Impact of Leadership Styles on Organizational Performance

Amal Zada Khan\textsuperscript{1}, Nosheen Adnan\textsuperscript{2}

Abstract
Performance of organizations is related to the profitability of the organizations in terms of its growth and profit both in long and short term. In business organizations, investors and businessmen desire and endeavor to ensure that their organizations perform well to earn more profit, grow fast and achieve competitive edge in the industry. For organizations to perform well, apart from tangible and intangible resources, effective and dynamic leadership is a pre requisite. Leadership style of the leader of an organization has a strong impact on the performance of the organization. Though most of the researchers in the past agreed that leadership style has relationship with organizational performance but there are some who did not support this view, hence, an ambiguity exists. To address this confusion, the researchers studied the types/styles of leadership and the leadership styles of different leaders of various organizations in Pakistan and examined their impact on organizational performance. There are three main leadership styles: transformational, transactional and laissez faire leadership styles. While the first two have a positive but different level of impact, the third one has a negative impact on organizational performance. A quantitative study was conducted by using a questionnaire filled from various leaders of manufacturing and service organizations. Results of the study were studied through SPSS and the researchers found that though the most suited style of leadership is transformational one but in new and growing organizations transactional leadership style may be more productive, while in certain circumstances though limited and for a short period, laissez faire style may be required. Hence, the leader might have to adopt a hybrid style of leadership style. Leadership style has a significant impact on the organizational performance.

Keywords: Leadership, Transformational Leadership, Transactional Leadership, Laissez Faire Leadership, Organizational performance, Pakistan

1. Introduction
The alignment of interest of all stakeholders and a uni directional approach of efforts towards progress/growth ensures uniformity of purpose, a pre requisite for maximizing profit and growth in an organization, is a leader’s domain and responsibility. Growth of an organization and efficiency in operation is achieved through best practices adopted and pursued by organizations under the guidance / supervision of a dynamic and transformational leader. Hence, a strong and dynamic/ transformational leader in today’s competitive environment plays a vital role in organizational performance. A leader acts as a beacon of light viewed as a symbol, example and a source of inspiration by subordinates/employees. The leader ensures concentration of efforts and combines the parts in a whole through a team work acting as an effective team leader. The team leader owns and accepts responsibility of all failures and gives credit of achievements to all members of the team. Today, business environment is full of competition and organizations without a competitive advantage and strong leadership will lag behind in the race. Organizations face multiple challenges and the present competitive environment needs prudent and well thought out strategies for improvement in operational performance and achieving competitive advantage (Jaramilo et al., 2005).

The achievement of goals and objectives by an organization depends on the availability of resources (human, physical, financial and information), leadership style and strategies formulated and their

\textsuperscript{1} APCOMS Rawalpindi, UET Taxila Pakistan
\textsuperscript{2} APCOMS Rawalpindi, UET Taxila Pakistan
implementation. A leader provides vision (destination), articulate mission through employees’ involvement, formulate strategy for achievement of the goals and objectives, and steer the organization in the right direction to face challenges through an effective tool of competitive advantage. Leadership plays its role to motivate, guide and monitor employees towards the goal post. A transactional Leadership style especially in the initial stages of the organization when the employees are new and less trained helps employees and organization for timely and effective achievement of goals / objectives. Dynamic and transformational leadership through adoption of best practices in the organization perform well by cutting cost and maximizing profit thereby achieving their mission and vision through leaps and bounds.

Organizational performance encompasses effective utilization of all resources at the disposal of the organization for profit maximization and future growth of the organization. Employees need skills, motivation and commitment to perform well and up to the desired expectations. A clear vision, wholesome mission formulated through involvement of all stakeholders and a well thought out strategy for achievement of mission/vision is provided by a dynamic and charismatic/transformational leader. Provision of conducive environment creating enthusiasm and enjoyment, appropriate coaching/training for developing requisite skills, building teams, and motivation through tangible/intangible incentives, is a key responsibility of the leader to improve organizational performance. To measure performance, organizations use indices both financial and non financial like quantity produced, quality of the product/service, customer satisfaction, reputation and greater market share, periodical profit and effective exploitation of future growth opportunities.

