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Impact of Leadership Styles in Context of Employee Performance

Tomislav Došen

IBM Croatia

E-mail: sendotomo@gmail.com

Dinko Primorac

University North, Croatia

E-mail: dprimorac@unin.hr

Vesna Sesar

University North, Croatia

E-mail: vesna.sesar@unin.hr

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Abstract

In the paper, the research of the sophisticated and complex concept of leadership is approached by first analyzing all components and approaches to management in order to be able to analyze the function of leadership, the person of the leader, and different methods and styles of leadership. We come to know what is considered good leadership and what characteristics a good leader possesses. It is further analyzed by conducting empirical research on the observed company companies in Croatia and how likely it is that good and adequate management has a direct effect on increasing personal business results. The paper provides interesting insights into how leadership affects individuals, their results, and relationship with the business organization as a whole. Findings were reached by first analyzing management theories, and their lessons were summarized and applied in empirical research in the final parts of the paper.

Keywords: management, leadership, leadership style, motivation

Jel codes: J01



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1. Introduction

Every company has a relatively simple goal which is to achieve a successful business result. In this context the human component is significantly important since it not only affects productivity but also has an effect on how the entire business process will turn out. Recently, companies have been trying to foster a family-like atmosphere where employees feel like they are part of a large group led by their superiors and managers who take care of that large group of co-workers. In order to achieve this, superiors must be able to lead their subordinates.

Effective leadership requires an understanding of business procedures as well as the ability to identify talent and assign people a task for which they are competent and by working on which they can add value to the company. A high level of employee motivation, which has significant effect on employees' as well as organization's performance, is the result of effective leadership too and the same is achieved by making people feel safe, respected and have sense of importance at work. Leadership topic, incorporating the relationship between employee performance and leadership styles, has been addressed by a number of authors who all agree that there are many types of managers who tend to adopt different leadership philosophies. They can all be categorized and analyzed according to their unique primary traits, goals and how they affect people who work for them.

The influence of leadership on employee performance is the focus of this thesis. Moreover, the paper investigates the consequences of leadership in management, information for which is collected through an online survey that includes responses from employees of Croatian companies' goal of the thesis is to obtain a large amount of data which is then subject to comprehensive research. Each branch in the observed company is led by a manager who chooses a certain leadership style. Taking into account this fact and analyzing the obtained results from online survey it is possible to observe if and to which extent a leadership style is actually decisive factor influencing employees' efficiency.

2. Methodology

In order to gain insight into the actual opinion of employees on whether leadership style affects their business performance it was necessary to conduct an anonymous survey in a larger company that has appropriate organizational structure and relationships within the business organization that relate to the leader and those who are led/managed. Thanks to the contacts at the companies mentioned research was possible to carry out.

Initially, an interview was conducted with a management in selected Croatian companies in order to gain an insight into the organizational and business structure of the company. The identity of the primary contact and the employees who participated in the survey remains anonymous in accordance with the General Data Protection Regulation (GDPR). After the initial interview, a survey questionnaire was created with a total of 16 questions three of which refer to the general information and the other 13 refer to questions about management, business results and general satisfaction with one's position in the company and interpersonal relations in the organization. The survey was conducted online using Google documents tool. Before conducting survey, it was necessary to obtain permission from the head of the department where the contact works. Department head approved conducting the survey but under the condition that respondents are exclusively those employees who work in the sales network and are at the bottom of the corporate ladder. Department head was of the opinion that other leaders, managers, technical support, executives and board members would not be inclined to the possibility of conducting a survey. He also demanded for survey be sent from the official e-mail address of the contact who is employed at selected company, and not from the e-mail address of the author of the thesis. As the reason for this he cited company's strict regulations on the prohibition of sharing business data and confidential data, even for academic purposes. It was agreed with the department head that minimum sample size was 50 employees.

