



# Effect of Leadership Style on Employee Motivation and Performance

Submitted by

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## 1. Abstract

Managing human capital is a cornerstone of modern business success. This research evaluates how leadership styles and behaviors directly influence organizational performance. Using a quantitative approach with a sample of 200 managers, the study identifies that transformational, transactional, and democratic styles correlate positively with success. Conversely, poor management leads to reduced productivity, lower staff morale, and slower service delivery



## 2. Introduction

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### 2.1 Background

The primary goal of any organization is to maintain competitiveness through stability and performance. Influential leaders are the strategic drivers of this success, utilizing knowledge and self-improvement to guide groups toward collective goals [cite: 43, 46, 51]. Leadership is not just a set of personal traits but a dynamic interaction with the environment and organizational circumstances [cite: 49].

### 3. The Research Framework

#### 3.1 Problem Statement

A significant gap exists in understanding which leadership strategies should be implemented in specific scenarios. Unsuccessful management is costly, as it lowers employee devotion to organizational goals. While some studies suggest leadership is critical, others offer contradictory findings, necessitating a fresh comparative analysis in the modern business context [cite: 71, 78, 82].

#### 3.2 Research Questions

- What connection exists between organizational performance and leadership? [cite: 99]
- How do various leadership styles (Transformational, Transactional, etc.) impact performance? [cite: 101]
- What is the effect of specific leadership behaviors (Supportive, Directive, Participative) on operations? [cite: 102]

#### 3.3 Study Limitations

The research acknowledges constraints such as limited prior data on specific departments and a focus on large-scale companies (Level 3), which may not fully represent small-sector business interpretations of success. .

### 4. Literature Review: Defining Leadership

Leadership is a global and perennial concept, yet its practice varies significantly across cultures (e.g., Latin American vs. Persian cultures) [cite: 126, 131]. It is fundamentally defined as the ability to influence and motivate a team to ensure organizational objectives are met [cite: 138, 143].

#### 4.1 Trait Theory

This theory posits that successful leaders possess common traits like self-confidence, honesty, and integrity. While some are born with these traits, they can be further enhanced through training and experience [cite: 158, 160]. Key traits include:

- Flexibility and Adaptability [cite: 162]
- Emotional Stability [cite: 167]
- Task Competence [cite: 169]



## 4.2 Leadership Behaviors

Roles such as innovators, mentors, and directors require different behavioral repertoires. For instance, innovators focus on vision, while coordinators focus on problem-solving and daily operations [cite: 178, 181].

### 3. Specific Leadership Styles (Part I)

#### 5.1 Participative Leadership

This style involves subordinates in the decision-making process, fostering a sense of ownership and responsibility [cite: 184, 185].

- **Positive Effects:** Increases self-efficacy and psychological well-being [cite: 205].
- **Risks:** Overuse can lead to increased workloads and psychological stress for employees [cite: 212].

#### 5.2 Directive Leadership

Leaders provide specific guidance, schedules, and procedures. It is most effective for unstructured or complex tasks where clear guidelines are necessary [cite: 217, 220]. However, many studies indicate a negative impact on adaptability and organizational culture, as it can lower morale by making employees feel unappreciated [cite: 226, 243].

### 3. Specific Leadership Styles (Part II)

#### 6.1 Supportive Leadership

Focused on the well-being and needs of employees, this style creates a friendly interaction climate. It involves career guidance, social support, and listening to subordinates [cite: 245, 248].

- **Outcome:** Higher job satisfaction and innovative behavior [cite: 261, 263].
- **Benefit:** Buffers against occupational stress, especially in boring or high-pressure environments [cite: 275, 276].

## 7. Conceptualizing Organizational Performance

Performance is the level of achievement of set goals and objectives [cite: 282]. It is traditionally measured through financial indicators (Return on Assets, Equity) and market-based metrics [cite: 58, 59]. Modern approaches include:

- **Goal Approach:** Ability to fulfill shareholder goals [cite: 301].
- **System Resource Approach:** Efficiently utilizing the external environment [cite: 307].
- **Social System Approach:** Achieving goals without overstraining employees [cite: 321].

### 8. Perspectives on Performance Measurement

#### 8.1 Balanced Scorecard

This multi-disciplinary view combines financial, operational, and organizational effectiveness with learning and growth metrics [cite: 362].