There are different leadership style theories mentioned by various authors, some of which are charismatic, transitional, transformational, visionary and culture based leadership styles ( Bass,1985; Sergiovanni, 1987, Bass, 1990; Yukl, 1994; Sashkin, 1996). Leadership style and behavior of a leader can have an enormous impact on employees and organizational outcome (Waldman et al., 2001). Leadership styles/practices targeting mobilization of human resource is an important factor in determining organizational performance.

In the research conducted so far, there is a contradiction of views about the relation/association of leadership style with the organizational performance. There are authors who have concluded that there is no association between leadership and organizational performance, (Anderson, 2002; Emmanuel and Lloyd, 2000). In the literature, there is a great deal of ambiguity concerning the relationship between leadership effectiveness and organizational performance. For example, Grusky (1963) concludes that the change frequency of leadership tends to have a minor impact on organizational performance. Gamson (1964), Eitzen and Yetman (1972) and Allen et al. (1979) also concluded that there is little or no effect of leadership on organizational performance or outcome. Other researchers have also pointed that there is not a strong link between leadership and organizational performance. (e.g. Brown, 1982;Fizel and D’Itri, 1999). Lieberson and O’Connor (1972) and House and Baetz (1979) also concluded association between leadership and organizational performance is weak and conflicting. Jaffee(2001) in his research concludes that theories and research about effect of leadership on organization is also not certain.

Leadership effectiveness is seen critical to explain and predict in terms of organizational performance, whereas Mott (1972) explains that leadership is important for group or team performance. Fiedler (1967) suggests that leadership does influence organizational performance. Bennis and Nanus (1985) write that success of organization is linked with leadership. Yukl (1998) also refers the importance of leadership and its positive impact on organizational performance. Research and observations to some extent assume that leadership and its decisions / behavior do influence the efficiency and effectiveness of organizational performance (Alchian, 1986). Hogan et al. (1994) also argue that leadership matters. Thomas (1993) also explains the importance of leadership that the idea of leadership may be one of the most important or valuable factors in human conjecture but at the same time it is not easy to define the exact relationship between organizational performance and leadership, empirical studies also supports this to some extent.
Based on the above, the researchers conclude that there is a conflict on whether there is any relationship between leadership and organizational performance. This gap could be explained by the differences in approaches taken as quantitative, qualitative or triangulation which need to be explored.

The viability of leadership and its effectiveness on organizational performance can be seen in reality while on the other end, researchers refer that there is limited or no effect of leadership at all on organizational output. The truth or reality is somewhere in between these two ideologies. Therefore, truth is between these two facts so researchers address the boundary between them. So far, the literature and researchers in the past have neglected the importance of leadership in decision making or lack of impact of leadership on organizational performance.

From the review of literature, it is evident that although some scholars believe that leadership do influence decision making and its effectiveness in organizational performance while others contradict this belief, making comparisons practically impossible. Gaps and unanswered questions still exist. Thus the proposed study is to explore the relationship between leadership and organizational performance thus contributing towards the existing body of knowledge.

2. Literature Review

Leadership

Leadership refers to a set of traits an individual possesses to influence another individual or group in a situation to act or obey that individual in a desired manner. Researchers in the past have identified various types of leadership with traits suitable for accomplishing tasks in a particular situation and for the variety of tasks/projects. Leaders design and create a vision about a future state of an organization and enmesh/motivate all members of the organization collectively towards attainment of that vision (Cadbury 1996). Colley et al (2004) posit that in an organizational setting, leadership is a social tool for molding members and resources of the organization in the manner to effect attainment of organizational goals and objective. Stogdill(1957), refers to individual’s behavior guiding a group towards achievement of common goals as leadership style. Lawal(1993) concludes that leadership is the process of influencing others through trust and confidence for a willing response for the attainment of organizational goals and objectives.

