Leadership Styles and Their Impact on Employee Performance: A Comprehensive Review

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Abstract

Leadership is hard to define, and selecting an appropriate leadership style is even harder. The leadership approach adopted by a leader plays a vital role in determining and assessing the performance of employees. Suitable methods encourage high performance and professional growth, while a poor choice can stunt both workers' and organizational potential. Understanding each leadership approach in-depth is necessary for its effective implementation. Previously, many review articles have been published that have compared popular leadership styles, but this review provides a full spectrum of approaches, complete with visual graphics and a balanced breakdown of each form's impact on workers' performance. Data is collected from various journals using keywords relevant to every phase of leadership style. The leadership approaches examined in this review consist of transformational, transactional, laissez-faire, autocratic, servant, democratic, charismatic, and situational leadership. By gaining insight into various leadership styles, leaders can refine their skills, and management can choose an efficient leadership style that boosts success and a healthy work environment.

Keywords

Leadership, Leadership Styles, Employees' Performance, Impact of Leadership Approaches

1. Introduction

In today's fast-paced organizational world, leadership is often viewed as a personal trait and distinctive ability. However, leadership is not just a quality someone possesses; it's an energetic process of influencing the activities and behavior of an organized group towards common goals. Effective leadership occurs in specific situations when people recognize and follow someone as their leader to achieve some common objectives [1]. Depending on the situation, the leader may adopt a specific leadership style, and this particular style can not only affect organizational productivity but also influence employees' behavior, job satisfaction, and motivation. Research findings have indicated that leadership styles have a direct influence on employee performance [2]. Leadership style refers to the manner and method a leader uses to communicate with, guide, and manage their team or subordinates [3]. This showcases the leader's choices and principles for efficiently managing a team. Therefore, gaining an in-depth understanding of the various leadership styles has become necessary to improve workplace productivity and reduce the turnover rate. This article aims to cover all the prominent leadership styles and critically highlight their direct, positive, and negative impacts on employee performance across different organizational settings.

2. Methods

The electronic search was conducted manually using relevant keywords "leadership, leadership style, leadership theories, impact of leadership in organizations, leadership influence on employees, etc. This article reviews a wide range of leadership literature from 2012 to 2025, as this timeframe highlights the modern evolution of leadership theories and practices. The secondary data was collected from online databases, primarily Google Scholar, Web of Science (WoS), Scopus, and ResearchGate. Peer-reviewed journal articles, book chapters, or conference proceedings written in the English language that examined leadership styles in an organizational context and provided insights into their influence on employee performance were included. Whereas non-English studies, duplicate records, works published before 2012, and articles discussing leadership in contexts other than organizational or opinion-based were excluded. This review broadly covers the topic of leadership, focusing on understanding the positive and negative impact of each leadership approach on the subordinate workers' performance. Each form is also demonstrated with detailed visual graphics for a thorough explanation.

3. Leadership Styles

Leadership styles are different approaches that leaders adopt to motivate, guide, and encourage their team to achieve organizational goals. Over the year, researchers have proposed multiple styles of leadership, and each has its unique positive and negative influences. The following sections critically review the most widely recognized leadership styles, highlighting their impact on the employees' performance.

