

An Overview on Leadership Styles for Organizations

Cenk Lacin Arikan*

Abstract

Leadership is undeniably a major factor in today's highly competitive business environment where the organizations thrive to create and sustain competitive edge over their rivals. In order to do that, motivating and leading the human capital within the organizations stand out as important remedies that can cure other shortcomings of an organization and help to build employee involvement that cannot easily be imitated by the competitors. In that regard, contemporary leadership has a significant role whereby it may energize the dormant potential in the organization, offer creative solutions, deal with the problems of turbulent times, and deliver these in such a way that is unique and very difficult to replicate. Thus, modern day management relies more on the human factor of organizations which can only be managed through effective leadership. In today's global business environment, almost all resources, except for the human resources, can be imitated to a certain extent. In other words, leadership style that nurtures and cultivates the human capital of an organization in the right way may be a source of sustainable competitiveness that will be too difficult for the competitors to replicate. This study aims to provide an overview of the major leadership styles that organizations may find useful for their specific needs. By providing such an overview, it is hoped that researchers and practitioners alike benefit from these perspectives and have a chance to shed light on their current problems and future objectives.

Keywords: leadership styles, management, workplace

JEL Classification: M10, M20

Introduction

Leadership studies have been in the focal point of organizational studies for nearly five decades. Many researchers assert that leadership is critical for the success of organizations (Kumar and Kaptan, 2007). Without effective leadership companies struggle to find direction and motivation in their journeys as they go through certain rough paths. Even in times of success, the issues of sustaining such accomplishments become important. In that regard, employees find it difficult to keep their competitiveness without successful leadership (Lussier and Achua, 2007). Motivating and leading members of the organization toward common goals and aligning daily activities with the overall mission and goals are strategic and critical aspects of organizational performance.

* Cenk Lacin Arikan is at the American University of the Middle East, Kuwait. E-mail: cenklacin.arikan@aum.edu.kw

Thus, leaders and their leadership styles appear as significant determinants of the success or failure of organizations (Bass et al., 2003).

Leaders appear in all settings, whether at the project team, department or company level. They naturally emerge based on the conditions and the needs. Leaders can also have official standing in the hierarchy of the organization. Here, it is worth mentioning the difference between managers and leaders. Managers may not necessarily possess the attributes of a leader and leaders do not necessarily have to be managers. In other words, there may be real life instances where the formal managers do not act as leaders (Bargau, 2015). Thus, it can be said that the hierarchy of an organization is definitely a factor to consider in leadership studies. However, leadership is a concept that may go beyond formal hierarchical positions displayed in an organization.

Leaders possess different attributes and they adopt different styles when they motivate and lead their subordinates (Chiang and Wang, 2012). Some leaders are more people oriented and some leaders are more process oriented, and yet some are only output or results oriented. Leaders' personal characteristics, the values of the organization, and the specific task at hand may be among the determining factors shaping the leadership style (Alkahtani, 2016). Therefore, leadership style is successful only if there is a good match between the leader and the organizational setting. In other words, somebody can be a great leader in a certain situation in a specific period of time. However, the same leader may not perform nearly as well in other settings where the organization, its values, the employees, or the tasks differ. We see this in organizational life very frequently where a successful business leader cannot always show the same performance when the situations change. For example, when a leader is transferred to another firm, even in the same industry, sometimes the performance levels fluctuate greatly despite increased amount of experience.

Robbins (2009) claims that leadership styles have multiple effects. Leaders, through the way of their execution, may actually influence the formulation of organizational strategy. They may also have significant input in the implementation stage of the strategy. Arikan and Enginoglu (2016) assert that "the boards, executives, and top management teams naturally play significant roles in determining the strategic direction and how the strategy gets translated into everyday execution" (p.1). But not only that, leaders-through their leading styles- affect their subordinates' commitment and contribution. In other words, effective leaders have the potential to bring out the better in their employees. Enginoglu and Arikan (2016) argue that "only very powerful individual characteristics within the firm possess traits that affect other people" (p.21). This is especially important in today's business environments where leaders can make a difference by tapping into the soft skills of their employees like creativity and exceptional customer relationships. Such potential can be a source of differentiating value in the mind of the customers if utilized effectively.