Informed consent was obtained from all subjects involved in the study. After data was collected, it was processed using a statistical method. Google documents is a useful tool for creating a survey since statistical calculations are automatically performed with the help of AI. In addition to the three general questions the other 13 were formulated in such a way to correlate the elements of basic leadership styles with the performance of employees. All questions were closed-ended and offered the option of circling what seems to be the correct answer to the respondent. Prior to the survey questions there was a short preface in which the author of the thesis expressed his gratitude to the respondents for taking time and investing an effort to take part in the survey and asked for truthful answers and stated that the data obtained from the survey will be used exclusively for academic purposes. Moreover, the author emphasized that anonymity of the survey and protection of personal data are guaranteed and that individual's answers in the survey cannot in any way affect respondent's current position in the company.

According to Čendo Metzinger and Toth (2020), scientific methods used in scientific research are actually a set of different procedures based on objectivity, reliability, precision and systematicity for the purpose of systematizing and presenting the results of scientific research work. In the preparation of thesis, it is necessary to

distinguish, based on the type and subject of research, which methods come into consideration as an auxiliary tool. The method of description was primarily used in this thesis to conceptually determine the objects of scientific research, and then analyze them into their constituent parts using the method of analysis, and in this way, using the methods of deduction and induction, independently reach certain conclusions regarding the observed concepts. The mentioned methods used round off the initial phase of research and observation of the legitimacy of the concepts about which the research is conducted. In the second phase of the research, the classification method was used as a natural sequence of breaking down a general concept into its special parts and exceptions from the usual and general. Namely, every legitimacy has its exceptions, which is important to analyze and emphasize, and in this way scientific research gains systematization and transparency. In the last phase of the research, in fact, when drawing up the conclusion, the methods of generalization and specialization were used in order to defend or deny the initial positions expressed in the first part of the paper.

3. Leadership

What is leadership? Who is the leader? How do terms leading and leadership differ, or are they synonyms? Undoubtedly, one of the most extensive and discussed function of management is leadership. It has always captured public's interest because the term leadership is associated with some charismatic political leaders who motivated entire nations with their speeches, such as Winston Churchill and Nelson Mandela, but also with charismatic figures from the world of entrepreneurship such as Anna Wintour and Elon Musk. The mentioned persons in question are not managers but they have all characteristics of successful managers and they have such an influence on the people in their work environment that they are perceived as leaders. According to the above stated it follows that a leader does not have to be a manager at all, which is true, but any leader regardless of his formal function and position on the hierarchical scale must possess certain competencies and skills that are normally attributed to managers. Leadership is definitely one of the most discussed and researched management function since it has been proven that certain leadership techniques and styles lead to greater success of the organization as a whole.

Collins and Holton (2004) conducted a study that examined the effects of leadership style on employee performance in a sales organization. They found that when leaders display a transformational leadership style it positively affects employee performance. Specifically, transformational leaders were found to increase employee motivation and job satisfaction which in turn led to increased sales performance. Research done by Lai and associates (2019) examined the effects of transformational leadership on employee performance. Results of this study showed that when leaders chose a transformational leadership style employees showed greater satisfaction with their work and approached the execution of tasks more energetically. It has also been found that transformational leadership leads to greater employee creativity, innovation and commitment to the organization.

The aforementioned studies show that leadership style has positive effect on employee performance. It is important to note that the relationship between leadership and employee performance is complex and can be influenced by various factors. Scholars and academics will certainly continue to research this topic to gain a deeper understanding of how different leadership styles and behaviors affect employees and organizations. Empirical research on the correlation of leadership style and employee performance provides valuable insights to organizations seeking to improve leadership practices and improve employee performance.

Srića (2004), as one of the authors of the available literature on the topic of leadership as a management function, listed the following ten characteristics of leaders: willingly accepts changes, appreciates original ideas and general suggestions, investigates innovations, is prone to risky decisions, etc. According to Požega (2012), leadership is an integral part of management, that is, a character trait of a leader that is more evident in his ability to motivate people to action and to have them follow him towards the realization of his vision. According to Goleman (2020), all leaders have, without fail, one common characteristic; highly developed level of emotional intelligence. It enables leaders to perform their function well regardless of the fact that it does not have to be based on formal authority at all.

