Interplay of Leadership Styles, Employees’ Performance and Organizational Life Cycle

Mujahid Hussain
Assistant Professor, FAST School of Management, National University of Computer & Emerging Sciences, Lahore, Punjab, Pakistan.
Assistant Professor, Humanities and social science department. University of Engineering and Technology, Lahore, Punjab, Pakistan.
Assistant Professor, Institute of Business & Management, University of Engineering and Technology, Lahore, Punjab, Pakistan.
Email: drkanwaligbalkhan@gmail.com

Amna Niazi
University of Engineering and Technology, Lahore, Punjab, Pakistan.

Kanwal Iqbal Khan
Email: drkanwaligbalkhan@gmail.com

Abstract
The study investigates the moderation role of Organizational Life Cycle (OLC) stages on the relationship between leadership styles and employees’ performance. The study remained restricted to four basic leadership styles, namely authoritarian, democratic, transformational and transactional styles. The findings of the study are (1) OLC stages have no significant impact on the relationship between transformational style and performance employees and on the relationship between transactional style and performance of employees (2) OLC stages have a significant impact on the relationship between authoritative styles and performance employees and on the relationship between democratic leadership styles and performance of employees. Findings can be used in the hiring of new leadership by organizations and in the deciding priorities of leadership development as per the stages of OLC. It is expected that the findings of the study are generalizable due to the size of the sample and the extensiveness of the study.

Key Words
Authoritative, Democratic, Transformational, Transactional

Introduction
Leadership plays a very important role in the success of any organizations (Bennis, 2007). A few decades back, business gurus pointed out the role of leaders as the main factor responsible for the success of organizations (Bass, 1985). Effective leaders may increase the growth of businesses and help in attaining of planned objectives (Bass, 1985; Gordon & Yukl, 2004). Studies have also shown that performance indicators like market share, sales, productivity, profit margin or the cost per unit of output increase due to effective leadership (McGrath & MacMillan). In addition to positively enhance various performance aspects, effective leaders may also enhance attitudes, beliefs and perceptions of employees (Yukl, Gordon & Taber 2002). Impact of leadership is also apparent in the case of ineffective leaders for negative influence on followers’ attitudes and performance. The latest study showed that ineffective flaws among leaders led to undesirable facets of employees’ responses such as strikes, absenteeism and deliberate destruction of amenities (Amabile, Schatzel, Moneta, & Kramer, 2004; Yukl, 2010). So, if the effective leaders play a positive role to enhance organizational performance and help to attain the set objectives, ineffective leaders may have a negative impact on employees’ attitudes and their performance.

What do we really mean by effective or ineffective leadership? As stated by Gardner (1993), "Leadership is how individuals are persuaded to achieve goals set by their leader." According to this definition, effective leadership will lead to positive inducement and vice versa. Taking this argument further, leadership style is how this process is carried out. This means a leadership style may facilitate the attainment of set goals and enhance organizational/employees’ performance in case of positive inducement and may produce a negative effect on attitudes and performance of employees in case of negative inducement.

Extensive research has been carried out during the past few decades to study the effects of leadership styles which lead to the evolution of leadership styles through several theoretical paradigms. The present research is considering four major styles of leadership that are most frequently practised and discussed in leadership literature, namely, Authoritative, Democratic, Transformational and Transactional styles of leadership. This selection of leadership styles is according to the lead given in the recent paper, which suggested a new typology of leadership effectiveness (Hussain, et al, 2016). As posited by Hussain et al, (2016), many leadership styles discussed in relevant literature are greatly overlapping. The study suggests that we may restrict the list of leadership styles to only four basic leadership styles that may replace all the significant leadership styles mentioned in the literature. The leadership styles model suggested by Hussain, et al, (2016) showing the four basic styles is given below.
Mujahid Hussain, Amna Niazi and Kanwal Iqbal Khan

<table>
<thead>
<tr>
<th>Authoritative-Integrated Style</th>
<th>Transformational-Integrated Style</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Pacesetting-Integrated Style</th>
<th>Democratic-Integrated Style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacesetting, Directing.</td>
<td>Selling, Democratic, Team Oriented, Participative, Consultative and LMX styles.</td>
</tr>
</tbody>
</table>