In an attempt to understand different leadership styles and create a more thorough perspective of the construct, this paper highlights the major approaches and hopes to bring a comprehensive compilation of significant studies. Several implications for managers and researchers are derived and implied in order to open a gateway into more fruitful discussion and to inspire further studies.

Different Styles of Leaders

Like many other concepts and constructs in organizational studies, leadership lacks a unified definition. One of the major reasons for this is the great extent leadership reaches. Leaders can be found in formal as well as informal groups. Leaders also can evolve in time and may change their attributes, depending on personal growth and situational characteristics. Moreover, the same leader may act as a subordinate or a subordinate may act as a leader depending on the situation. Therefore the contingent nature of leadership should be taken into account in all leadership related issues.

A commonly accepted definition by Robbins and Coulter (2009) emphasizes three aspects of leadership: 1) leadership is a process, 2) leadership affects people, and 3) leadership facilitates attaining organizational goals. Their approach is noteworthy because it explains so much in a concise manner. Being a process implies its dynamic and evolving nature because it entails steps whereby the subordinates accept the leader's role whether he/she is a formal or informal leader. Also, because it is a process, the relationship between the leader and the followers may change into a different one as time goes on. The followers may become very committed to their leader or they may lose their faith and start to experience loosening of the relationship. Secondly, leaders are the ones that influence people. In other words, they are the kind of people that can make you do things you would not normally be doing. Leaders have the ability to appeal to people's feelings and they can change the subordinates' behavior. Therefore leaders are effective. Thirdly, leaders engage people by motivating and leading them into achieving organizational goals. Thus, they help subordinates and energize them into getting the results and reaching accomplishments.

Northouse (2015) asserts that leadership styles include three major components. Firstly, they give direction to employees. Secondly, they enable the execution of determined plans. Thirdly, they help motivate people and keep them committed to the organizational goals. In this regard, leaders are enablers that affect their subordinates and they do this with a vision in mind. Based on these, we can say that the same group of employees in the same company with the same goals may very well achieve quite different results under different leadership styles. On the other hand, according to Daft (2014) leadership is a two way relationship where both the leader and the followers affect each other and evolve over time. Obviously, this is a more dynamic way of approaching leadership.

Leadership can affect the performance both directly and indirectly in an organization (Manzoor et al., 2019). Furthermore, obedience to authority by the employees may result even in certain unethical behaviors that may jeopardize the people, organization, and even the society as a whole to some extent (Zhilla et al., 2018). Thus, leadership style is critical in an organization's life. Because leadership has direct impact on the human capital and consequently on the corporate culture of an organization, it can be a major source of inimitable success or competence (Arikan, 2019). The major leadership styles that have been cited by academicians in the literature over the years seem to focus on three categories: 1) Transactional, 2) Transformational, and 3) Laissez-faire leadership styles.

Transactional Leadership Style

Transactional leadership can be traced back to Burns (1978). Burns (1978) claims that this kind of leadership in essence is an exchange. When the leader and followers agree on an exchange of certain outcomes such as monetary or even emotional results, then there is a mutual relationship between the two parties. Ivey and Kline (2010) assert that when the requirements are met, then both sides exchange value they previously agreed on. However, it is limited to what the “transaction” is. In other words, it does not involve deeper levels of commitment or contribution. In a sense, the transaction limits the involvement of the subordinates within the realm of the exchange. Both parties know what the transaction is and they keep each other liable for that. Erhart and Nauman (2004) argue that in transactional leadership, followers have very limited likelihood to go beyond the prescribed relationship.

It can be said that in transactional leadership basic expectations and rewards are exchanged for the relationship to continue (Bass, 1985). So, when a clearly defined task has been completed by the follower, a reward of some value is to be presented by the leader to that follower. This can be of economic or psychological nature. In the same scenario, when the follower fails to perform a clearly defined task, then a punishment or the lack of that certain reward is in use. In both cases, transaction is completed as expected. In other words, there is almost no room for uncertainty and both sides know what will happen in the form of a reward or punishment.

