



A Study on Impact of Leadership Styles on Organizational Performance with Special Reference to Private banks in Bangalore

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Abstract

An organization's success largely hinges on its leadership and the ability of leaders to inspire and guide others toward achieving goals. This chapter explores how leadership—one of the most vital elements affecting organizational effectiveness—impacts overall performance. It examines various leadership styles, including transformational, transactional, authoritarian, and democratic, and how these approaches help leaders inspire and direct individuals to achieve organizational objectives. The aim is to determine the strength and significance of

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the relationships between these leadership styles and organizational performance, evaluating both their positive and negative effects. The results reveal that all four leadership styles boost organizational effectiveness, underscoring their crucial role in driving success.

Keywords: Organization. Performance. Leadership styles. Transformation. Autocratic.

1 Introduction

In order to create a goal, project, determination, and current state of goals, as well as to design plans, regulations, and techniques to accurately and efficiently achieve organizational objectives, supervise and coordinate efforts and organizational operations, a company needs strong leadership. To tackle the challenge, realize the goal, and adapt to the changing external environment, you need exceptional leadership (Harris & Cole, 2007). Nowadays, a lot of businesses are battling issues like unethical business practises, significant employee turnover, subpar economic growth, and so forth. This could be because there aren't many strong leaders. Many organizations' main mission is to achieve their stated goals, therefore good leaders must motivate and organize their workforce. Regretfully, some businesses don't take their managers' leadership philosophies into account. This assumption serves as the foundation for the current study's evaluation of the relationship between organizational performance and leadership style (Piwowar-Sulej & Iqbal, 2023). Various leadership styles are available, such as transactional leadership, democratic leadership, dictatorship, participative management, and transformational management. Authoritarian, democratic, transactional, and transformational management paradigms were the ones examined (Wahyuwardhana & Wisesa, 2024). The rationale behind selecting these management patterns is that they are the most widely applied globally, and any new philosophy derived from research can enhance these patterns in a similar manner, enabling organizations to accomplish their objectives. Consequently, those six management styles were the main emphasis of the questionnaire's design.

Examine the impact of the following leadership philosophies: autocratic, democratic, transactional, and transformational management styles on dictatorial leadership fashion, democratic, transactional, transformational, and transformational management styles on authoritarian leadership fashion, democratic leader, transactional, transformational, and transformational management styles on authoritarian leadership fashion, democratic leader, transactional, and transformational management styles on autocratic leadership (Molero et al., 2007). A leader is a person who inspires, guides, and persuades others to carry out certain tasks in order to meet the objectives set forth by the organization (Bakker et al., 2023; Mittal et al., 2023). A leader's method of giving instructions, carrying out strategies, and inspiring people is referred to as their leadership style. According to current leadership styles, leadership styles can be divided into the following categories:

- Transformational leadership style
- Transactional leadership style
- Autocratic leadership style
- Democratic leadership style

In the business literature, performance of organizations is a complicated and diverse subject. Organizational performance is the measure of how well an organization performs in relation to its planned goals, objectives, and final results. The company's financial performance, return on equity, and item or service market performance are all considered aspects of organizational performance. Effective leadership has a significant effect on an organization's performance. The culture of an organization affects its performance, which in turn affects the leadership style of that organization (Almutairi & Alenezi, 2021). By integrating data from the 150 employees of the company with their four element theory of leadership, provided evidence for this claim. The kind of leadership style employed affects both the performance and culture of the firm.

