

Examining the Influence of Leadership Styles on Employee Performance: A Comprehensive Study with special reference to IT/ITES employees in Hyderabad

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Abstract

This comprehensive study delves into the intricate relationship between leadership styles and employee performance, with a particular focus on the IT/ITES sector in Hyderabad. The research builds upon a systematic literature review, exploring existing insights into leadership style's impact on employee performance. The study aims to contribute to a deeper understanding of how leadership styles within this specific industry influence employee performance metrics. By leveraging both qualitative and quantitative research methods, the research seeks to identify patterns and dimensions within leadership styles that have a significant bearing on employee performance. The main aim of the study is to investigate the impact of different leadership styles on employee performance using multiple regression. The study compares the impact of different leadership styles on employee performance using ANOVA. The underlying factors or dimensions within leadership styles and employee performance metrics were evaluated using Factor analysis. A sample of 214 samples was used to evaluate the study. Furthermore, it will investigate the unique contextual factors present in the IT/ITES sector in Hyderabad that may interact with leadership styles to shape performance outcomes. Through this study, we anticipate shedding light on effective leadership practices tailored to this industry, offering valuable insights for both practitioners and policymakers. Ultimately, the findings aim to inform strategies for enhancing employee performance and organizational effectiveness in IT/ITES companies operating in Hyderabad.

Key words: Leadership styles, Employee performance, and IT/ITES employees

Introduction

In today's dynamic and competitive business landscape, the role of leadership within organizations cannot be overstated. Leaders play a pivotal role in shaping the performance,

motivation, and job satisfaction of their employees. As such, understanding the influence of leadership styles on employee performance has become a central concern for organizations striving to optimize their human resources.

This comprehensive study, delves deep into the intricate relationship between leadership approaches and the performance outcomes of employees. Drawing on extensive research and empirical data, this study seeks to unravel the complexities of leadership in various organizational settings. Specifically, it aims to shed light on how different leadership styles, from transformational and transactional to servant and laissez-faire, impact employees' productivity, engagement, and retention.

Furthermore, the study explores the intervening effect of employee retention in the context of leadership styles, uncovering valuable insights into the mechanisms through which leadership practices influence long-term workforce stability and performance.

As we embark on this journey of exploration, we will navigate through the multifaceted landscape of leadership, delving into the nuances of each style and its implications for employee performance. This study promises to offer a holistic understanding of the intricate interplay between leadership and workforce effectiveness, providing valuable knowledge for leaders, HR professionals, and organizations committed to achieving excellence in employee performance and organizational success.

Review of literature

Abdelwahed, Soomro, and Shah (2022) titled "Predicting employee performance through transactional leadership and entrepreneurial spirit among Pakistani employees" explores the relationship between transactional leadership and entrepreneurial spirit and their impact on employee performance in Pakistan. The study aims to understand how leadership styles, specifically transactional leadership, and employees' entrepreneurial spirit influence their performance. It is a valuable contribution to the field of management and leadership, shedding light on the factors that can predict and enhance employee performance in the context of Pakistan.

Al-Swidi, Gelaidan, and Saleh (2021) titled "The joint impact of green human resource management, leadership, and organizational culture on employee green behavior and organizational environmental performance" explores the interconnected factors affecting environmentally sustainable behavior within organizations. The study investigates the influence of green human resource management practices, leadership styles, and organizational culture on employees' environmentally conscious behaviors and their impact on organizational environmental performance. It sheds light on the synergy of these elements in fostering a green workplace culture and ultimately enhancing environmental sustainability within organizations. This research contributes valuable insights into the holistic approach required for organizations to promote green behavior and improve their environmental performance.

Ngeles Lopez-Cabarcos, Vazquez-Rodriguez, and Quinoa-Pineiro (2022) titled "An approach to employee performance through work environment variables and leadership behavior" delves into the complex relationship between work environment variables and leadership

behavior in influencing employee performance. The study explores how various factors within the work environment, along with leadership behaviors, impact employees' job performance. By analyzing these interconnected elements, the research aims to provide insights into optimizing work environments and leadership approaches to enhance employee performance. This article is a valuable resource for understanding the multifaceted nature of employee performance and offers guidance on creating conducive work environments and effective leadership strategies for better organizational outcomes.