3.1 Transformational Leadership

This leadership style is considered the most effective to improve employee performance and workplace productivity. Transformational leadership refers to the leaders who strive for innovation, creativity, and first-hand perspectives to discover new ways toward workplace progress and success [4]. Such leaders work to change the viewpoints, morals, ideas, expectations, and beliefs of employees and encourage them to prioritize shared goals over personal goals, and inspire them to improve their performance in the workplace [5]. The greatest success story of transformational leaders is that they make employees feel their personal goals are strongly tied to the overall organization's interests; if they can work towards achieving the overall workplace goals, their aims will be automatically achieved. Research evidence suggests that transformational leadership is widely practiced in organizations and is positively correlated with job satisfaction, employee motivation, job performance, workplace efficiency, and lower employee turnover [6]. Transformational leadership has numerous positive effects on employee performance, as illustrated in Figure 1, and is widely applied across organizations. However, sometimes transformational leaders are also viewed as narcissistic, self-centered, or egotistic, as they may overlook and suppress the personal spirits and aspirations of employees for the sake of workplace productivity [7]. However, it is essential to align organizational objectives with specific employee goals and to remain vigilant for early signs of burnout.
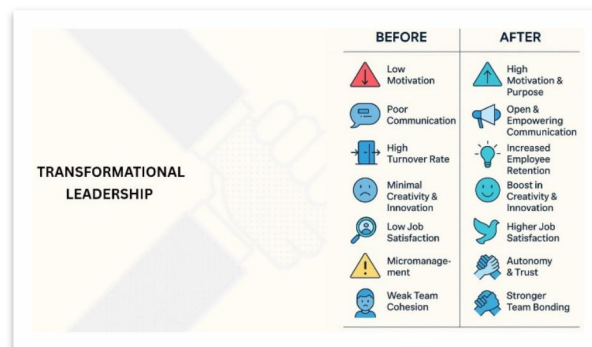

Figure 1. Impact of transformational leadership on the performance of employees.

3.2 Transactional Leadership

In this leadership style, leaders tend to attain organizational goals through a structured system of rewards and punishment, reflecting an exchange-based relationship between leaders and subordinates [3]. Highly performing employees are rewarded by leaders with bonuses, promotions, incentives, increased salaries, and additional leave benefits. Whereas, for poor performance, they may receive punishments such as fines, salary cuts, demotions, salary deductions, extra working hours, or even termination. It is typically assumed that leadership boosts motivation, but this style doesn't fully align with this perception. Because it primarily works through a system of rewards and punishment, and may be unsuccessful in encouraging followers to exceed basic expectations, employees may only work to meet minimum requirements to avoid punishment [8]. However, the promise of rewards may inspire employees to perform well to achieve the agreed goal. This leadership style is more workplace-oriented and provides short-term benefits to employees, hindering long-term growth. Leaders must possess a high level of proficiency to execute this leadership style efficiently, as it does not always lead to positive outcomes, as shown in Figure 2.

Figure 2. Strengths & limitations of transactional leadership across workplace scenarios.

3.3 Autocratic Leadership

In this approach, leaders take full hold of their actions, power, and decisions. Autocratic leaders make decisions based on their beliefs, values, morals, and choices, occasionally taking little or no advice from their subordinates or followers [9]. It boosts productivity in the presence of leaders and under their command. Still, in their absence, it may lead to negative outcomes, such as low self-esteem, absenteeism, high turnover, and decreased job satisfaction. Autocratic leaders don't easily trust workers' abilities, instead relying solely on rewards [10]. The autocratic leadership style is best applied in critical situations that require immediate action, because leaders make quick decisions without consultation. However, the main limitation is that it undermines employee morale and capabilities due to a lack of involvement in the decision-making process [11]. This leadership approach is effective for short-term goals but can significantly impact the long-term productivity of the organization, leading to high turnover, as illustrated in Figure 3.

Figure 3. Autocratic leadership causes short-term gains & long-term strains.