Figure 1: TAPD Leadership Styles Model

In the case of this study, the only exception to this model is the transactional style which is more commonly practised and discussed style as compared to pacesetting style. Hussain, et al, (2016) also studied the impact of the four basic styles upon employees’ performance, but they did not consider the situational variables. We feel that the research should be taken a step forward and study situational variables of the newly developed model. Various leadership approaches describe the situation in different terms. This study takes into consideration the stages of OLC to describe the situational dimension of leadership effectiveness.

Objective

To investigate the moderation role of stages of OLC on the relationship between four basic styles of leadership (democratic, transformational, transactional and authoritative styles) and employees’ performance.

Hypotheses

1) H-1: Stages of OLC moderate the relationship between transformational leadership style and the employees’ performance.
2) H-2: Stages of OLC moderate the relationship between authoritative leadership style and the employees’ performance.
3) H-3: Stages of OLC moderate the relationship between democratic leadership style and the employees’ performance.
4) H-4: Stages of OLC moderate the relationship between transactional leadership style and the employees’ performance.

This study will help the businesses leaders to efficiently manage their teams and induce them positively keeping in mind stages of OLC. This study was restricted to the special context of the automobile industry of Lahore, Pakistan, but it is expected to help other local sectors in managing their employees. It may also help multinational companies working in the Pakistani market and understand their situation with reference to OLC stages and employ the leaders with leadership style most suited in that particular stage of OLC. The findings of our study may provide guidelines to handle the employees in organizations according to their OLC stage and may not waste resources on irrelevant leaders training programmes.

Literature Review

The Great Man Theory, being one of the oldest theories, on leadership, pointed out that great leaders are born not made (Stogdill, 1974). This theory evolved into Trait Theory during 1920s and 1930s after First World War when the so-called mainstream leaders (born leaders) were killed creating space for others to assume the positions of leadership who also displayed effective leadership performance. Like Great Man Theory, the Trait Theory says that leaders inherit traits that make them leaders of the teams (Stogdill, 1948). Trait Theory discusses those personality traits which are generally found within the leaders (Mann, 1959; Stogdill, 1948). The question arises when researchers cannot explain about the leaders who possess these qualities but still, they do not prove to be effective? Therefore, situational theories of leadership were suggested to solve this problem (House, 1996). Situational theories speak of environments that affect the performance of leaders. These theories claim that a leader cannot be successful in all situations. Many of other environmental variables impact the leadership outcomes; such as task structure, position power, leader-team relations and state of employees’ development etc (House, 1996). The situational theories also suggest a good match between the style of a leader and the situation (Gardner et al., 2010). If a given contingency one leadership style is effective, then another different leadership style may prove to be more suitable.
A number of other theories like transformational theory, servant leadership, leader-member-exchange theory etc developed during the twentieth century have balkanized the research on leadership into numerous directions, finding out many leadership styles to be followed by leaders without elucidating their exclusiveness. Too many styles of leadership found in the relevant literature confuse the business leaders to make a choice about which style to adopt and which style not to adopt. This problem is fixed by Hussain et al, (2016) who integrated similar leadership styles into four integrated leadership styles. Taking the lead from the same study, we have decided to focus on only four leadership styles which are basic and most commonly practised styles in the business environments and frequently discussed in the leadership literature. This study is a step forward to investigate the moderation role of the situation on the relationship between four basic styles of leadership and employees’ performance. The situation is described in terms of stages of OLC in this study.

**Stages of OLC**

Just like living organisms, all organizations have a lifecycle and pass through very repetitive and predictable behaviour during their lifecycle. The only difference between the lifecycles of organizations and the living organism is that the living organisms inevitably die while the organizations may not necessarily die. While progressing through stages of the lifecycle, the organizations face changing threats and opportunities. It all depends upon the way the business leaders handle these changing situations which will enable the organizations to transition to the new stage of the OLC in a successful manner avoiding any chance of failure. The same leadership style that was proving successful in one stage may prove otherwise in the next stage. This will necessitate major changes in the way the organizations were being led. The leaders who cannot move with the changing demands of the new stages can ditch the organizations leading to early ageing. The stages of OLC of an organization are determined by the interrelationship between control and flexibility.