Buil, Martinez, and Matute (2019) appears to explore the relationship between transformational leadership and employee performance in the context of role identification, engagement, and proactive personality. Transformational leadership is often associated with inspiring and motivating employees to excel in their roles. The study likely delves into how transformational leaders help employees identify their roles within the organization, engage them in meaningful ways, and encourage proactive behavior, all of which contribute to improved employee performance. This research may provide valuable insights into the impact of leadership styles on employee performance and the role of individual traits in this process.

Eliyana, Ma'arif, and Muzakki (2019) explores the relationship between job satisfaction, organizational commitment, transformational leadership, and employee performance. The study likely investigates how job satisfaction and commitment to the organization influence the effectiveness of transformational leadership in enhancing employee performance. This research shed light on the interconnectedness of these factors and their impact on employees' overall performance within an organization.

Research Methodology

The impact of leadership styles on employees' performance can be evaluated using a mixed-methods research approach. This approach would involve both quantitative and qualitative methods to gather comprehensive data and provide a deeper understanding of the phenomenon. In the quantitative research stage, data collection is done to look at relationships and test hypotheses. Data was gathered from the employees of few IT/ITES Companies that practices leadership styles. A structured questionnaire to measure the variables of interest, including leadership styles, and employees performance was prepared. The study used statistical analysis methods like descriptive, multiple regression, and correlation to look at relationships between variables and test the hypotheses. A sample of 186 responses was gathered from few IT/ITES companies working in Hyderabad.

Leadership style on employees' performance:

It is a critical aspect of organizational success. Different leadership styles can have distinct effects on how employees perform and engage in their roles. Research suggests that leadership styles directly influence employees' motivation, productivity, and job satisfaction.

1. Transformational Leadership: This style focuses on inspiring and motivating employees through a shared vision. It tends to result in higher employee

- engagement, increased creativity, and improved overall performance. Transformational leaders often foster a positive and innovative work environment.
2. Transactional Leadership: Transactional leaders use rewards and punishments to manage employees' performance. While it can lead to improved task completion, it may not encourage creativity or long-term motivation.
 3. Laissez-Faire Leadership: This hands-off approach can lead to decreased performance if employees lack clear guidance and support. However, it may benefit highly skilled and self-motivated teams.
 4. Servant Leadership: Servant leaders prioritize the well-being and development of their employees. This style often leads to higher job satisfaction and commitment, resulting in improved performance.
 5. Authoritarian Leadership: An authoritarian leadership style can stifle creativity and innovation but may be effective in situations where quick decisions are needed.

Leadership style significantly influences how employees perform. An effective leader should adapt their style to the specific needs of their team and organizational goals. Transformational and servant leadership styles tend to have more positive impacts on employee performance by fostering motivation, commitment, and a sense of purpose in the workplace. However, the choice of leadership style should be context-dependent, considering the nature of tasks and the characteristics of the team.

Objectives

1. To investigate the impact of different leadership styles on employee performance.(multiple regression)
2. To compare the impact of different leadership styles on employee performance. (ANOVA)
3. To identify underlying factors or dimensions within leadership styles and employee performance metrics. (Factor Analysis)

Hypothesis

1. There is no significant impact of different leadership styles on employee performance.
2. There is no significant comparison in the impact of different leadership styles on employee performance.
3. There is no significant influence of different leadership styles on employee performance.

Data analysis and interpretation

1. Reliability Test

Table 1.1 Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.935	.935	6

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Transformational Leadership	20.33	25.640	.824	.713	.922
Transactional Leadership	20.37	24.104	.855	.740	.917
Laissez-Faire Leadership	20.29	24.826	.821	.715	.922
Servant Leadership	20.29	25.040	.842	.721	.919
Authoritarian Leadership	20.29	25.207	.819	.680	.922
Employee Performance	20.35	26.419	.694	.544	.937

Cronbach's alpha test was evaluated to analyze the reliability of all variables combined and individually. It demonstrates how closely variables are associated as a group of objects. It was regarded as scale dependability metric. As the Cronbach's alpha test value should be more than 0.7, the value in this study from the table 1.1 was 0.935, which was greater than 0.7, indicating a better level of internal consistency in the variables and measurements that were reliable for further research. According to the table 1.2 all the values are above 0.7; the measurements were reliable for further analysis. If the values were below 0.7, this indicates unsatisfactory internal consistency in the items. The variables selected were reliable for the study.