Njoroge et al.'s (2015) conducted a study which found that the knowledge-based pay strategy was successful in encouraging employees to pursue further education, thereby improving their performance. The study used secondary sources, including books, journals, and libraries, to gather data. to ascertain the impact of reward and compensation on Nakuru County Government employees' performance. According to research by Resurrection's (2012), owned businesses are beginning to see the strategic value that HRM can add to their quest for organizational competitiveness. The purpose of this study was to ascertain the fundamental connections between organizational competitiveness and compensation and performance management strategies. It was discovered that employee perks, pay, and performance management were all significantly and consistently predictive of organizational competitiveness. According to research by IBOJO and ASABI's (2014), one of the key industries required for the expansion and development of the Nigerian economy is the food and beverage sector in the manufacturing sector. The information was gathered from secondary sources, including books, journals, and libraries, among others. Consequently, it is imperative that organizations implement efficient policies for compensation management that safeguard and enhance employees' work output and investigate the connection involving compensation management and increased output. The creation and execution of plans and procedures aimed at paying employees regularly, fairly, and in line with their values for the company is compensation management (Armstrong, 2005). In similar view, Bob2003 & Anyebe2003 saw compensation management as being based on a well-articulated philosophy –a set of beliefs and guiding principles that are consisted with the values of the organisation which recognises the fact that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to compensate people differently accordingly to their contributions.

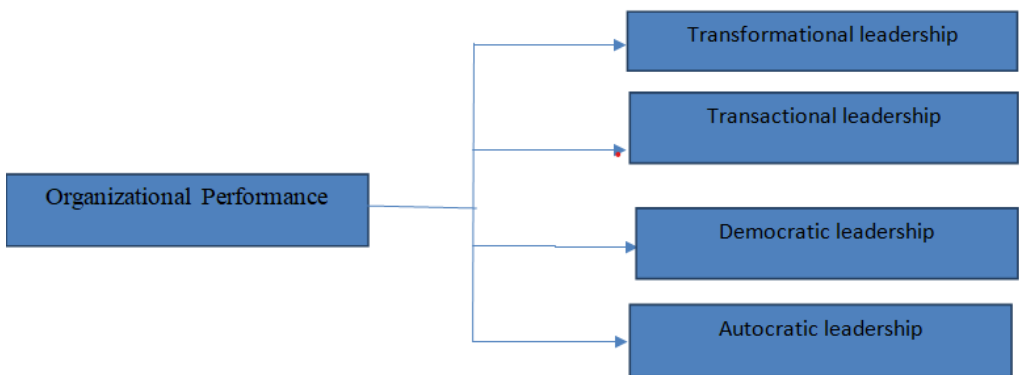


Figure 1. Conceptual Framework

2 Problem statement

The issue statement for the study is about organisational performance and leadership styles like transformational, transactional, authoritarian, and democratic. If specific types of leadership styles are adopted, organisational performance can improve and goals and objectives can be met more easily. A number of types of leadership inventories and evaluations available, and the idea of styles of leadership can help discover the advantages and disadvantages of present and future leaders. They are additionally useful to determine the kind of leader that a particular company needs at a given moment and to help choose a candidate with the right leadership style. Finally, they can assist a leader in being more self-aware of his or her own leadership preferences and tactics in order to improve as a leader. Conceptual framework has been represented in figure 1.

3 Objectives of the study

- To determine the type of relationship that exists between the team leader and the members of the team.
- To determine what kind of leadership styles were present in the teams.
- To look into how various leadership philosophies affect an organization's performance.
- To ascertain what type of leadership is most common in financial institutions.

4 Hypothesis

H01: Organizational performance and transformational leadership have no substantial association.

H1: There is a strong correlation between organizational performance and transformational leadership.

H02: There is no significant correlation between transactional leadership and organizational effectiveness.

H2: Transactional leadership and organisational performance have a considerable relationship.

H03: There isn't much of a correlation regarding autocratic leadership and organizational effectiveness.

H3: Organizational performance and autocratic leadership are significantly correlated.

H04: There is no significant correlation between democratic leadership and organizational effectiveness.

H4: Democratic leadership and organisational performance have a considerable relationship.

5 Methodology

For this study, a total of 150 samples were obtained from AXIS BANK employees. Data was collected from both primary and secondary sources. The primary data was gathered through a standardized questionnaire, divided into sections, and distributed to respondents for recording their responses. Secondary data was sourced from reports, newspapers, journals, publications, and textbooks. The study examines organizational performance as the dependent variable (V1), with independent variables including transformational leadership style (V2), transactional leadership style (V3), autocratic leadership style (V4), and democratic leadership style (V5).