The Researcher used the stages of OLC Model developed by Adizes to describe the situational dimension of leadership effectiveness and used these stages as moderating variables in the relationship between leadership styles and performance of employees. Adizes is an organization that specializes in helping the top leadership of an organization to lead their organization through OLC stages transition. The OLC model of Adizes’ is a ten-stage model which explains the life of an organization in a simple and elegant way from beginning to the end, as shown in the figure below:

![Figure 2: Stages of Adizes OLC Model](image-url)
may die at this stage of OLC. However, if the founders succeed in driving through this stage, the organization will move into the Infancy stage, which involves too many activities. Sitting back and thinking of ideas and the new vision is over and the leaders get into the efforts to arrange for the necessary resources (capital) to survive through this cash-intensive stage. The functioning of an organization can hardly be structured because the activities are managed on a day to day basis during this stage.

During this stage, characterized by fast changes, it will not be possible to exercise much of control and regularize the behaviours. The delegation will be poor and difficult in the Infancy stage of OLC. The founder will be taking on doing almost every duty himself, or go for delegation haphazardly. The organizations will have to eye on long term benefits sacrificing initial marginal profits. The leadership will be required to provide much-needed support for the members who will be under tremendous pressure of extensive activities. If the leadership fails to provide support and necessary resources are not provided, the organization may end up into Infant Mortality. The hard work of the founders will enable the organization to gain scope and some flow of income. The organization may begin to self-sustain, requiring no support or protection from other sources. The founding members may try to relax a bit, supervising the team to function at its own, and the organization may be finding more and more opportunities for more work in the market.

The next stage is Go-Go, where organization behaves like toddlers, who are growing quickly, trying everything they find, while gaining new experience and skills every moment. The workload will become difficult to be managed by the founders, who will now be unable to lead the organization as individuals. This is the stage where the transition to the next stage will be much challenging. The founder will have to delegate most of the decision-making powers to others in the organization because there is a requirement for the organization to grow bigger than what can be directly controlled by the founding group. The organizations now move to Adolescence stage, and they attain some sort of maturity after this. The leadership now need to take stock of the internal situation and after due deliberation and analysis start to organize their formal structure. The existing personalized handling must now develop formal procedures, cutting wastes and increasing profit. Properly educated professionals with suitable experience may now be hired to lead the organization. This may lead to some conflict with the founding team. Newly hired management will consider their job as nothing but a job, and will not give importance to customs and all of the relationships that were existing among the founding team. The founding team may even try to oust the technocratic-seeming new management.

Similarly, the new professional managers may also try to oust the founding team for their unschooled intuitive and ad hoc way of managing the organization. If these groups do not come to terms with each other, the result may be disastrous for the organization. Next is the Prime stage, now organizations start adapting to change and follow a set pattern to produce results as per the forecast. The Prime stage is reached when the differences of adolescence are overcome, and the opposing groups start to cooperate by showing some flexibility and remain within their limits. At the Stable stage, an organization will be doing well by all metrics with a convincing history of successes in the past. The founders may like to take credit that they have discovered the recipe, which resulted in the success of the organization, and they push to simply keep applying those formulae instead of responding to evolving customer needs. These organizations have grown in size, and they become slower in adapting to change. They have stepped across the distinguishing line between maturing and ageing. They are now on the decline. If organizations at a stable stage continue to remain unconcerned about the changing world, they will move further into Aristocracies.