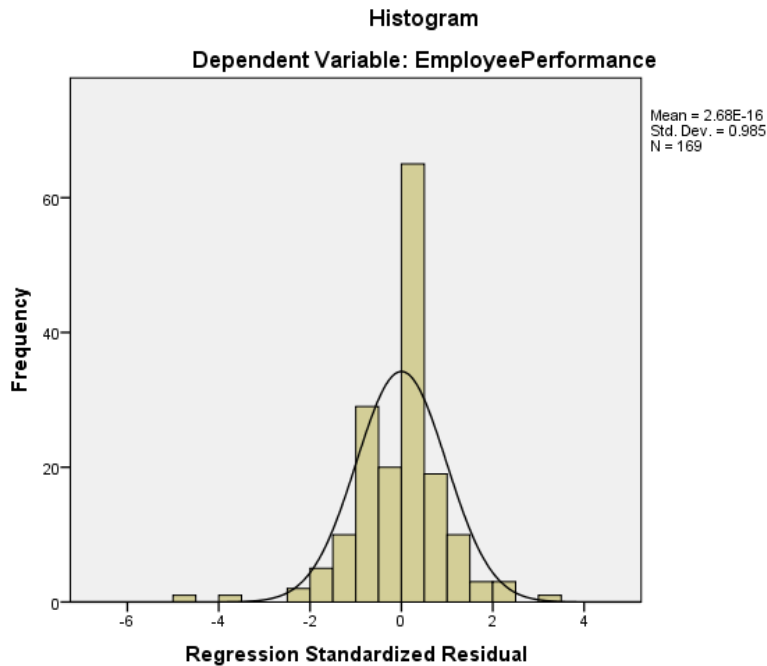
2. . The impact of different leadership styles on employee performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.738 ^a	.544	.531	.780	.544	38.968	5	163	.000	1.822
a. Predictors: (Constant), Authoritarian Leadership, Laissez-Faire Leadership, Servant Leadership, Transformational Leadership, Transactional Leadership										
b. Dependent Variable: Employee Performance										

Model	Sum of Squares	df	Mean Square	F	Sig.
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1	Regression	118.583	5	23.717	38.968	.000 ^b
	Residual	99.204	163	.609		
	Total	217.787	168			
a. Dependent Variable: Employee Performance						
b. Predictors: (Constant), Authoritarian Leadership, Laissez-Faire Leadership, Servant Leadership, Transformational Leadership, Transactional Leadership						

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.950	.250		3.796	.000					
	Transformational Leadership	-.063	.104	-.060	-.605	.546	.564	-.047	-.032	.288	3.474
	Transactional Leadership	.357	.093	.382	3.850	.000	.673	.289	.204	.284	3.523
	Laissez-Faire Leadership	-.099	.095	-.102	1.037	.301	.557	-.081	.055	.287	3.481
	Servant Leadership	.132	.100	.131	1.318	.189	.617	.103	.070	.282	3.552
	Authoritarian Leadership	.433	.087	.432	4.953	.000	.688	.362	.262	.368	2.719
a. Dependent Variable: Employee Performance											



From the table 2.1 the model summary was explained which comprises of “R value”, “R Square value” and “Adjusted R square values”, which were under the required limit. The P value for the regression model from table 2.2 was less than 0.05. This indicates that leadership styles had an important impact on the employee’s performance. The Coefficients from 2.3 represented that all the styles had an effect on employee’s performance. The Output represents that out of all the factors “Authoritarian Leadership” has a greater impact on employee’s performance. This represents that for every one unit increase in Training and Development the employee’s performance increases by 0.433 units. The remaining styles were also having an impact on employee’s performance, but Authoritarian Leadership was having more impact.