6 Data Analysis

Descriptive statistics is represented in Table 1.

Number of statistics = 151, as shown in the table 1. The minimum and maximum number of data points recorded are four and sixteen, respectively. Organizational performance has a mean of 7.7086. Transformational leadership style has a mean of 7.9669. The transactional leadership style has an average of 8.3642. The average for autocratic leadership is 8.3974. Demographic leadership style has an average of 8.3642. The data's standard deviation remains positive for all variables. The kurtosis statistics for all of the variables are positive. The standard error for all variables is greater than 0.05, i.e..392.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Kurtosis
v1 (Organizational performance)	151	4.00	16.00	7.7086	2.09949	0.792
v2 (Transformational leadership style)	151	4.00	16.00	7.9669	2.38724	0.421
v3 (Transactional leadership style)	151	4.00	16.00	8.3642	2.33090	0.773
v4 (Autocratic leadership style)	151	4.00	16.00	8.3974	2.43058	0.298
v5 (Demographic leadership style)	151	4.00	16.00	8.3642	2.43990	0.331
Valid N (listwise)	151					

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.573a	.329	.310	1.74372

The independent variables (transformational, transactional, autocratic, and democratic leadership styles) explain 32.9 per cent of the variation in the variable that is dependent (organizational performance), according to the R square value of 0.329 (see table 2).

Table 3. ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	217.255	4	54.314	17.863	.000b
Residual	443.924	146	3.041		
Total	661.179	150			

As a result, it is clear from the results that there is a significant relationship between transformational leadership and organisational performance with a significant value less than 0.05, but no significant relationship between transactional leadership, autocratic leadership, and organisational performance with a significant value greater than 0.05 (see table 3).

Table 4. Correlations

		v1	v2	v3	v4	v5
v1	Coefficient	1	0.547**	0.262**	0.378**	0.335**
	p-value		0.000	0.001	0.000	0.000
v2	Coefficient	0.547**	1	0.478**	0.475**	0.399**
	p-value	0.000		0.000	0.000	0.000
v3	Coefficient	0.262**	0.478**	1	0.526**	0.536**
	p-value	0.001	0.000		0.000	0.000
v4	Coefficient	0.378**	0.475**	0.526**	1	0.602**
	p-value	0.000	0.000	0.000		0.000
v5	Coefficient	0.335**	0.399**	0.536**	0.602**	1
	p-value	0.000	0.000	0.000	0.000	

Table 4 show the association between the variables. Because the significant value is less than 0.05, it is obvious that there is a substantial association between transformational leadership, transactional leadership, authoritarian leadership, democratic leadership, and organization. Organizational performance and transformational leadership, transactional leadership, authoritarian leadership, and democratic leadership have Pearson correlation values of 0.547, 0.262, 0.378, and 0.335, respectively. Successful organizations are closely associated with transformational leadership as well as transactional, authoritarian, and democratic leadership styles. Pearson correlation values for transformative leadership and performance of organizations, financial leadership, authoritative management, and democratic leadership are 0.547, 1, 0.478, 0.475, and 0.399, in that order. There is a substantial correlation between organizational success and transformational leadership, authoritarian leadership, democratic leadership, and transactional leadership. Pearson correlation values for transformational leadership, authoritarian leadership, democratic leadership, and transactional leadership and organizational performance are 0.262, 0.478, 1, 0.526, and 0.536, respectively. Autocratic leadership has a strong link to organisational success, transactional leadership, transformational leadership, and democratic leadership. Autocratic leadership has Pearson correlation values of 0.378, 0.475, 0.526, 1, 0.602 for organisational performance, transformational leadership, transactional leadership, and democratic leadership, respectively. Democratic leadership has a strong link to organisational success, transactional leadership, transformational leadership, and autocratic leadership. Democratic leadership has Pearson correlation values of 0.335, 0.399, 0.536, 0.602, 1 for organisational success, transformational leadership, transactional leadership, and authoritarian leadership, respectively.