In the early days, there was no distinction between a leader and manager rather both terms were interchangeable and meant one and the same. Gannon ( 1977) while quoting work of Weber (1949) states that in the past, manager was considered to be a leader as well and the manger. The manager did not need any training in the field of leadership because subordinates were assumed to obey their managers due to their position / authority. With the passage of time, the concept of leadership came in the limelight and its necessity was felt when subordinates started disobeying considered lawful command of managers and superiors. Hence, a requirement of influencing others for a willing response gives birth to a different meaning to leadership than a manager. Therefore, Mullins (2005) from the work of Barnard(1930) defined leadership as the ability of the superior to influence subordinates’ behavior for a willing response towards a particular desired action. Presently, managers do not consider their right of automatic obedience of their subordinates due to their position rather they try to assume and attain leadership skills to motivate their subordinates for increased production. They have also realized the importance of learning and mastering leadership skills and training.

Anuku & Achienu(2001) states that effective leadership provides an appropriate response to environmental factors of time, culture, wants and needs and their harmonization to ensure smooth operation of these factors for maximizing profit and growth of an organization. The combined effect of these factors and outcome is the improved performance of the organization. As per Gannon (1977), no organization can even function without an effective leadership albeit performing well.

Researchers have identified various types and styles of leadership. Different types and styles are the requirement of different organizations and situation. There is no fit type or style of leadership for all types of organizations and situation but appropriate or a hybrid style is considered suitable for a particular
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organization. Leadership style does matter and contribute towards overall performance of any organization. It also plays a significant role in motivating and enhancing individuals and organizational performance. Thus, Glantz (2002) emphasized that the leader must understand the situation, identify the requirement and find a suitable leadership style.

Efficient utilization of the available resources by members of an organization depends upon the understanding and style of the leader which has a direct impact on the performance of the organization. The extent to which members of an organization contribute in harnessing available resources of the organization equally depends on how well the managers (leaders) of the organization understand and adopt appropriate leadership style in performing their roles as managers and leaders. Thus, efficiency in resources mobilization, allocation, utilization and enhancement of organizational performance depends, to a great extent, on leadership style. At the same time some authors like Akpala (1998) have also observed and concluded that attitude, leadership style and motivation are some of the factors that exert negative pull on the organizational performance.

The literature reviewed by the Researchers has identified leadership; an important subject in the field of organizational behavior. Leadership has significant effect on individuals’ performance in an organization. In other words, ability of management to execute “collaborated effort” depends on leadership capability. Lee and Chuang (2009), explain that an excellent leader not only inspires subordinates’ potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Leadership is a strategy to motivate employees to tap their full potentials for the development and growth of the organization (Fry 2003). There are indicators that relationship exists between leadership style and organizational performance. Today’s dynamic market is demanding innovative approach of competition, differentiated product/service, reduced margins and creativity replacing present competencies (Santora et al., 1999; Venkataraman, 1997). The existing studies to a greater extent suggest that in the face of new challenges in business, suitable leadership style and behavior results in improved performance (McGrath and MacMillan, 2000; Teece, Pisano and Shuen, 1997)

**Transformational Leadership**

A transformational leader uses values and principles for motivating subordinates to achieve expected level of performance (Bass, 1985). Buns (1978) explained transformational leadership style as a process where, “one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality”. Transformational leadership style differs from transactional leadership in terms of motivating process adopted by the leaders. In transformation leadership style, followers have confidence and trust over their leader and exhibit sincerity, loyalty and respect for him. They are motivated to do more than the expectations of their leader (Bass, 1985; Katz & Kahn, 1978). The motivation process adopted by the leader hinges upon the expected outcome, pursuing followers to accord priority to organizational and team interest over personnel ones. The leader motivates his followers through activation of higher order needs of Maslow’s theory. This style encourages critical thinking and thinking out of the box solution for problems which is achieved through intellectual stimulation of followers (Bass et al., 1994). This results in enhanced and improved level of performance, satisfaction level and commitment of employees towards achievement of the goals of their organization (Podsakoff et al, 1996).