Organizations have no new ventures planned and ready for utilization of this cash. Aristocratic organizations may often buy Go-Go companies to regain the lost enthusiasm. The blame game becomes a routine matter. Clients are ignored and considered as problematic irritants that distract the management from the “very” vital duty of organizational politics. The management now has to do nothing new except for formal duties only. This excessive and centralized command and control and strict discipline are considered a solution to the problem of Early Bureaucracy. The interconnected organizational environment is flounced, leaving behind a set of rules and criticisms in its place. The management at all levels may come and go as a routine matter. The organizations develop inertia and will resist any change from their present situation. Managerial exercise for eradicating weaknesses and indecision gradually lead to laying down minor descriptions of every position, without giving importance to serving the customer needs. The returns this organization is now giving do not match its huge and unwieldy mass.

The bureaucracies will become permanently dependent on outside support in terms of subsidies and loans. In order to survive these organizations, resort to downsizing on urgent basis and shift their focus to customers’ needs turning into a useful and result-oriented organization. If they do not take revolutionary steps for improvement, they will end up into Death once their outside support is removed. Organizational Death is a sudden happening. The commitment level of everyone in the organization, including management, employees, customers and even its political supporters drops to the lowest ebb and become disappointed about the future of the organization. The final stage, Death is regarded as by display of learned helplessness, and it becomes long drawn only because people
do not want the job elimination. The survival of a non-productive organization based on the artificial life support from outside the organization becomes extremely expensive, and death of the organization becomes inevitable.

The stages of OLC in our study were assessed by feeding required responses to the questions appearing at a website developed by Adizes and the OLC stage appearing in the result provided by the said site was used in the analysis (Adizes, 2004).

**Employees’ Performance**

Continuous monitoring and analysis of organizational performance are essential for realizing organizational goals. The performance of organizations is normally indicated by profit, cost and number of clients etc. The researchers selected performance of employees as an indicator for the effectiveness of leaders in place of commonly used indicators at organization level due to the reason that our unit of analysis is not the leaders at the organization level. Our sample included lower-level leaders because we understand that they, having direct involvement on the ground with the team and have the ability to easily impact the performance of employees. The previously developed questionnaire (Judge, et al, 2001) was completed by 1800 employees working under the leader about assessing the performance of their colleagues.

**Research Methodology**

This exploratory study is based on the data collected using field survey design. Data was collected from manufacturers of automobile parts/accessories. The questionnaires were first validated during the pilot study in terms of reliability and validity. The pilot study included 20 leaders (n=20) randomly selected from our main sample. We first tested four basic leadership styles for their impact on the performance of employees followed by a test for moderation effect of OLC stages to find out the best combinations of leaders and the OLC stages. We used employees’ performance as an indicator of organizational performance because some of the leaders being studied were from the same organization and for testing their effectiveness, we used the outcome of the respective teams was used.

**Theoretical Framework**

![Theoretical Framework Diagram]

**Sample and Sampling Method**

We took the list of 282 automobile parts manufacturing companies of Pakistan contacted all Lahore based 116 PAAPAM member companies through their Governing Body. Out of 116 companies, only 31 of them accepted to allow data collection. We selected the leaders supervising a team of 15 to 25 members because this is the span of control which a leader can effectively influence, and the results could be considered meaningful. We received 270 (90%) leadership styles questionnaires out of a total of 300 questionnaires distributed. Out of these 270 questionnaires, only 196 (65.3%) were deemed appropriate for statistical tests. Employees’ performance was measured through peer evaluation. 6 employees per leader (n=1800) were taken as a sample for the research. The tenure of these employees under the respective leader was at a minimum of 2 years. Only 1628 (91%) questionnaires were returned. 1176 out of 1628 questionnaires received were suitable for including in the analysis.
Demographic Data
The subjects included 86% of the male leaders, 14% of them were female. The age range of 78.2% of them was 31 to 50 years. 75% of the leaders had an academic degree of 14 years or above. 65% of leaders had been working for 10 years or more with their present company. Among the employees’ sample, 21% held a technical training diploma (6 months) in the relevant field and the rest of the 12% received on job training only. Tenure of 55.2% of the employees was 5 years or less in their present company with 77.1% ranging between 2 and 10 years of tenure. The data was collected from only those employees who had at least two years of tenure of working under the present leader.