The official definition describes leadership as the management of the trajectory in politics, economy and society which is manifested by the ability of an individual to influence entire groups of individuals to act while giving them legitimate explanations why exactly the way they propose is the best given the specific circumstances (Prolexis encyclopedia, 2012). For Rupčić (2018), the essence of leadership is the leader's ability to bring the goals of the business organization closer to its employees and to encourage them to join forces in achieving those goals.

There is a large number of definitions of leadership in professional literature but all authors agree that leadership is closely related to management not only as one of its functions but also as a crucial point in the success of entrepreneurial ventures because it is precisely quality leadership that carries the accomplishment of all previous plans, organization and even control methods. Palanović, Parmać Kovačić and Galić (2023) state that it is

precisely bad management that can lead to employee dissatisfaction, failure of business ventures that lead to unexpected financial expenses that can threaten the business organization and finally to the loss of the good reputation of the business organization. Science claims that there are different types of leaders based on the way they treat employees, their own competencies and professional expertise and interpersonal skills. It is possible that even within one business organization there are completely different leaders naturally in different sectors. The following subchapter lists different types of leaders, what their basic characteristics are and how they can contribute to the success or failure of the business organization as a whole.

What can classify a leader into certain categories and give him the epithet of a tyrant or a good manager or a disinterested official is the choice of leadership style. According to Karlić and Hadelan (2011), style can be associated with the way leader's tactic strategies for achieving business goals that have been assigned to them and the way in which they treat employees within the organization and their business partners. A combination of personal competencies, level of education, experience, profession expertise, following trends in entrepreneurship, emotional intelligence and interaction with members of the organization who are in other sectors and in other positions result in a leadership style. According to Buble (2011), the type of leader is determined by the leadership style he chooses in the daily execution of his own tasks but also in interaction with other members of the organization and business partners.

4. Results

In Figure 1. We see that 8 (15.09 %) of responders which answered that they belong to the first age group, 22 (41.50 %) to the second age group, 13 (24.52 %) to the third age group, 7 (13.20%) to the fourth age group and 3 (5.66%) to the fifth age group. Results show that most employees in the sales network are between 24 and 38 while least employees are between 65 and 75 years old. Since 65 is the retirement age it is assumed that members of the fifth age group are retired part-time employees. Moreover, out of the 53 respondents who took part in the survey 21 (39.62%) declared themselves to be male while 32 (60.37%) declared themselves to be female. Not a single person identified as non-binary. Results of the survey show that female employees predominate in the sales network. Out of the 53 employees who participated in the survey 11 (20.75%) declared that they have a secondary (high school), 9 (16.98%) college, 31 (58.49%) university (under-graduate) while two (3.77%) have master's degree. None of the interviewees has a doctor-ate (Ph.D.). The above results show that majority of employees have university (under-graduate) degree.