It can be said that this kind of a leadership style is very effective when things are simple, well defined and not changing much in nature over time. It is an efficient way to communicate the desired goals and values to followers. Furthermore, Northouse (2007) argues that developing a follower is of no concern for the transactional leaders who prioritize the achievement of the desired goals and objectives. In transactional leadership, goals and objectives need to be clarified as much as possible. Actually, this is beneficial for the transactional leader as well since he/she is in a way binding himself/herself for the possible future outcomes. It only helps to clarify the goals and objectives so that the followers’ efforts are not wasted in vain and the leader’s kept promises earn the leader a good name for the future. However, needless to say, the focus in transactional leadership is to attain the short term goals. Therefore, there is very minimal if any concern regarding developing the employees. In transactional leadership employee development would be considered mostly as a cost item.

Politis (2002) emphasizes the importance of role clarification and the specificity of the tasks for the followers under transactional leadership. Once again, this is to maintain the efficiency of the transactional leadership style. In this way, there is no room for ambiguity and all efforts can be concerted to achieve such clear objectives. Of course, in transactional leadership leaders are expected to provide clear feedback as to the progress of the task at hand but yet again this is to ensure the achievement of the goals as much as possible. Aarons (2006) argues that there are many appropriate uses for transactional leadership and these situations may be categorized as highly standardized processes.

Appreciation would also be a value of exchange as long as it is an outcome of a transaction under transactional leadership. But apparently, pay and other forms of quantifiable rewards are the more popular values under exchange in the transactional

leadership style. Yahaya and Ebrahim (2016) claim that such exchanges are completed between the leader and the followers because of the inherent value promised and not because of any devotion to work or the organization.

According to Bass and Avolio (2004) the components of transactional leadership are threefold: 1) Contingent Reward, 2) Active Management by Exception, and 3) Passive Management by Exception. Contingent reward means that after clear goals have been set and both sides know about them, the performance of the followers take place. In the event of goal achievement, the promised values whether in monetary or other forms are delivered to the followers as an exchange. If the goals are not met, then under contingent reward a punishment or a criticism of some sort may happen. Active management by exception means that the leader takes an active role in monitoring the tasks while the subordinates are performing their assigned duties. For example, if the task is preparing a report and the leader intervenes in order to correct certain mistakes or to enforce certain rules while report preparation is still in progress, then this would be active management by exception under transactional leadership. Gill (2006) claims that in passive management by exception, leaders wait for the outcome and then intervene. In passive management by exception, leaders do not interfere during the process. So, as an example if the leader interferes only after the report has been prepared, then this would be passive management by exception.

Transformational Leadership Style

Transformational leadership is a far more recent approach. Judge and Piccolo (2004) argue that especially in the past two decades, transformational leadership theory has been the most influential among other leadership theories. Transformational leadership style concentrates on the personal development of the followers based on their unique needs. Appreciation is an important part of the leader-follower relationship in transformational leadership style (Stone et al., (2004). Therefore, in transformational leadership style, the leader invests in the followers by trying to understand them and discovering their true individual needs. The leader, then, acts as a mentor or a coach where the main goal is to enable the advancement of the follower to his/her true potential. Yulk (2010) asserts that because of this nature of the relationship, in transformational leadership leaders are perceived to be more trustworthy, respectful, and admirable in the eyes of the followers.

Limsila and Ogunlana (2008) emphasize that in transformational leadership style problem solving, initiative taking, and creativity are much more used by the employees. In transformational leadership style, the organizational and task related boundaries are less strict where the subordinates have more room for growth and flexibility. Thus tolerance for failure is inherently higher in transformational leadership than in transactional leadership. The leader tries to assist the followers in their journey to grow and become more capable. In this regard, the leader's role also is different. The leader has a more guiding and enabling role where he/she tries to facilitate the followers' development so the followers will become more confident, competent and committed to the organization and organizational goals.

Collective gains are emphasized rather than personal gains under transformational leadership style (Lussier and Achua, 2007). In transformational leadership style the leader

sees him or herself as someone who inspires the followers. In this way, the leader also has more room to grow and advance. The tasks that require a lot of complexity and demand high creativity more often than none need to be conducted by highly skillful and competent workforce. In order to motivate and lead them, transformational leadership style seems to be more applicable.

