LEADERSHIP STYLES AND ORGANISATIONAL PERFORMANCE: A CRITICAL ANALYSIS OF LEADERSHIP APPROACHES AND EMPLOYEES' OUTCOMES

Detailed Project Report — Option 1

Student Name: Vaghani Paras Hareshbhai

Student ID: DE240399

Module Code: M05 - Organisational Behaviour & Leadership

Submission Date: 19/10/2026

Institution: EIIET (European Institute of Innovation)

TABLE OF CONTENTS

Section TitlePage

1. Abstract 2

2. Introduction 3

3. Literature Review 4

4. Methodology 5

5. Findings / Analysis 6

6. Discussion 7

7. Recommendations 8

8. Conclusion 9

9. References 10

10. Appendices 10

1. ABSTRACT

This report critically analyzes how different leadership styles affect organizational performance and employee outcomes in modern business settings. Leadership is widely accepted as a key factor determining business success or failure. This study examines five major leadership theories: transformational, transactional, situational, servant, and authentic leadership models. It evaluates their direct impact on employee motivation, engagement, creativity, commitment, and productivity.

Using a qualitative secondary research methodology, the report analyzes literature and real-world company case studies, including successful leadership practices at Microsoft and corporate failures like Enron. The findings indicate that while transformational and authentic leadership foster high employee engagement and innovation, situational and transactional approaches are useful in specific operational environments. The paper concludes with actionable recommendations for business leaders to adopt flexible leadership styles to enhance organizational effectiveness.

2. INTRODUCTION

In today's fast-changing global business environment, organizations face continuous pressures from market competition, technological changes, and evolving workplace expectations. To achieve long-term growth and maintain market competitive advantages, companies rely heavily on effective leadership. Leadership is not merely holding a management position; it involves inspiring team members, setting strategic visions, and managing workplace culture to achieve organizational goals (Northouse, 2021).

Organisational behaviour research shows that the leadership style adopted by managers directly affects how employees feel, behave, and perform in their daily work routines. A positive leadership approach can improve staff motivation, job satisfaction, and creative problem-solving. Conversely, poor or toxic leadership can lead to low morale, high employee turnover, and financial losses for the organization (Robbins & Judge, 2019).

This project report focuses on Option 1: Leadership Styles and Organisational Performance. The main objective of this study is to critically analyze major leadership theories and explore how these approaches influence employee outcomes and business performance. The paper examines transformational, transactional, situational, servant, and authentic leadership models. It evaluates real corporate examples, such as Microsoft's transformation under Satya Nadella and the downfall of Enron under autocratic leadership, to extract valuable lessons for modern managers.

Understanding these leadership concepts is essential for students and management professionals. Selecting the right leadership approach allows managers to handle organizational challenges and build a productive working environment.

3. LITERATURE REVIEW

The concept of leadership has been studied extensively in organizational behaviour literature over the past century. Researchers have developed several theoretical frameworks to explain how leaders behave and how their actions influence followers.

3.1 Major Theories of Leadership

• **Transformational Leadership:** Developed by Bass (1985), transformational leaders inspire followers to exceed expectations by creating a compelling shared vision, encouraging creative thinking, and providing individualized support. This style focuses on long-term change and employee empowerment.

• **Transactional Leadership:** According to Burns (1978), transactional leadership operates on a system of exchange or rewards for completed tasks. Leaders set clear performance targets, monitor progress, and use financial or promotional incentives to maintain operational discipline.

• **Situational Leadership:** Hersey and Blanchard (1988) suggested that no single leadership style is best for all circumstances. Instead, leaders must adjust their guidance based on the maturity and readiness level of their employees.

• **Servant Leadership:** Greenleaf (1977) emphasized that servant leaders prioritize serving the needs of employees first, supporting their professional growth and emotional well-being before focusing on personal power or corporate targets.

• **Authentic Leadership:** Luthans and Avolio (2003) highlighted authentic leadership, where leaders display high self-awareness, moral integrity, transparency, and ethical decision-making, which builds trust among staff.

4. METHODOLOGY

This study uses a qualitative secondary research methodology to examine leadership theories and their practical application in business organizations. Secondary research involves collecting, analyzing, and synthesizing existing academic literature, peer-reviewed journals, business case studies, and official corporate reports (Saunders et al., 2019).

4.1 Data Sources and Selection Criteria

To gather reliable academic evidence, literature searches were conducted using academic databases such as Google Scholar, ResearchGate, Harvard Business Review, and JSTOR. Search phrases included: *leadership styles and organizational performance*, *transformational leadership employee engagement*, *situational leadership models*, and *authentic leadership workplace trust*.

4.2 Analytical Framework

The gathered literature and case study data were evaluated using a thematic analysis framework across three core dimensions:

1. **Employee Behavioural Impact:** Assessing how different styles affect employee motivation, job commitment, creativity, and turnover intentions.

2. **Organizational Performance Measures:** Evaluating financial outputs, market share growth, customer satisfaction, and operational efficiency.

3. **Contextual Fit & Real-World Application:** Examining case examples to understand why certain leadership styles succeed or fail in specific business environments.

5. FINDINGS / ANALYSIS

The analysis shows a direct relationship between leadership styles and employee performance outcomes. Different leadership styles create distinct psychological climate and working conditions for employees.