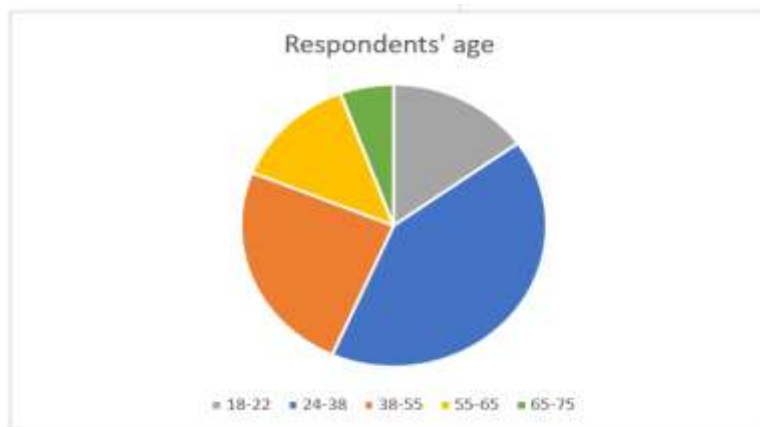


Figure 1. Respondents' age

Source: Autor's research

Out of the 53 respondents, 48 (90.56 %) agreed with the statement that they are familiar with the concept of leadership, while 5 (9.43 %) percent stated that they were not. Results of the survey show that the dominant majority of employees in the sales network are familiar with the concept (term) of leadership.

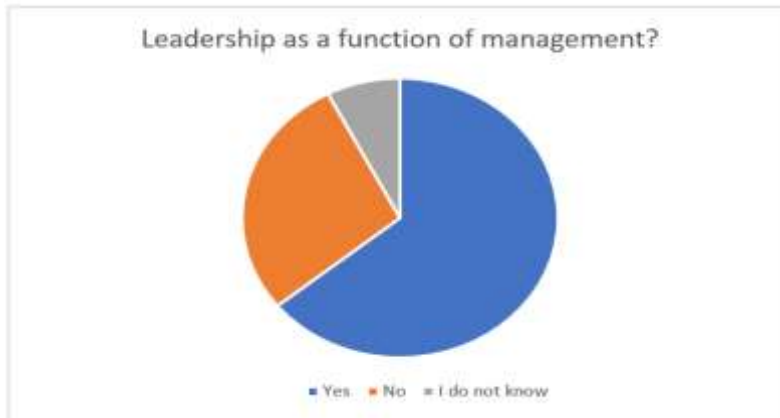


Figure 2. Employees who believe that leadership is part of management

Source: Autor's research

In Figure 2. We see that out of the 53 employees who took part in the survey, 34 of them (64.15%) answered that leadership function is part of management, 15 of them (28.30%) think that it is not the case, while 4 of them (7.54%) do not know whether leadership belongs within the framework of management functions. According to the results of the survey majority believe that leadership is a managerial function. Out of the 53 respondents who took part in the survey, 26 of them (49.05 %) answered that they associate the concept of motivating with leadership, 20 of them (37.73 %) think that leadership is mostly associated with guidance, while 7 of them (13.20 %) think that the execution of assigned tasks is mainly identified with leadership. Not a single respondent chose participation in decision-making option, which indicates that in the observed business organization there is an opinion that leader should first of all motivate, then guide and give clear tasks finally. Furthermore, out of 53 employees who participated in the survey, 42 of them (79.24 %) answered that they are part of a work collective managed by a leader, while the other 11 (20.76 %) answered that it is not the case. From the above results, it can be concluded that the dominant majority of sales representatives of the observed company perceive themselves as part of a collective managed by a leader.

In Figure 3. out of 42 participants who answered that they consider themselves part of a collective managed by a leader, 26 (61.90%) answered that they attribute a democratic leadership style to their leader, 13 (30.95%) answered that they attribute a free leadership style to their leader, while 3 of them (7.14 %) answered that they attribute an autocratic leadership style to their leader. From the obtained results, conclusion can be drawn that the democratic style of leadership prevails in the observed company and the autocratic style of leadership is the least present, yet there is a non-negligible percentage of responses in favor of the free style of leadership.