3.4 Democratic Leadership

Democratic leadership refers to a type of leadership in which leaders do not treat their subordinates as merely followers, but instead involve employees equally in decision-making, empowering honest communication, and considering their viewpoints in important matters [12]. This approach enhances employees' abilities and boosts their job satisfaction. Workers feel valued and empowered, inspiring them to go beyond the financial incentives. It is suitable for firms where quality is prioritized over speedy productivity, and teamwork is emphasized [13]. Moreover, it also brings positive innovation in employees' behavior [14]. Regardless of many benefits, it may also cause some issues, such as confusion, internal conflicts, and slow down progress due to too many opinions, especially in larger teams. But still, participative leadership is considered the ideal style that expedites both short-term and long-term goals. Under democratic leadership, collaboration and engagement of the workers are improved, as shown in Figure 4.
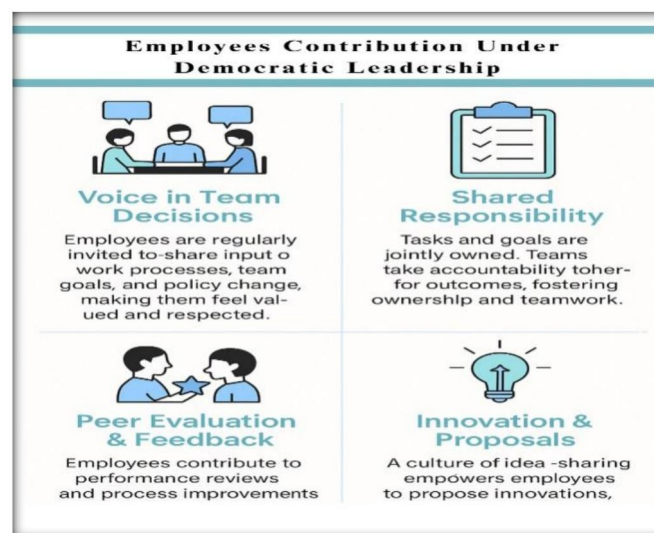

Figure 4. Employee involvement and working grace under democratic leadership.

3.5 Laissez-Faire Leadership

Laissez-faire leaders grant workers full freedom to make decisions and carry out their responsibilities with minimal guidance and limited involvement. This leadership style is based on trust, inspiring them to work independently [3]. This approach is generally considered one of the less effective forms of leadership because it may lead to slow, unclear, and inconsistent decision-making. Without a proper system of rewards and penalties, employees will feel unenthusiastic and lazy, and minimal feedback may especially hinder the growth of junior employees [15]. However, studies highlighted that when applied properly to self-motivated employees, this style has numerous advantages. The absence of direct involvement harvests the sense of self-determination, self-reliance, which boosts their confidence to handle hurdles and motivates them to work freely. As a result, employees become more industrious when they realize that they

can act on their judgments, ultimately refining productivity [16]. As illustrated in Figure 5, this approach is not suitable for all the subordinates and works better with highly motivated and skilled employees.

Figure 5. Laissez-faire leadership is suitable for the selected workers.

3.6 Servant Leadership

Servant leadership is a people-first leadership approach that mainly supports workers' personal and professional growth, shares responsibilities, looks after the needs and goals of employees, helps them grow together, and encourages them to reach collective goals [17]. This style promotes altruistic and principled stewardship, which can lead to improved team cohesion, higher job satisfaction, and long-term sustainability [18]. The organizational environment shaped by this form emphasizes trust, mutual respect, and honest, clear communication. It is illustrated in Figure 6 that by prioritizing employees' needs this approach improve morale, professional development and trust. But in some rare cases, servant leaders can impede the independence of employees, and they become less committed to the workplace due to over-dependence on the leader's support [19].
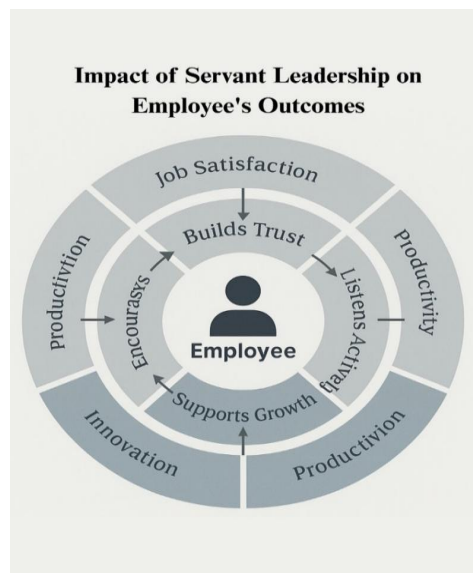

Figure 6. Servant leadership influences the worker's performance.