3. Comparing the impact of different leadership styles on employee performance.

Table 3.1: Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Transformational Leadership	7.800	4	164	.000
Transactional Leadership	2.283	4	164	.063
Laissez-Faire Leadership	2.614	4	164	.037
Servant Leadership	2.563	4	164	.040
Authoritarian Leadership	7.333	4	164	.000

Table 3.2: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Transformational Leadership	Between Groups	74.033	4	18.508	24.781	.000
	Within Groups	122.488	164	.747		
	Total	196.521	168			
Transactional Leadership	Between Groups	120.577	4	30.144	38.205	.000
	Within Groups	129.399	164	.789		
	Total	249.976	168			
Laissez-Faire Leadership	Between Groups	82.434	4	20.608	22.524	.000
	Within Groups	150.051	164	.915		
	Total	232.485	168			
Servant Leadership	Between Groups	87.135	4	21.784	28.053	.000
	Within Groups	127.350	164	.777		
	Total	214.485	168			
Authoritarian Leadership	Between Groups	107.365	4	26.841	40.340	.000
	Within Groups	109.121	164	.665		
	Total	216.485	168			

ANOVA helps to find out whether there exists any difference among the means. It was used to compare the means of two or more independent comparison groups for a continuous variable. From the table 3.1, Levene test explained the homogeneity of variance. As the values are less than 0.05, this represents that equal variance not assumed. Only Transactional Leadership was having greater value, representing that equal variance assumed. The result is significant. The table 3.2 discusses about ANOVA. The value of "P" at the 5% threshold of significance was 0.000, which was less than 0.05. This represents that there is a significant effect of leadership styles impacting on employee's performance.

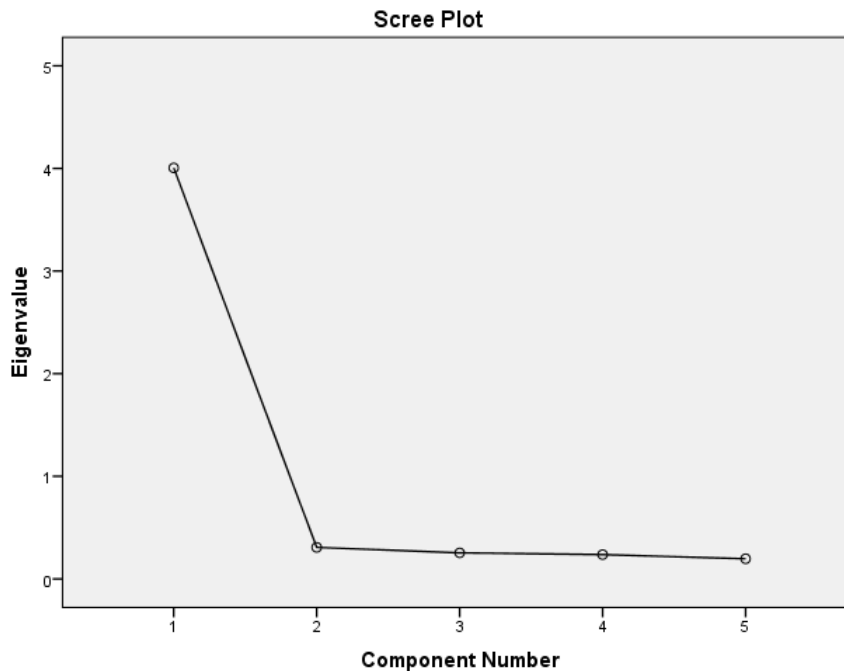
- Identifying the underlying factors or dimensions within leadership styles and employee performance metrics.

Table 4.1: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.908
Bartlett's Test of Sphericity	Approx. Chi-Square	699.958
	df	10
	Sig.	.000

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %

1	4.005	80.102	80.102	4.005	80.102	80.102
2	.307	6.147	86.250			
3	.254	5.086	91.335			
4	.237	4.734	96.069			
5	.197	3.931	100.000			

Extraction Method: Principal Component Analysis.



Factor analysis is a statistical technique used to simplify and uncover underlying patterns or structures within a dataset that involve multiple variables. It is particularly helpful in condensing variables and uncovering clusters of responses, making it a valuable tool in research and data analysis. A Kaiser –Meyer- Olkin (KMO) test is used in Factor Analysis to know the sample adequacy of data. It helps for the researcher to ensure and measure the variables concept intended. It allows knowing that the data is suitable to run the factor analysis. With the above table it is computed that the statistics is greater than 0.7 that is 0.908 which exhibits the suitable fit of the factor analysis table 4.1.