As per (Bass 1990) transformational leadership includes four behavioral components that are charisma, inspirational motivation, intellectual simulation and individual consideration. In the literature reviewed so far, most of the researchers have contributed transformational leadership towards organizational performance. (Bycio et al., 1995; Howell and Avolio, 1993). Most of the researchers agree on the concept that transformational leadership motivates followers for superior performance through leader’s inspirational skills and his vision of the organization. (Nicholls, 1988; Quick, 1992).

**Transactional Leadership**

Transactional Leadership is based on exchange process which involves followers compliance in respect to leader’s request but not likely to produce passion and dedication to work. In this case, leader focuses on
The main concern of the transactional leader is to make sure that objectives of the organization are understood by the employees and potential barriers to communication are removed. Transactional leadership consists of both constructive and corrective behaviors. In transactional leadership the leader finds ways and means to motivate employees according to their interest. The leader motivates employees and encourages positive attitude by rewards and punishment (House and Aditya, 1997). Transactional leadership is more of accepting the traditional goals and policies as it doesn’t bring any significant change in the processes.

Transactional leader displays both constructive and corrective behaviors. Constructive behavior entails contingent reward, and corrective dimension imbibes in management by exception. Contingent rewards clarify the work expected out off employees and the rewards and incentives attached to that work. It considers followers expectations and offers recognition when goals are achieved. The clarification of goals and objectives and recognition on achievement of goals/objectives results in individuals and groups expected level of performance (Bass, 1985).

Transactional leadership has great influence on leadership research since World War II. It is explained and used in the path-goal model (House,1971) that helps in explaining the use of transactional leadership and how it works by contingent-reward. As Buns(1978) explained that transactional leadership is based on exchange process in which leaders reward their subordinates on their performance and achieving their targets. In total sum, transactional leadership is believed to be based on series of transactions between leader and its followers. In addition to this, transactional leadership is believed to be depending upon conditional reinforcement either explained positive or negative. This means that followers only react when needs and wants of followers are not fulfilled or either they do not meet their targets. Thus transactional leadership is either active /passive management by exception leadership approaches (e.g., Bass, 1985, 1997; Hater and Bass,1988; Howell and Avolio, 1993; Sosik et al. 1997). Active management by exception refers to the leader’s setting the standards for compliance as well as its implementation method. It may include punishing followers for non-compliance with those standards. This style of leadership implies close monitoring for deviances, mistakes, and errors and taking corrective action as quickly as possible.

The difference between active and passive management by exception primarily depends upon the timings of the leader’s involvement. In active form of management, the manger or the leader constantly monitors the performance or outcome of the workers so as to take measurable actions before facing any problem in achieving the goals. The leader in this case actively participates in searching the deviations from the industry specific targets or benchmarks. Whereas in passive management, the leader takes actions only when problem arises in the process. The leader or the manager waits till the end of the process and then if there is a problem, he takes corrective measures. Factors of transactional leadership are as follows:-

**Contingent reward**

In this factor, there is a bargain between the leader and the employee. They agree together in accomplishing the organizational goals and in return the reward attached to those goals. In this case, the leader must clarify the level of expectations and rewards when goals are achieved.

**Management-by-exception (active)**

In this case the manager or the leader specifies the level of expectations for the process and if standards are not met the punishment. This style of leadership closely monitors the work processes of the organization and corrective measures are taken when any problem arises.

**Management-by-exception (passive)**

This style of leadership avoids the exact agreement, not defining expectations or standards to be achieved by the employees but gets involved when the problem arises. This style does not respond to situations and problems thoroughly.
Laissez-faire style Leadership

Laissez-faire style of Leadership is the one in which the leader tries to make minimum interference in the affairs of subordinates even to the extent of not giving clear orders and instructions. In this type of leadership, the leader avoids responsibilities and does not build two way communications with his subordinates. In this type, mostly subordinates are not satisfied with their leader, production targets are not met which results in poor performance of organizations (Deluga, 1992).

Laissez-faire style Leadership is a negative form of leadership in which leader doesn’t get involved in important decision making process. He shows no concern or sense of responsibility when an important issue or situation requiring an urgent response is confronted. Alternatively, employees are at their own in the time of crisis and problem and look for assistance from other sources. Employees take their own decisions to manage crisis situation (Dubinsky, Yammarino, Jolson, and Spangler, 1995) and are often attempted to take over the role of leader (Coad and Berry, 1998).