7 Findings

Based on the data analysis and hypothesis testing, the research results outcomes defined as follows: A total of 41.1% of respondents fall within the ages of 15-20, while 39.74% are between 21-25 years, 10.6% are between 26-30 years, and 8.6% are between 31-35 years. In terms of gender, females make up 57.62% of the respondents, with males accounting for 42.3%. Regarding educational qualifications, 43.7% of respondents hold a UG degree, and 35.1% possess a PG degree. When it comes to work experience, 36.4% of respondents have a minimum of three years, 29.8% have one to two years, 21.19% have five to six years, and 12.58% have over six years of experience. Incentives and recognition play a significant role in employee satisfaction, with 51.7% of respondents agreeing, 22.5% strongly agreeing, and 17.8% offering neutral opinions, while 5.9% disagree. A similar trend is seen with workplace inclusion, as 49.01% are satisfied when their perspectives are welcomed, and 39.1% strongly agree. Additionally, 49% of respondents feel satisfied when their workload is reasonable, while 19.2% are neutral, and 4.6% disagree.

53.64% of respondents believe good communication from higher authorities offers them satisfaction, with 32.45% strongly agreeing. Regarding leadership, 49.01% of respondents agree that their managers encourage them to think about old problems in new ways, while 27.1% strongly agree, and 15.2% disagree. Similarly, 52.32% of respondents agree that their managers pay close attention to identify flaws and deviations, and 30.46% strongly agree. In terms of goal setting, 42.38% of respondents agree that their managers set clear performance goals, with 28.48% strongly agreeing. Additionally, 47.6% of respondents agree that their managers keep track of all mistakes. Team leaders were also a focal point, with 49.67% of respondents agreeing that their leaders disregard recommendations due to time constraints, while 16.5% remain neutral, and 6.6% disagree. Similarly, 44.37% of respondents agree that supervisors seek input on upcoming projects, while 28.4% strongly agree. Moreover, 40.40% agree that their team leader corrects mistakes, and 27.15% strongly agree. 49.67% of respondents believe their team leaders foster a collaborative environment where members take ownership of projects. However, 14% of participants feel that leaders allow them to decide how tasks should be done. Additionally, 47% of respondents agree that team leaders guide them in setting priorities, and 43% believe that assigning tasks is essential for implementing new procedures.

Leadership monitoring is another critical factor, with 55% of respondents agreeing that their team leaders closely monitor performance. Additionally, 48.34% believe that leaders strive to resolve conflicts in role expectations, while 50.3% of respondents feel that leaders abuse the power vested in them. At the same time, 49% agree that their team leaders use their authority to foster subordinate growth. The findings of this study highlight the significant impact of various leadership styles on organizational performance, both positively and negatively. To enhance performance, organizations should focus on integrating transactional, democratic, and autocratic leadership styles into their frameworks. The application of transformational leadership not only fosters professional growth among employees but also establishes a strong value system within the organization. Additionally, democratic leadership has been shown to boost employee creativity and decision-making skills, while autocratic leadership allows staff to work effectively under clear directives from their leaders. It is essential for managers to embrace a leadership role that prioritizes the well-being of their employees. Furthermore, implementing leadership development programs that encourage ongoing reflection and practice will greatly influence the overall success of the organization.

8 Conclusion

This study examined the impact of various leadership styles—Democratic, Autocratic, Transactional, and Transformational—on organizational performance. Regression analysis revealed that while democratic, autocratic, and transactional leadership negatively affect organizational outcomes, transformational leadership has a positive influence. Transformational leaders possess a clear vision, create strategies for growth, communicate their objectives effectively, and remain committed to fulfilling their promises. By inspiring followers through shared values and principles, transformational leaders foster trust, confidence, and a sense of ownership, leading to higher performance levels. Employees under transformational leadership are motivated and supported in achieving greater organizational success. However quantitative data limits its scope and applicability. Despite this, the research offers valuable insights into the critical role leadership styles play in organizational performance. Managers must carefully choose the most appropriate leadership approach, as it significantly affects the organization's success. Overall, the findings highlight the positive impact of transformational leadership on organizational effectiveness.

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