Pilot Study
The aim of the pilot study was to identify any weak areas in the questions and to fix those shortcomings prior to conducting the data collection. We also used this opportunity to conduct a trial to test the procedures planned to be employed in our study. The researchers could also make necessary changes that helped in increasing response rate and reduce chances of error in the answers. During the pilot study, we identified a few vague, and stroppy words in the instructions and questions of our survey tools based on certain ambiguities and awkward wording pointed out by the participants of the pilot study. We fixed these flaws by amending the questions.

Results
Quality Criteria
R Square ($R^2$)
The output in the following table confirms the model and fitness of a good test.

<table>
<thead>
<tr>
<th>Employees' Performance</th>
<th>Employees' Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>R Square=0.956</td>
<td>R Square Adjusted=0.956</td>
</tr>
</tbody>
</table>

Composite Reliability
All of our five survey tools presented high of level internal consistency reliability as shown by the following results.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoritative</td>
<td>0.974</td>
</tr>
<tr>
<td>Democratic</td>
<td>0.977</td>
</tr>
<tr>
<td>Performance of Employees</td>
<td>0.976</td>
</tr>
<tr>
<td>Transactional</td>
<td>0.936</td>
</tr>
<tr>
<td>Transformational</td>
<td>0.959</td>
</tr>
</tbody>
</table>

Cronbach's Alpha
The output in the following table confirms the internal consistency of questionnaires.

<table>
<thead>
<tr>
<th>Variables</th>
<th>$\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoritative</td>
<td>.982</td>
</tr>
<tr>
<td>Democratic</td>
<td>.974</td>
</tr>
<tr>
<td>Employees' Performance</td>
<td>.982</td>
</tr>
<tr>
<td>Transactional</td>
<td>.897</td>
</tr>
<tr>
<td>Transformational</td>
<td>0.964</td>
</tr>
</tbody>
</table>

The Values of p and T Statistics for Correlations
Following table shows the significance of correlations:
Table 4. Correlations

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>Mean</th>
<th>S D</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoritative Performance -&gt; Employees’ Performance</td>
<td>0.013</td>
<td>0.020</td>
<td>0.089</td>
<td>0.150</td>
<td>0.881</td>
</tr>
<tr>
<td>Democratic Performance -&gt; Employees’ Performance</td>
<td>0.317</td>
<td>0.324</td>
<td>0.102</td>
<td>3.116</td>
<td>0.002</td>
</tr>
<tr>
<td>Transactional Performance -&gt; Employees’ Performance</td>
<td>-0.004</td>
<td>-0.003</td>
<td>0.020</td>
<td>0.215</td>
<td>0.829</td>
</tr>
<tr>
<td>Transformational Performance -&gt; Employees’ Performance</td>
<td>0.703</td>
<td>0.700</td>
<td>0.037</td>
<td>19.041</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Moderation Effect of OLC Stages on Correlation between Leadership Styles and Employees’ Performance

Table 5. Mean, STDEV, T-Values, P-Values

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>Mean</th>
<th>S D</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderating Effect Transformational- Employees’ Performance</td>
<td>0.024</td>
<td>0.024</td>
<td>0.013</td>
<td>1.865</td>
<td>0.063</td>
</tr>
<tr>
<td>Moderating Effect Authoritative-Employees’ Performance</td>
<td>0.096</td>
<td>0.094</td>
<td>0.025</td>
<td>3.885</td>
<td>0.000</td>
</tr>
<tr>
<td>Moderating Effect Democratic- Employees’ Performance</td>
<td>-0.080</td>
<td>-0.078</td>
<td>0.020</td>
<td>4.020</td>
<td>0.000</td>
</tr>
<tr>
<td>Moderating Effect Transactional- Employees’ Performance</td>
<td>-0.707</td>
<td>-0.708</td>
<td>0.055</td>
<td>12.79</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Discussion

A number of investigations have already confirmed interplay of leadership styles and the performance of employees in many sectors (Greene & Schriesheim, 1977; Wycoff & Skogan, 1994; Bartolo & Furlonger 2000; Griffith 2003). We investigated the moderating effect on the correlation between four basic leadership styles and employees’ performance. We preferred employees’ performance, instead of organizational performance because we were studying the style of individual leaders and not overall leadership of any organization. The output in Table 4 shows how four basic leadership styles and employees’ performance are correlated. We can conclude from this result that transformational and democratic leadership styles are positively correlated with the performance of employees. The findings of this study confirm the conclusions of many previous studies Chen & Silverthorne (2005) and Bartram & Casimir (2007). We can conclude from the results that 95.6% of experiential variability in the performance of employees is due to leadership styles.