In this type of style, a leader avoids influencing his followers and shirks supervisory duties and job responsibilities. Leaders or managers take least interest in their job or task and avoid indulging themselves in any kind of situation that can confront them. They put more responsibility on subordinates without setting any clear or specified goals and they do not give any kind of help in making decisions. In this case leader’s main concern is to make good terms with everyone and gliding the situation up to the limit. Laissez-Faire leaders do not make any kind of control mechanisms for the system to run effectively and efficiently rather group members are free to take any kind of decisions according to their own thinking and intuition.

Organizational Performance

Organizational performance is the ability of the organization to meet set targets for production and profit as well as development and growth envisioned by the Leader/Founder. Achievement of goals/objectives like maximum profit, good quality product, increased share in the market, profitable financial results and an effective strategy for development and growth form part of organizational performance (Koontz and Donnell, 1993). Organizational performance also refers to standing of the organization in relation to other organizations in terms of profit earned by the organization during a period, quality of its product in comparisons with others, and captured market share in that Industry. Measures of performance may include revenue earned, net profit, reputation, growth and development etc.

Organizational performance is more of a survival and profitability of an organization. Its measurement is critical both in service as well as manufacturing sector (Brynjolfson, 1993; Atkinson and Brown, 2001). As per Gro “nroos(1992), (cited in Paulin et al.,1999) for service firms customer satisfaction and relation is more important than short term profit. In some of the service industries, it is even more important to concentrate on customer satisfaction like Hotel Industry because they are more concerned with humans than other ones (Bharadwaj et al., 1993). Performance of an organization can be measured either subjectively or objectively. In objective measures, real figures are taken into account where as in subjective measures; perception of the organization in the public is considered (Johannessen et al., 1999; Pizam and Ellis, 1999). Recently, in a study carried out by Ozcelik et al. (2008) organizational performance can also be measured in terms of revenue earned.

In the present day competitive environment, to understand the effect of leadership on organizational performance is important because most of the researchers have concluded that leadership is also one of the competitive tools any dynamic organization must possess. An effective transformational leadership is the requirement of today’s competitive business environment to attain edge over others in management and sustained performance (Avolio, 1999; Lado, Boyd and Wright, 1992; Rowe, 2001). Where transformational leaders provide vision and motivate employees for difficult goals and objectives resulting into higher productivity and profitability, transactional leadership on the other hands attaches rewards for achievements of objectives and links performance with value rewards. It also ensures that the employees are provided with the required resources (Zhu, Chew and Spengler, 2005).
Transformational leaders are those who have a vision for their organization and makes strategic plans for future growth and development of their organization, communicate formulated vision and strategies to all concern, continue efforts for achievements of goals and objectives through commitments and dedication (Avolio, 1999; McShane and Von Glinow, 2000). Zhu et al. (2005), suggests that transformational as well as visionary leadership mostly achieves higher results, ensures cohesion of the team, enjoys trust and confidence, motivate employees for improved performance of the organization by providing conducive environment.

In performance of any organization, team leader always plays a very important role in creating a learning environment and competitive culture in the organization which helps cooperation among team members and built profitable relationship between the leader and subordinates (Guzzo and Dickson, 1996). Mehra, Smith, Dixon and Robertson (2006) have concluded that in the present challenging environment, organizations adopt best practices and procedures in order to outperform others; an approach which requires an effective leadership for implementations. In the literatures reviewed, researchers have suggested a strategic role of the leader and leader’s behaviors / commitment for improved performance of the organization (Judge, Bono, Ilies, and Gerhardt, 2002; Judge and Piccolo, 2004; Keller, 2006; McGrath and MacMillan, 2000; Meyer and Heppard, 2000; Purcell, Kinnie, Hutchinson and Dickson, 2004; Yukl, 2002). Organizations require both tangible and intangible resources for maximization of profit and effective performance. While tangible resources are land and capital, the intangibles are human resource and information. Leaders though utilize both tangible and intangible resources but effective combination of both depends on the type of leadership. Leadership style and culture of the organization, skills and competence level of employees and aspiration of employees by the leaders are viewed as a major strength of an organization. Dynamic and transformational leaders have a great role in effective utilization of intangible resources like people, processes and information for organizational performance (Purcell et al., 2004).