According to Bass and Avolio (2004), there are four major components of transformational leadership style: 1) Idealized Influence, 2) Inspirational Motivation, 3) Intellectual Stimulation, and 4) Individualized Consideration. Idealized influence means that the leader is a natural role model where he/she shows great capability on his/her own and deserves the admiration of the employees. Under idealized influence the followers want to become like their leader and strive to do so. Thus, the leader shows the way by being the example and with the charisma he/she possesses can influence and persuade the followers to become a better version of themselves. Inspirational motivation means that the leader inspires and motivates the followers by raising their spirits and creating commitment and loyalty. Intellectual stimulation allows followers to be able to question the status quo and be innovative in thinking. Here, the leader stimulates group decision making (Hoyt, et al., 2006). Followers are encouraged to think outside the box and speak their minds without being afraid of punishment or criticism. By intellectually stimulating the followers, the leader facilitates problem solving and initiative taking. Individualized consideration means that the leader does not treat every follower the same way, quite the contrary, goes the extra mile to mentor each one of the followers taking into account their individual level of development and needs. Appreciation and delegation are also conducted on individual basis. In essence, all the four components of transformational leadership style are utilized in order to transform the promising employees into prospective leaders of the future. Therefore we can say that transformational leadership style considers the leader-follower relationship as a very viable investment in terms of human capital and willingly invests in their employees because it does not regard this as a cost item.

Laissez-Faire Leadership Style

Laissez-Faire literally means “let them do” in French language. In this regard, laissez-faire leadership style refers to non-interference leading mode where the leader has minimum regulatory duties if any. In other words, in laissez-faire leadership style we may talk about no-leader-presence (Lewin, Lippitt, and White, 1939). Goodnight (2011) argues that in this leadership style decision making is left totally to subordinates where they assume the authority and the responsibility. The employees make their own action plans as to how they want to go about achieving organizational goals. Obviously, even in today’s contemporary business environments, laissez-faire leadership style is not suited for every employee or even every company.

Theory X type managers would be natural opponents of this type of leadership because they would argue that the employees would be too lazy and not responsible enough to fulfill their duties. On the other hand, Theory Y might be more supportive and prone to this leadership style because naturally they believe that employees will strive to do the best for the company if they are left alone without the monitoring of supervisors.

Still, it is apparent that laissez-faire leadership style is the most extreme case where autonomy is fully delegated to subordinates. Still, there are some good examples in today's world where a certain version of laissez-faire style is applied and it successfully achieves the end goals both in financial performance aspect and in employee satisfaction, organizational commitment, and low turnover aspects. W.L. Gore Incorporated and Semco are just two of the most well-known examples of successful implementation of "participative management" where the employees hire the managers, everyone has access to all meetings and information, goals and objectives are set and managed by the employees themselves, etc. Successful companies that apply participative management seem to be the real laissez-faire styles of modern economy. Needless to say, most companies under laissez-faire leadership style will not go that far and constitute a somewhat diluted version of such extreme examples.

Bhatti et al., (2012) emphasize that in laissez-faire leadership style there is no one explicit way of achieving the common objectives. Even though this may sound very chaotic at first glance, it nevertheless opens gateways into new horizons. Employees are not bound by the "norms" nor are they compared against set "thresholds". In this regard, laissez-faire style seems to really deserve its name. In laissez-faire leadership style top management makes a bold commitment whereby they decide to trust the people and their potential at their maximum. This allows creativity and out of the box thinking which would totally be out of question if the leadership was any other way. This might be the reason why usually jobs in these types of organizations are heavily sought after. However, not everyone is suited for these companies or jobs. If, as an employee, you are hesitant to take responsibility or cannot deal well with uncertainty, then these kinds of organizations may be too challenging for you. Below is a summary comparison table depicting the differences between the three major leadership styles.

Table 1: Comparison of Major Leadership Styles

	When to use	How to use	Who is best suited
Transactional Leadership Style	*Simple tasks *Realistic expectations *Specific aims and goals	*Very clear goals *Well defined rewards and punishment that the followers value	*Leaders who are short term goal oriented *Followers who want very definite results
Transformational Leadership Style	*Complicated tasks *Undefined outcomes and unlimited results	*Appreciation *Empowerment *Tolerating mistakes	*Highly capable workforce *People who are learning oriented
Laissez-Faire Leadership Style	*Need for high creativity *If the workforce is capable of handling high uncertainty	*Let employees determine the goals *Mutual trust *Autonomy	*Teams or companies capable of self-managing *Top management fully supporting this philosophy

Conclusion

Leaders motivate their subordinates and lead them into achieving organizational goals. There are different ways of leading. Literature shows us that there are basically three major categories of approaches to leadership styles; transactional, transformational, and laissez-faire. There is no one best way to lead a group. There are a multitude of factors that come into play when we consider the leadership styles. Personal affinities may be one of them. As a leader you might be more prone to a certain style, in other

words, your personality traits may be close to a specific leadership style. Your organization's expectations may be another factor. Your subordinates' levels of skills and capabilities may also be critical factors in determining the most appropriate leadership style. All in all, leadership style is only going to be effective if there is a good match or correlation between the leader and the followers.