3.7 Charismatic Leadership

Charismatic leadership is a method in which leaders attract and motivate their subordinates through personal abilities, charm, and communication style. They have remarkable capabilities and self-confidence to impress and organize the workers. Such leaders are skilled at persuasive communication and employ various verbal tactics, including storytelling, the use of metaphors, and emotionally appealing language, to convey challenging messages and motivate followers to work hard towards shared goals [20]. This form of followership has a powerful direct impact on job involvement and provokes workers to become more dedicated [21]. Despite the positive impacts, it also has a dark side. Unethical and damaging behavior frequently develops when leadership is obsessed with power, unresolved personal issues, and narcissism. Charismatic leaders pose a serious risk to the emotional, psychological, and professional well-being of their

employees [22]. Charismatic leadership is a dual-faced phenomenon as demonstrated in Figure 7, and it is crucial to recognize and address these harmful dynamics effectively.

Figure 7. Up and down sides of charismatic leadership.

3.8 Situational Leadership

This form of leadership is perceived as the most adaptable approach, allowing leaders to adjust their styles, decision-making, and behavior based on the demands of the situation. They don't follow a fixed plan and decide everything on the spot [23]. Situational leaders choose any leadership style based on a thorough evaluation of the workers' potential and skills, as illustrated in Figure 8. This may possibly encourage the growth of followers by providing appropriate guidance, assistance, and independence that matches their engagement level. Just a few highly competent and emotionally intelligent leaders can be situational leaders because it may be time-consuming, complex, and challenging, and may cause contradictions in decision-making.

Figure 8. A situational leader match style to the situation.

4. Discussion

The comparative synthesis highlights that each leadership approach has its own strengths and weaknesses and influences employees' performance uniquely, depending on organizational and cultural context. Transformational leadership emphasizes innovation and intellectual stimulation, whereas transactional leadership focuses more on rewarding high performance to ensure timely delivery [24]. Servant leaders prioritize employee well-being and treat workers as partners, which may slow decision-making, whereas autocratic leaders exert control over subordinates, proving effective in emergencies but reducing employee satisfaction [25]. Democratic leadership enhances collaboration between leaders and employees but can be time-consuming, whereas laissez-faire leadership increases satisfaction and autonomy but may hinder organizational objectives if employees lack skills or motivation [26]. Table 1 illustrates the comparative pros and cons of each leadership style.

Table 1. A comparative summary of different leadership styles.

Leadership Styles	Strengths	Weaknesses	Ideal Context
Transformational	Creativity, Innovation	Exhaust employees	Innovative organizations
Transactional	Clear tasks, reward	Limits innovation	Structured firms
Autocratic	Fast decision-making	Reduces morale	Crisis management
Democratic	Collaboration, Inclusive	Time-consuming	Participatory communities
Servant	People-centered, teamwork	Slower decision-making	People-focused organizations
Laissez-faire	Freedom, satisfaction	Lower performance	Skilled professionals
Situational	Flexible, adaptable	Can be inconsistent	Diverse and changing settings
Charismatic	Improves commitment, passion	Extra dependent	Vision-driven companies

The majority of studies underscore the positive relationship between leadership styles and employees' performance, and also sometimes negative, but some findings suggest no significant impact in certain organizations or contexts [27]. Overall, the effectiveness of any leadership style is not general but depends upon the corporate context, employee potentials, cultural factors, and mediators like trust, communication, and motivation. Moreover, the viewpoints of

emerging leadership styles such as servant, democratic, and charismatic leadership are underexplored and need in-depth research. Future research should look at the pathways through which leadership approaches impact innovation, the consequences of negative leadership behavior, and how leadership works across various settings and cultural contexts [28].

5. Conclusion

Leadership style plays an important role in improving and hindering the workers' performance, professional development, and engagement. Every leadership approach impacts workers' routine and capabilities in their way. If leaders take into account the personal goals, they will surely value the organizational productivity, whereas overlooking them can harm standards and diminish organizational commitment. By clearly understanding each leadership style's benefits and challenges, leaders become more capable of modifying their strategies to drive success across diverse contexts and explore the possibilities of team cooperation.

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