In order to compensate for the changing situation and external environment, organizations train and develop their leaders and equip them with requisite knowledge / skills to cope with the challenges (Darcy and Kleiner, 1991; Hennessey, 1998; Saari et al., 1988). The present studies conducted so far and suggestions by the researchers assume that there is a direct link between leadership and organizational performance. Researchers will make an effort to critically review this assumption.

3. Theoretical Framework

An Organization’s vision is formulated by the leader as to where he wants to see that organization in the future down the line. From the vision and mission subsequently, goals and objectives are derived. Having done that the leader selects a team, trains that team, motivates and guide/lead that to achieve the stage/growth he has viewed for that organization. How well those goals and objectives are achieved is a measure known as performance of the organization. So, the outcome and results are viewed as organizational performance. Organizational performance depends on how well goals and objectives are set, the effectiveness of the strategy formulated to achieve those goals and objectives, and finally how effective were the utilization of the available resources. A leader of the organization plays an important and vital role in all these functions and hence organizational performance depends on the type of leadership of that organization. Leadership has three types / styles; Transformational (democratic/participative), transactional (autocratic) and Leissons Faire. Each style has its unique traits.

Transformational leaders are those who have a vision, makes strategic plans for future growth and development of their organization, communicate goals and objectives to all concern, continue efforts for achievements of goals and objectives through commitments and dedication (Avolio, 1999; McShane and Von Glinow, 2000). Zhu et al. (2005), is of the opinion that transformational as well as visionary leadership mostly achieves higher results and ensures cohesion of the team. Transformational Leader enjoys trust and confidence and motivates employees for improved performance of the organization by providing conducive environment. This results in enhanced and improved level of performance, satisfaction and commitment of
employees towards achievement of the goals of their organization (Podsakoff et al., 1996), most suited style for organizational performance.

Transactional Leader works on exchange process involving followers’ compliance in respect to leader’s desire but not producing motivation and dedication. The leader focuses more on the task being performed by the employees of the organization rather than the organization itself (Boehnke et al., 2003). It is a short term rather a long term approach. The leader motivates employees and encourages positive attitude through rewards and punishment (House and Aditya, 1997). Transactional leadership is more of accepting the traditional goals and policies as it doesn’t bring any significant change in the processes. It has impact on organizational performance in short term but neglects long term growth and development.

In the Laissez-faire style, the leader doesn’t get involved in important decision making process. He shows no concern or sense of responsibility when an important issue or situation requiring an urgent response is confronted. Alternatively, employees are at their own in the time of crisis and problem and look for assistance from other sources. Employees take their own decisions to manage crisis situation (Dubinsky, Yammarino, Jolson, and Spangler, 1995). In this type of leadership, organization either do not perform and meet failure or if perform they do so poorly.

Organizational performance is more of a survival and profitability of an organization. Organizational performance is critical both in service as well as manufacturing sector (Brynjolfson, 1993; Atkinson and Brown, 2001). As per Gro “nroos(1992), for service firms customer satisfaction and relation is more important than short term profit. So, it is the leadership who plays an extremely vital role in the performance of an organization. In order to compensate for the changing situation and external environment, organizations train and develop their leaders and equip them with requisite knowledge / skills to cope with the challenges (Darcy and Kleiner, 1991; Hennessey, 1998; Saari et al., 1988). The present studies conducted so far and suggestion by the researchers assumes that there is a direct link between leadership and organizational performance. In this model, the researchers will see the impact of leadership on organizational performance in Pakistan.

<table>
<thead>
<tr>
<th>Leadership Styles</th>
<th>Organizational Performance</th>
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<tbody>
<tr>
<td>Transformational</td>
<td>Financial performance</td>
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<tr>
<td>Transactional</td>
<td>Business performance</td>
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<tr>
<td>Laissez-Faire</td>
<td>Organizational Performance</td>
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**Hypotheses**

H1: There is a significant relationship between transformational leadership and organizational performance.