The communalities represent that 0.7 or higher factor loading represents that the factor extracts is sufficient variance from that variable. Here in the analysis table 4.2 the values are greater than 0.7. The above analysis results the factor loading for all the factors using the Principal components method of extraction. The percentage of variability was explained with the help of 5 factors table 5.2. The total components extracted using principal components analysis was specified in 5.2, which represents that first 1 factor account for the most of the total variability in data. The remaining factors account for a small proportion of the variability. The screen plots show the first one factor account for

the most of the total variability in data. The remaining factors account for a very small proportion of the variability.

Findings

1. Cronbach's alpha test was used to test the reliability of the selected variables, which represented that the selected variables were suitable for conducting the study.
2. To analyze the impact of leadership styles on employee's performance multiple regression was used. Out of all the factors "Authoritarian Leadership" has a greater impact on employee's performance.
3. To compare the impact of different leadership styles on employee performance, ANOVA was used; the analysis shows that there is a significant effect of leadership styles impacting on employee's performance.
4. For Identifying the underlying factors or dimensions within leadership styles and employee performance metrics factor analysis was used. The total components extracted using principal components analysis was specified, which represents that first 1 factor account for the most of the total variability in data. The remaining factors account for a small proportion of the variability.

Suggestions

1. **Lead by Example:** Leaders should set the standard by demonstrating the behaviors and work ethic they expect from their teams. This creates a positive role model for employees.
2. **Clear Communication:** Effective communication is key. Leaders should communicate expectations, provide feedback, and keep employees informed about company goals and changes.
3. **Empowerment:** Encourage autonomy and decision-making among employees. Empowered employees tend to be more motivated and take ownership of their work.
4. **Recognition and Feedback:** Regularly acknowledge and reward employees for their achievements. Constructive feedback helps them improve.
5. **Training and Development:** Invest in continuous training and skill development programs. This not only enhances employee capabilities but also shows commitment to their growth.
6. **Team Building:** Foster a collaborative environment where teamwork is encouraged. Team-building activities can strengthen relationships and boost morale.
7. **Work-Life Balance:** Promote work-life balance to prevent burnout. Flexible schedules and remote work options can help employees manage their personal and professional lives.
8. **Emotional Intelligence:** Develop emotional intelligence among leaders. Understanding and empathizing with employees' emotions builds trust and rapport.
9. **Goal Alignment:** Ensure that individual and team goals align with the company's objectives. This keeps everyone focused on shared goals.
10. **Performance Metrics:** Implement clear performance metrics and regular performance reviews. This provides employees with a roadmap for improvement.

11. **Diversity and Inclusion:** Create a diverse and inclusive workplace where all voices are heard and valued. Diverse teams often lead to better innovation and performance.
12. **Conflict Resolution:** Equip leaders with conflict resolution skills to address issues promptly and maintain a harmonious work environment.
13. **Adaptability:** Encourage adaptability in leadership styles to suit different situations and employee needs.
14. **Feedback Loop:** Establish a feedback loop where employees can provide input on leadership and company policies. This promotes a sense of ownership and engagement.

Conclusions

The comprehensive study on the influence of leadership styles on employee performance provides valuable insights into the dynamic relationship between leadership approaches and organizational outcomes. Through a meticulous analysis of various leadership styles, this research underscores the significant impact of leadership on employee performance. It reveals that transformational leadership tends to yield positive results, enhancing productivity and job satisfaction among employees, while laissez-faire leadership shows a negative correlation with performance. Additionally, the study emphasizes the mediating role of employee retention in this relationship, highlighting the importance of effective leadership in fostering retention rates, ultimately contributing to improved performance. These findings offer practical guidance for organizations, advocating the adoption of transformational leadership practices to optimize employee performance and emphasizing the need for strategies aimed at enhancing employee retention. In conclusion, this study advances our understanding of the critical role leadership plays in shaping employee performance, providing valuable insights for organizational success.

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