When an organization is considering different candidates for a leadership position, all the aforementioned factors ought to be taken into account, but at the end of the day, the quality of the fit between the leader and the followers will be decisive. For example, a very capable transformational leader will undeniably have a very difficult time managing a group of employees who require very clear step by step instructions and cannot handle any uncertainties. For such a workforce, a transactional leader would be much more effective. But, yet again, that same successful transactional leader will not be able to exert much impact among a group of employees who are highly capable, skillful, and very much learning oriented. In this case, a transformational leader who goes the extra mile to mentor or coach those employees will be much more suitable. Only a truly transformational leader will be able to appreciate the extra commitment such a workforce can bring. By empowering the subordinates and tolerating their mistakes, a transformational leader can turn those employees into possible leaders of the future for the organization.

Leadership can occur without the strict boundaries of formal hierarchy. Thus, informal leaders in the organization may emerge naturally as team leaders or project leaders. If top management is aware of leadership styles, then this knowledge may well be used to spot such leaders. The organization can invest in these leaders and benefit from them in the appropriate areas. A common trap most organizations fall into is to expect the same from everyone. As a department chief you may be a very potent leader, but on the other hand, you may not be so fit for a project team leadership position per se. It is up to management to decide on the potential of the leaders and to make a better fit with them and the subordinates.

Practitioners of all levels may benefit from the study by examining themselves and their employees more critically. They may prefer to receive more in-depth feedback from each other to have a more thorough understanding of each other's expectations. A mismatch between the leaders and the subordinates do not necessarily mean they are incompetent. A better match with the appropriate leader may bring out more potential of the same group of employees. Also, as emphasized particularly in the laissez-faire leadership style, sometimes the leadership style allows the employees to self-manage without the need of a leader altogether. Of course, not all organizations are suitable for this, but it shows us that some groups actually require a totally different view of leadership. Researchers may also benefit from the analysis by considering more longitudinal studies which seem to be a rarity in the area of leadership. Longitudinal studies that keep following a certain group of individuals may highlight how leadership styles over time may be needed in different settings for an organization. Thus, the current study may provide some perspective and ideas to nourish the discussion regarding different leadership styles. Finally, future research on how these leadership styles may affect organizational commitment at different levels may provide researchers and practitioners alike with more enhanced understanding of the constructs.

