores were given using 5 point Likert scaling method ranging from Never to Seldom. At its first level, scoring was given as usual i.e., direct scoring for transformational leadership, transactional leadership, and performance measure and reversed scoring was given to avoidant behaviour of leaders. At the next level, reversed scores were given to avoidant behaviour of leaders as well as to the transactional leadership. The main purpose of this was to ascertain whether the significant relationship of this leadership style with the employee performance did have any relevance with the scaling techniques. Descriptive statistics and the regression analysis were used to find out the most relevant leadership styles in the selected enterprise and the relationship of these leadership styles with the selected outcomes such as extra effort, effectiveness and satisfaction.

Results

The descriptive statistics that were presented in Table 1 shows that the Transformational Leadership had the strongest effect on Extra Effort, Effectiveness, and Satisfaction than the transactional leadership and laissez-faire leadership styles. However, it was interesting to note that the contingent reward had the highest mean than at least two of the transformational leadership subscales. Hence it can be said that the respondents like to work for transformational leaders and for the leaders who give them certain benefits. The least preferences were given for the avoidant behaviour of leaders. This makes us to conclude that the respondents preferred to work for those who exhibit transformational leadership style and/or for those who provide certain reward for their performances.

**Table 1. Descriptive Statistics For Independent And Dependent Variables
(N=158)**

Elements	Mean	Standard Deviation
Transformational Leadership	2.45	0.99
* Idealized Influence (Attributed)	2.54	1.16
* Idealized Influence (Behavior)	2.45	1.07
* Inspirational Motivation	2.73	1.08
* Intellectual Stimulation	2.27	1.01
* Individualized Consideration	2.26	1.16
Transactional Leadership	2.05	0.65
* Contingent Reward	2.38	1.01
* Mgt by Exception (Active)	1.73	1.01
Passive/Avoidant	1.36	0.93
* Mgt by Exception (Pass)	1.58	1.01
* Laissez-Faire	1.15	1.01
Extra Effort	2.28	1.29
Effectiveness	2.54	1.12
Satisfaction	2.49	1.34

When analyzing the dependent variables, it can be seen that the highest mean scores were given for effectiveness (**2.54**) and satisfaction (**2.49**) followed by extra effort with a mean score of (**2.28**). The lowest score of extra effort may be attributed to several reasons. The first reason was the nature of the organization. The selected organization was a public sector enterprise where the leaders had only limited authority to control the employees for performance and salary was also to be disbursed equally irrespective of their performance level; rather, on the years of services that one has. Second reason was the age factor; the higher age of the respondents act as a great barrier for them to work and hence such a least order of preference were given to extra effort. The last important reason was that the years of service. Since most of the respondents were well experienced, they were able to give better performance with minimal efforts. As such, extra effort was given least importance in the selected enterprise.

The regression coefficients of the subscales of the three leadership styles were presented in Table 2.

Table 2. Summary Of Regression Coefficients (N=158)

Independent Variable	Hypothesis 1 Extra Effort	Hypothesis 2 Effectiveness	Hypothesis 3 Satisfaction
² R	0.725 full mod	0.818 full mod, 0.827 subscale mod	0.762 full mod, 0.780 subscale mod
Transformational	0.8928	0.850 full; 0.667 subscale	1.136
Transactional	N/S	N/S full	N/S full
* Contingent Reward	N/S	0.143	0.245
* Mgt-By-Exception (active)	N/S	-0.087	-0.143
Passive/Avoidant	-0.228	-0.282 full; -0.266 subscale	N/S either mod

+ N/S – Not Significant

+ Mgt - Management

From the table, it can be seen that regression coefficients were high for all the hypotheses both in the full model and subscale model for transformational leadership. The transformational leadership was able to predict **89.28** per cent of Extra effort; **85.00** per cent of effectiveness and **113.6** per cent in the employee satisfaction.

The Transactional Leadership did not have any significant predictability in the level of Extra Effort, Effectiveness, or Satisfaction. However, when the two subscales were used independently in the model, there seems to be some predictive ability. Contingent Reward was significant for Effectiveness and Satisfaction but not Extra Effort. Management-By-Exception (active) had negative predictability with effectiveness and satisfaction and did not have any significant relationship with extra effort. The laissez-faire leadership tends to lower the willingness of the employees to put forth extra effort and effectiveness of the employees whereas it did not have any predictability with regard to satisfaction.

Table 3. Summary Of Regression Coefficients (Reversed) (N=158)

Independent Variable	Hypothesis 1 Extra Effort	Hypothesis 2 Effectiveness	Hypothesis 3 Satisfaction
² - R full model	0.720	0.826	0.777
Transformational	0.945	0.703	0.892
Transactional (reversed)	N/S (full or subscale models)	0.203	0.326
Passive/Avoidant	-0.212	-0.264	N/S (full or subscale models)

+ N/S – Not Significant

Also, when one of the subscale of transactional leadership i.e., Management-By-Exception (active) was reversed and the Transactional Leadership score was recalculated, Transactional Leadership (reversed) significantly predicted Effectiveness and Satisfaction but not Extra Effort. This variation in the results of the transactional leadership might be due to the construction of scale. In all regression models, Passive/Avoidant Leadership significantly predicted Extra Effort and Effectiveness, but not Satisfaction.

Conclusions And Implications

The main goal of this study was to analyze the relationship between the various leadership styles and the employee outcomes such as extra effort, effectiveness and satisfaction. A sample of 158 employees' views was collected to achieve the above said objectives. The transformational leadership was characterized by Idealized Attributes, Idealized Behaviour, Intellectual Stimulation, Confidence, Individual Consideration and Inspirational motivation. The transactional leadership was measured by Contingent Reward and Management by Exception (Active) whereas the avoidant behaviours were described by Management by Exception (Passive) and Laissez-Faires. The performance measures that are included in this study were Extra Effort, Effectiveness and Satisfaction. The rating for each scores were given using 5 point Likert scaling method ranging from Never to Seldom.

From the study, it was concluded that the transformational leadership was able to predict extra-effort, effectiveness and satisfaction of the employees in the case of both full-scale and sub-scale models. In the case of Passive Leadership, it was observed a negative significance on extra-effort and effectiveness, but, not on satisfaction. This implies that the avoidant behaviour was not at all satisfying the employees in any sense. The Transactional Leadership did not have any significant predictability in the level of Extra Effort, Effectiveness, or Satisfaction. However, when one of the sub-scale of Transactional Leadership (i.e. Management by Exception (Active) was reversed, it significantly predicted Effectiveness and Satisfaction but not Extra Effort. Hence it was concluded that this variation in the results of the transactional leadership might be due to the construction of scale. On the over all, the transformational leadership was said to be the best suit for employees' performances.

One important thing to be noted in this study was that all the samples were taken from the private sector employees where there was adequate and continuous reward for their extra effort. Hence, it would be more appropriate if the study was revised in the light of public sector employees where no such reward system was followed for future practices.

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