#### 8.2 Strategic Management

Focuses on long-term survival, product-market performance, and public responsibility [cite: 367, 369].



### 8.3 Accounting Literature

Primarily concerned with past financial statements, though it often fails to capture future growth opportunities [cite: 357, 359].

### 8.4 Subjective vs. Objective

Subjective measures involve comparing non-financial indicators against rivals, while objective measures rely strictly on financial statements [cite: 340, 341].

## 9. Leadership Impact (Part III)

### 9.1 Transformational Leadership

Transformational leaders broaden employee interests and align them with the corporate mission. They are charismatic and intellectually stimulating [cite: 409, 414]. Studies show a strong positive correlation between this style and team performance [cite: 417, 425]. However, it can occasionally lead to burnout if not managed carefully [cite: 434].

### 9.2 Charismatic Leadership

This is a contentious style. While it motivates through vision and creativity, it can create a dangerous dependency on the leader. When a charismatic leader leaves, organizational performance often drops significantly [cite: 437, 441, 442].

## 10. Leadership Impact (Part IV)

### 10.1 Transactional Leadership

Based on a "something for something" exchange (rewards for performance). It is effective in establishing clear targets and environments for productivity [cite: 454, 460]. However, it may stifle long-term creativity and innovation [cite: 463].

### 10.2 Democratic Leadership

Decentralized decision-making where employee opinions are valued. This improves satisfaction and trust [cite: 469, 483]. The main risk is potentially slow or poor decision-making if expertise is ignored [cite: 470, 471].

### 10.3 Autocratic Leadership

Domineering and traditional, this style expects total compliance. While it can be effective for short-term project completion on tight schedules, it generally causes staff demotivation and conflict [cite: 488, 492, 496].

## 11. Research Methodology

The study employed a **quantitative methodology** to analyze the link between leadership and performance [cite: 527, 530].

### 11.1 Data Collection

- **Sample:** 200 randomly selected managers from various organizations [cite: 537].
- **Tool:** 5-point Likert scale questionnaires [cite: 540].
- **Reliability:** Cronbach's alpha tests were used, with all categories scoring above 0.7, indicating high reliability [cite: 546, 550].

### 11.2 Demographic Profile



The sample was nearly balanced between male (48.5%) and female (51.5%) respondents. A majority (64%) held Bachelor's degrees. Over 50% of the firms had been operational for more than 5 years, ensuring respondents had deep contextual knowledge [cite: 556, 557, 558].



## 12. Statistical Findings

### 12.1 Style Correlations

Correlation analysis (Pearson  $r$ ) revealed the following relationships with Organizational Performance:

- **Democratic Leadership:** Strong Positive ( $r = 0.887$ ) [cite: 580].
- **Transactional Leadership:** Strong Positive ( $r = 0.678$ ) [cite: 580].
- **Transformational Leadership:** Moderate Positive ( $r = 0.474$ ) [cite: 579].
- **Autocratic Leadership:** Weak Correlation ( $r = 0.19$ ) [cite: 581].

### 12.2 Behavior Correlations

- **Supportive Behavior:** Strong Positive ( $r = 0.877$ ) [cite: 585].
- **Participative Behavior:** Strong Positive ( $r = 0.719$ ) [cite: 585].
- **Directive Behavior:** Weak Positive ( $r = 0.278$ ) [cite: 586].

### 12.3 Regression Analysis

The multivariate regression model significantly predicted performance based on leadership styles ( $p < 0.038$ ,  $R^2 = 0.577$ ) [cite: 591].

## 13. Conclusion and Recommendations

### 13.1 Key Conclusions

The study confirms that leadership style is a significant predictor of organizational success. Democratic and transactional styles are particularly potent in driving performance, while supportive behaviors foster necessary employee loyalty and innovation [cite: 616, 620, 623].

### 13.2 Strategic Recommendations

- **Adopt Hybrid Styles:** Organizations should not rely on a single style but switch between them based on threats or opportunities in the dynamic work environment [cite: 630, 631].
- **Promote Supportive Behavior:** Management should focus on emotional and social support to improve retention and innovation [cite: 632].
- **Implement Clear KPIs:** Regular performance monitoring and assessment systems are essential for tracking and improving overall growth [cite: 572].