Leadership Style	Key Behavioural Focus	Impact on Employee Motivation & Productivity
Transformational	Visionary guidance, emotional connection, innovation.	High intrinsic motivation, strong organizational commitment, and high creativity.
Transactional	Task completion, clear rewards, corrective control.	Good short-term task productivity; low long-term creativity and lower personal commitment.
Situational	Adapting direction and support to employee skill level.	Improves employee confidence and reduces workplace confusion across team tasks.
Servant	Employee growth, empathy, ethical support.	High job satisfaction, strong team loyalty, and lower staff turnover rates.
Authentic	Honesty, ethical clarity, self-awareness.	Builds high trust, psychological safety, and open communication channels.

The analysis demonstrates that transformational and authentic leadership models generate higher employee engagement compared to strict transactional styles. However, transactional elements remain necessary for standard operational compliance and routine quality checks.

6. DISCUSSION

Evaluating real-world company case studies provides clear insights into how leadership approaches drive business success or cause organizational failure.

6.1 Corporate Success Case: Microsoft under Satya Nadella

When Satya Nadella became CEO of Microsoft in 2014, the company was struggling with internal competition, rigid bureaucracy, and declining market innovation. Nadella introduced an authentic and transformational leadership style focused on a "growth mindset" and empathy. He shifted the corporate culture from a "know-it-all" attitude to a "learn-it-all" environment. By encouraging cross-department collaboration, active listening, and open communication, Nadella re-energized Microsoft's workforce. Under his leadership, employee satisfaction scores rose significantly, and Microsoft's market valuation surpassed one trillion dollars (Nadella, 2017).

6.2 Corporate Failure Case: Autocratic Leadership at Enron

In contrast, the collapse of Enron in 2001 serves as a classic example of destructive leadership. Enron's top executives created an aggressive, authoritarian, and purely transaction-driven culture. Employees were judged strictly on short-term profits under a harsh performance review system where low performers were routinely fired. This created a culture of fear, lack of ethical transparency, and dishonest reporting, which ultimately led to one of the largest corporate bankruptcies in business history (McLean & Elkind, 2003).

7. RECOMMENDATIONS

Based on the critical analysis and corporate case studies, modern business managers should adopt the following practical leadership strategies to improve organizational performance and employee outcomes:

1. **Adopt an Adaptive Leadership Approach:** Leaders should not rely on a single rigid style. Instead, they should practice situational leadership, applying transformational vision for strategic changes and transactional clarity for routine operational tasks.

2. **Promote Psychological Safety and Open Communication:** Managers must build authentic relationships by encouraging open feedback without fear of punishment. This supports employee innovation and early identification of workplace problems.

3. **Invest in Continuous Leadership Development:** Organizations should organize regular leadership development programs focusing on emotional intelligence, active listening, and ethical decision-making for junior and middle managers.

4. **Align Employee Goals with Corporate Vision:** Leaders should clearly communicate how individual job roles contribute to broader company objectives, increasing intrinsic employee motivation and job satisfaction.

8. CONCLUSION

In conclusion, this project report demonstrates that leadership style plays a decisive role in shaping organizational performance, corporate culture, and employee outcomes. The comparative evaluation of leadership theories shows that modern workplaces require leaders who inspire, empower, and support their teams rather than rely solely on authoritarian control.

Transformational, servant, and authentic leadership styles are particularly effective in fostering employee motivation, creativity, job satisfaction, and organizational commitment. However, managers must also maintain situational awareness, balancing visionary guidance with operational discipline where necessary.

As illustrated by case studies of corporate success and failure, leaders who build high trust, ethical transparency, and collaborative working environments drive sustainable business growth. By implementing adaptive leadership development strategies, modern organizations can build resilient workforces capable of navigating market changes and achieving long-term performance targets.

9. REFERENCES

Bass, B. M. (1985). *Leadership and performance beyond expectations*. Free Press.

Burns, J. M. (1978). *Leadership*. Harper & Row.

Greenleaf, R. K. (1977). *Servant leadership: A journey into the nature of legitimate power and greatness*. Paulist Press.

Hersey, P., & Blanchard, K. H. (1988). *Management of organizational behavior: Utilizing human resources*. Prentice-Hall.

Luthans, F., & Avolio, B. J. (2003). 'Authentic leadership development', *Positive Organizational Scholarship*, pp. 241–258.

McLean, B., & Elkind, P. (2003). *The smartest guys in the room: The amazing rise and scandalous fall of Enron*. Portfolio.

Nadella, S. (2017). *Hit refresh: The quest to rediscover Microsoft's soul and imagine a better future for everyone*. HarperBusiness.

Northouse, P. G. (2021). *Leadership: Theory and practice*. 9th edn. SAGE Publications.

Robbins, S. P., & Judge, T. A. (2019). *Organizational Behavior*. 18th edn. Pearson.

10. APPENDICES

Appendix A: Leadership Style Evaluation Matrix

Context / Scenario	Recommended Leadership Style	Expected Organizational Outcome
Digital Transformation & Strategic Change	Transformational Leadership	High innovation, reduced resistance to change.
Crisis Management & Urgent Turnaround	Situational / Directive Leadership	Rapid decision-making and operational control.
Team Empowerment & Culture Building	Servant & Authentic Leadership	High employee trust, satisfaction, and lower turnover.

Appendix B: Statement of Originality

I declare that this submitted report is my own original academic work for Module M05: Organisational Behaviour & Leadership. All secondary research sources and literature cited have been acknowledged using