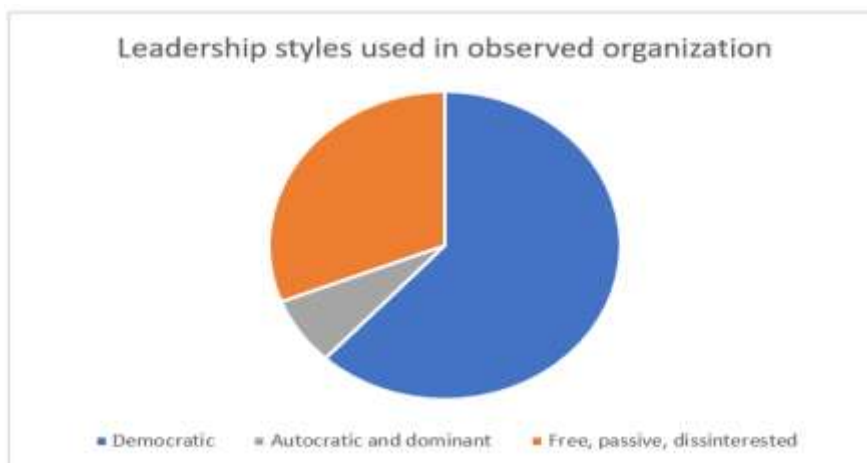


Figure 3. Leadership styles in observed organization

Source: Autor's research

Out of 11 participants who answered that they do not consider themselves part of a collective managed by a leader, 5 (45.45%) answered that reason for this lies in the fact that function of team leader exists officially but leader is passive and transfers authority to representatives while 4 of them (36.36%) stated that reason is something else, while remaining 2 (18.18 %) of participants answered that function of team leader officially

exists but leader is focused exclusively on his own success and is not interested in the needs of representatives. According to the obtained results it can be concluded that there is a certain percentage of leaders who due to their passivity ignore the needs of employees and a small percentage of leaders who due to the excessive preoccupation with their own results ignore the needs of their employees too.

Out of 53 participants of the anonymous survey 39 of them (73.58%) believe that the leadership style used by their leader affects their contribution to the achievement of the organization's goals while 10 of them (18.86%) do not know if they can consider this statement correct. Furthermore, only 4 (7.54%) believe that style that corresponds to the leadership style of their leader does not affect the way they contribute to the business organization as a whole. According to the obtained results it can be concluded that dominant majority of employees believe that leadership style used by their leader has effect on their contribution in accomplishing set company's goals while small number of employees do not consider that statement correct. There is a percentage, which needs to be taken into account, of employees who neither agree nor disagree with the statement in question.

In Figure 4. out of 53 respondents, 17 of them (43.58%) answered that their manager is an excellent motivator and thus influences their performance within the organization. 12 (30.76 %) respondents answered that leader influences their work contribution by taking care of emotional and social needs of team members and remaining 10 (25.64 %) answered that leader influences their performance by setting a strategy based on his judgment about which team member will do well on a specific task. According to the obtained results it can be concluded that majority of employees state that their leader is excellent motivator. On the other hand, there is a slight difference between percentage of the leaders who pay attention to the emotional and social needs of their employees and ones who are efficient in determining/assessing employees' skills and abilities to perform well certain task types.

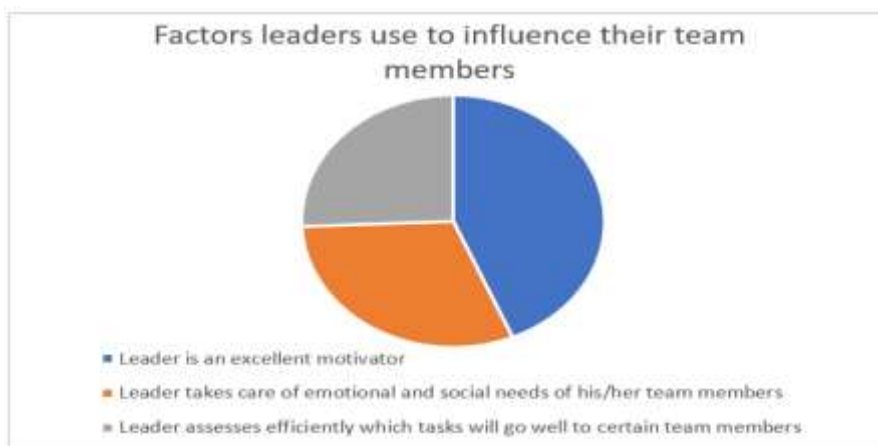


Figure 4. How managers influence their team members?