H2: There is a significant relationship between transactional leadership and organizational performance.

H3: There is a significant relationship between laissez-faire leadership style and organizational performance.

H4: There is a significant relationship between leadership style and organizational performance.
4. Methodology

Research Goal

In this study, the researchers will identify association/relationship between independent variables as leadership styles ie transformational leadership style, transactional leadership style and laissez Faire, and dependent variable as organizational performance. This study aims at leadership styles and their effects on organizational performance. Data on leadership styles (transformational, transactional and laissez Faire) and organizational performance on various organizations in Pakistan specially Rawalpindi and surrounding area was collected from various tiers of leadership of different organizations. Leaders of both service and manufacturing industries were contacted at random and questionnaire filled accordingly.

Research instrument

Instruments adopted by various researchers during their studies were studied and relevant items of those instruments suitably modified and adopted for this study. Questionnaire method of survey was used for its obvious advantages of getting responses from a large number of respondents dispersed geographically in Rawalpindi and surrounding area of Pakistan. Tool of Bass and Avolio’s (2004) Multifactor leadership questionnaire (MLQ) for Leadership styles was adopted for transformational, transactional and Laissez Faire. For Leadership outcome also, same tool was adopted from Bass and Avolio’s 2004 . Nine additional statements in the MLQ for measuring leadership outcomes resulting from project managers’ leadership approach are extra effort level (three statements), four statements for measuring effectiveness level and two statements for measuring satisfaction level. To measure Organizational performance, tool of Fu-Jin Wag, Sheih Chich-Jen and Tang Mei-Ling’s 2010 was adopted. 240 respondents were required to rate each scale on a 5 point likert scale that is 1 for strongly disagree and 5 for strongly agree. Out of 240, 39 respondents did not respond where is 201 questionnaires were returned.

Sample and Data Collection

In this proposed study, we took a sample of 240 leaders/managers who were working in various public and private organizations and data was collected by filling the questionnaire. Collected data was analyzed by the statistical package for the social sciences (SPSS) computer program and version used was 17.00 for the evaluation. Factor analysis, correlation analysis, reliability tests, the means of variables and regression analysis was used to analyze the relationship between independent variables and dependent variable in our model. The results were presented in tables.

5. Results and Analysis

Frequency Table

The sample has more male than female (out of 201 respondents 150 were male and 47 female 62.5% vs 19.6 %), most of them in the age group of 30-40 yrs (27.9 %) followed by age group of 40-50 yrs (22.5%) and respondents of age group 20-30 yrs and 50-60 yrs were same ie 16.7 %. Respondents of full time employment were more than part time ie 41.7 % against 40.0 %, an indicator that those who are part time employee also share the same opinion as that of regular employee regarding impact of leadership styles on organizational performance. Respondents were highly qualified having education of graduate level (44.2%) and higher education 35%, only (9%) respondents were undergraduates.
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<th>Valid Percent</th>
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<td>Valid female</td>
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<td>19.6</td>
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**Statistics**

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<td>97.5</td>
</tr>
<tr>
<td>Valid casual job</td>
<td>5</td>
<td>2.1</td>
<td>2.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>83.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>39</td>
<td>16.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>240</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Statistics**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid bachelor</td>
<td>11</td>
<td>4.6</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Valid graduate degree</td>
<td>106</td>
<td>44.2</td>
<td>52.7</td>
<td>58.2</td>
</tr>
<tr>
<td>Valid higher qualification</td>
<td>84</td>
<td>35.0</td>
<td>41.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>83.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>39</td>
<td>16.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>240</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regression

In the study, regression analysis was conducted to test hypothesis, direction of relationship between independent variables and independent variable was also studied. It was observed that transformational leadership style \((B= 0.539, p=.000)\) and transactional leadership style \((B= 0.281, p=.000)\) having positive and pronounced effect (especially transformational leadership style) on organizational performance while Laissez-Faire style \((B= -0.178, p=.000)\) has negative impact on organizational performance. All independent variables are significant at 1% level of significance. The joint effect of all the independent variables is also significant at 1% level of significance \((F=110.194, p=.000)\). The impact of independent variables on the dependent variable jointly explain 63.3% whereas only 36.7% effect on organizational performance is explained by other variables not taken into account \((R^2 = .633)\) which confirms the validity of the model. The value of Durbin Watson that’s 1.325 is closer to 2 indicating that there is no or low auto correlation among independent variables.