References

1. Aarons, G.A., (2006), *Transformational and transactional leadership: Association with attitudes toward evidence-based practice*. Psychiatric Services, 57(8), 1162-1169.
2. Alkahtani, A.H., (2016), *The influence of leadership styles on organizational commitment: The moderating effect of emotional intelligence*. Business and Management Studies, 2(1), 23-34.
3. Arikan, C.L., (2019), *The role of organizational culture in creating sustainable competitiveness*. Conference Proceedings of the International Journal of Arts & Sciences, 12(1), 45-50.
4. Arikan, C.L. and Enginoglu, D., (2016), *A contemporary approach to strategic leadership*. International Journal of Information Technology and Business Management, 47(1), 1-6.
5. Bargau, M.A., (2015), *Leadership versus management*. Romanian Economic and Business Review, 10(2), 181-188.
6. Bass, B.M., (1985), *Leadership and Performance Beyond Expectations*. The Free Press, New York, NY.
7. Bass, B.M., Avolio, B.J., Jung, D.I., and Benson, Y., (2003), *Predicting unit performance by assessing transformational and transactional leadership*. Journal of Applied Psychology, 88(2), 207-218.
8. Bass, B.M. and Avolio, B.J., (2004), *Multifactor Leadership Questionnaire: Manual and Sample set*. 3rd edition., Mind Garden, Redwood City, CA.
9. Bhatti, N., Maitlo, G.M., Shaikh, N., Hashmi, M.A., and Shaikh, F.M., (2012), *The impact of autocratic and democratic leadership style on job satisfaction*. International Business Research, 5, 192-201.
10. Burns, J.M., (1978), *Leadership*. Harper & Row, New York, NY.
11. Chiang, C.F., and Wang, Y.Y., (2012), *The effects of transactional leadership and transformational leadership on organizational commitment in hotels: The mediating effect of trust*. Journal of Hotel and Business Management, 1(1), doi:10.4172/2169-0286.1000103
12. Daft, R.L., (2014), *The Leadership Experience*. Boston: Cengage.
13. Enginoglu, D. and Arikan, C.L., (2016), *Creating a corporate entrepreneurship strategy for competitive advantage*. International Review of Economics and Management, 4(1), 14-28.
14. Erhart, M.G. and Nauman, S.E., (2004), *Organizational citizenship behavior in work groups: A group norms approach*. Journal of Applied Psychology, 89(6), 960-974.
15. Gill, R., (2006), *Theory and Practice of Leadership*. Sage Publications, London.
16. Goodnight, R., (2011), *Laissez-faire leadership*. In G.R. Goethals, G.J. Sorenson, and J. MacGregor Burns (Eds.), *Encyclopedia of leadership*. London, England: Sage.
17. Hoyt, C.L., Goethals, G.R., and Riggio, R.E., (2006), "Leader-follower relations: Group dynamics and the role of leadership", in Goethals, G.R. and Sorenson, G.L.J. (Eds), *The Quest for a General Theory of Leadership*. Edward Elgar Publishing Inc., Cheltenham, 96-122.
18. Ivey, G.W. and Kline, T.J.B., (2010), *Transformational and active transactional leadership in the Canadian military*. Leadership & Organization Development Journal, 31(3), 246-262.

19. Judge, T.A. and Piccolo, R.F., (2004), *Transformational and transactional leadership: A Meta-analytic test of their relative validity*. Journal of Applied Psychology, 89(1), 755-768.
20. Kumar, C.R. and Kaptan, S.S., (2007), *The Leadership in Management: Understanding Leadership Wisdom*. APH Publishing, New Delhi.
21. Lewin, K., Lippitt, R., and White, R.K., (1939), *Patters of aggressive behavior in experimentally created "Social Climates."* The Journal of Social Psychology, 10, 269-299.
22. Limsila, K. and Ogunlana, S.O., (2008), *Performance and leadership outcome correlates of leadership styles and subordinate commitment*. Engineering, Construction and Architectural Management, 15(2), 164-184.
23. Lussier, R.N. and Achua, C.F., (2007), *Effective Leadership*. 3rd edition, Thomson South-Western, OH.
24. Manzoor, F., Wei, L., Nurunnabi, M., Subhan, Q.A., Shah, S.I.A., and Fallatah, S., (2019), *The impact of transformational leadership on job performance and CSR as Mediator in SMEs*. Sustainability, 11(2), 436-449.
25. Northouse, P.G., (2007), *Leadership Theory and Practice*. 4th edition, Sage Publications, Thousand Oaks, CA.
26. Northouse, P.G., (2015), *Leadership: Theory and Practice*. Sage Publications, Thousand Oaks, CA.
27. Politis, J.D., (2002), *Transformational and transactional leadership enabling (disabling) knowledge acquisition of self-managed teams: The consequences for performance*. Leadership & Organization Development Journal, 23(4), 186-197.
28. Robbins, S.P., (2009), *Organizational Behavior*. New Jersey, NJ: Prentice Hall.
29. Robbins, S.P. and Coulter, M., (2009), *Management*, 10th edition, Pearson Education, Inc.
30. Stone, A.G., Russell, R.F., and Patterson, K., (2004), *Transformational versus servant leadership: A difference in leader focus*. Leadership & Organization Development Journal, 25(4), 349-361.
31. Yahaya, R. and Ebrahim, F., (2016), *Leadership styles and organizational commitment: Literature review*. Journal of Management Development, 35(2), 190-216.
32. Yulk, G.A., (2010), *Leadership in Organizations*. 7th edition, Prentice Hall, Upper Saddle River, NJ.
33. Zhilla, F., Abou Daher, L., Arikan, C.L., and El-Khoury, M., (2018), *Conceptualizing the determinants of ethical decision making in business organizations*. Problems and Perspectives in Management, 16(4), 30-41.