Source: Autor's research

According to the obtained results is quite transparent as far as leadership is concerned. In the predominantly female workforce within which there are number of individuals with university and college education the prevailing attitude is that adequate leadership directly affects business performance of sales representatives. Under quality leadership sales representatives primarily consider motivation, emotional and social support, and effective division of tasks. As per the results of the survey it can be concluded that sales representatives understand that leadership is a managerial function which does not necessarily have to be performed by individual with a managerial title. Furthermore, and in accordance to the survey results, democratic style of leadership can be identified as the predominant followed by a certain percentage of leaders who use a passive liberal style and minor representation of ones who use an autocratic style.

Although majority of employees feel that they are an integral part of the work team, which itself points to the successful leadership and guidance, some employees do not share this opinion and the reason for this is the character trait(s) of leaders who, in their opinion, use methods that are immoral and unethical creating a feeling of repulsion and resulting in those employees not wanting to be part of such team. Others state that they are bothered by the passivity of the leader and his handing over authority to subordinates which they cite as a demotivating factor. A very small percentage of employee's reproach leaders with autocratic behavior. Employees of the observed company are familiar with the function of leadership based on formal authority since individuals holding managerial positions are authorized to design business strategies, plan, organize, carry out division of work tasks and lead. However, it is interesting to note that in a business organization where a

democratic leadership style prevails employees do not consider that participation in making important business decisions is basic characteristic of adequate leadership. What the vast majority of employees of the observed organization agree on is that methods and leadership style have positive effect on improving their contribution to the organization as a whole. According to the results of conducted survey employees of the business organization in question confirm that adequate leadership which puts an emphasis on employees' motivation has direct effect on increase of their professional efficiency. In other words, an appropriate leadership style leads to better financial results for employees which ultimately reflects on the entire organization. This section may be divided by subheadings. It should provide a concise and precise description of the experimental results, their interpretation, as well as the experimental conclusions that can be drawn.

5. Conclusions

This paper, which is driven from a master university study thesis and research, can be concluded by stating that leadership is an extremely complex concept which should be approached with caution. It is a function but also an integral part of management. Without management component its essence becomes questionable as well as its definition as a process. There are various approaches to management as well as to leadership which distinguish leadership styles; however, the bottom line is that one becomes a good leader if he develops emotional intelligence and has sufficient dose of empathy that must not exceed certain limits. The ideal leader is considered to be a democratic one who is in the same time able to simultaneously coordinate activities of his subordinates and satisfy demands of his superiors. Democratic leader, regardless of his "soft" and benevolent leadership style is successful in setting clear boundaries and does not allow exploitation. Namely, a democratic leader takes into account suggestions of his subordinates when making business decisions, yet it is clear to everyone that he makes final decision and that there is no discussion about it. Democratic leader is a visionary and innovator, always ready to learn new skills and techniques that not only improve his competencies but also the entire business organization benefit from it. A good leader is the one who knows how to communicate and convey important information and share his knowledge.

A good leader is not afraid of growth and development of others nor the fact that by investing in his subordinates they can one day become his superiors. His essential quality is manifested in his very appearance and charisma and infallible work ethic that can be an example to all other members of the organization. A good leader is the one who has the skill to influence others to action by his example and the way he treats his subordinates and his business partners. Given the degree of importance of leadership it is not surprising that results of the survey confirmed a proportion between increase in personal business success with the selection of an adequate leadership style and that the integral characteristics of a good leader are motivation, taking care of the needs of other people and directing them business processes wise. The survey conducted further confirmed that in the observed company, which is extremely profit-oriented, those under the leadership of a democratic leader have better results. The research finally proved how employees under the authority of a good leader feel part of the collective and how they behave more actively and practically when interacting with the entire business organization.

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