An additional contribution of our research is the investigation of the moderation effect of stages of OLC on the correlation of four basic leadership styles with the performance of employees.

Correlation between transformational style and performance of employees is positively significant. The OLC stages have no moderation effect on the correlation between transformational style and performance of employees; this means that transformational leadership will remain effective during all stages of OLC (Table 5). The organizations should, therefore look for transformational leadership and prefer them during all stages of OLC.

Authoritative leadership had no significant correlation with employees’ performance. OLC stages, however, significantly (t>1.96 and α<0.05, β value= 0.096) impact the relationship between the authoritative style and employees’ performance, that means that during later stages of the OLC authoritative leadership style can induce the employees effectively to perform better. These results suggest that organizations may try to avoid authoritative leaders; however; they may prove to be useful during later stages of the OLC. Democratic leadership is positively significantly correlated with employees’ performance.

The interaction of OLC stage on the correlation between democratic leadership styles and employees’ performance is significant (t>1.96 and α>0.05, β value= -0.80) but negative which means that democratic leadership style will suit during early stages of the OLC but not during later stages. The organizations may employ democratic leaders during the early stages of the OLC. Transactional leadership had no significant correlation with employees’ performance. The interaction of OLC stages on the correlation between transactional leadership styles and employees’ performance is, however, statistically significant (t>1.96 and α>0.05, β value= -0.707) but negative. This means that transactional leadership style will suit during the early stages of the OLC but not during later stages. The organizations may employ transactional leaders during the early stages of the OLC.
Hypotheses Result

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Test Statistics</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H-1: Stages of OLC moderate the relationship between transformational style and the employees' performance.</td>
<td>β: .024, t: 1.865, P: .064</td>
<td>Rejected</td>
</tr>
<tr>
<td>H-2: Stages of OLC moderate the relationship between authoritative style and the employees' performance.</td>
<td>β: .096, t: 3.885, P: 0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H-3: Stages of OLC moderate the relationship between democratic style and the employees' performance.</td>
<td>β: -.080, t: 4.020, P: 0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H-4: Stages of OLC moderate the relationship between transactional style and the employees' performance.</td>
<td>β: -0.707, t: 12.79, P: 0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Conclusion and Limitations of the Study

This research examined the moderating role of OLC stages on the correlation of styles of leadership and performance of employees, which was not focused in any past study. Understanding significance of specific leadership style affecting employees’ outcomes vis-à-vis the leadership may become important for the organizations in selecting and finalizing their leadership development plans, but this may not always yield the desired results without taking into consideration the important moderators in this context.

This study investigated leadership style as a singular leader-member effect, but the latest trend is focusing on examining how the interplay of leadership styles related to individual employees (Wu, Tsui, & Kinicki, 2010), individual organization (Aime, Johnson, Ridge, & Hill, 2010), and specific job (Morgeson & Humphrey, 2008) takes place. The authors suggest that future research should keep progressing on this line of research and also match the evolving practices of leading with the hierarchical approach of leader’s effectiveness in order to continue moving towards integrated knowledge of leadership effectiveness in businesses. In this research, we studied one moderator, but in fact, there can be a number of other moderating variables which can be focused in any future study. One such moderator can be time because we think that if employees work for a longer duration with a particular leader, it may lead to improved understanding of each other and hence a better relationship. The interplay of leadership styles and performance of employees will be likely to be moderated by attribution and identifications processes. The researchers may focus on this aspect in future studies.
References