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.795&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.633</td>
<td>.627</td>
<td>.40929</td>
<td>1.325</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Transformational, Transactional Laissez Faire

b. Dependent Variable: Org Performance

### ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3</td>
<td>18.460</td>
<td>110.194</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>192</td>
<td>.168</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>195</td>
<td>.168</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Transformational, Transactional Laissez Faire

b. Dependent Variable: Org performance

### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.119</td>
<td>.287</td>
<td>3.903</td>
</tr>
<tr>
<td></td>
<td>TRANS</td>
<td>.539</td>
<td>.044</td>
<td>.585</td>
</tr>
<tr>
<td></td>
<td>TRANSC</td>
<td>.281</td>
<td>.056</td>
<td>.235</td>
</tr>
<tr>
<td></td>
<td>LAISEZ</td>
<td>-.178</td>
<td>.041</td>
<td>-.210</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: OTL
Cronbach’s Alpha and Correlation Table shows reliabilities and correlations among variables. Items of all variables except transactional leadership style is more than 0.7 indicating high reliability of the instrument. Transformational leadership style has Pearson correlation .766, transactional leadership style .428 indicating that both are positively correlated with organizational performance. Laissez-Faire is negatively correlated with organizational performance. The correlation shown in the table is significant at 1% level of significance. All leadership styles less laissez faire style have positive effect on organization performs where as laissez faire style has negative effect on organizational performance.

### 6. Conclusion

According to the results of our study, transformational leadership has a positive relationship with organizational performance. Transformational leaders are those who have a vision, makes strategic plans for future growth and development of their organization, communicate goals and objectives to all concerned, and continue efforts for achievements of goals and objectives through commitments and dedication (Avolio, 1999; McShane and Von Glinow, 2000). Zhu et al. (2005). A transformational leader uses values and principles for motivating subordinates to achieve expected level of performance ( Bass, 1985). Through values and principles, the level of trust and confidence increases which results into increase ownership and spirit of sacrifice. The transformational leader motivates and helps employee towards improved organizational performance. As per Buns (1978), transformational leadership style is a process where, “one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality”. Hence, it confirms findings of the literature reviewed so far, that the transformational leadership contributes towards organizational performance (Bycio et al., 1995; Howell and Avolio, 1993).

This study has also confirmed that transactional leadership has a positive relationship with organizational performance though the impact is comparatively less than transformational leader. The
transactional leader focuses more on the task being performed by the employees of the organization rather than the organization itself (Boehnke et al, 2003).

Laissez Faire Style as per most of the literature available and reviewed has a negative effect on organizational performance and our study has confirmed that. The reason is due to limited interest of the leader and non acceptance of the responsibility and provision of guidance by the leader. Due to less interest of the leader, non acceptance of responsibility and loose/no control of the leader, mostly subordinates are not satisfied, production targets are not met which results in poor performance of organizations (Deluga, 1992).

Due to limited time and resources, the researchers did not study specific organizations rather adopted a general approach by studying and collecting data from leaders of various organizations who could be approached conveniently. It is suggested that future studies be conducted by studying specific organizations in Pakistani environment and the effect of their leaders’ style on organizational performance. The study proved that leadership styles have a pronounced effect on organizational performance. Performance of an organization is directly proportional to leadership styles especially in transformational and transactional leaders. In case of Laissez Faire style it effects negatively.

References


Susita Asree, Mohamed Zain and Mohd Rizal Razalli(2009), “Influence of leadership competency and organizational culture on responsiveness and performance of firms”, IJCHM,22,4
