

The Impact of Effective Leadership on Organizational Performance

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ABSTRACT

For some time now, many business organizations have been collapsing, especially in the developing countries of the world. Apart from the reason of the dwindling economies occasioned by the Covid-19 pandemic, quite a large number of commercial establishments has suffered from bad leadership. The thrust of this study is to examine the influence of effective leadership on organizational performance. In essence, when an organization is properly led by effective leaders, what effect does that have on the organization's productivity? The study revealed that effective leadership has a positive impact on the organizational performance. The methodology adopted in the study is descriptive analysis. This paper recommended, among other things, that leadership styles should not be applied rigidly, but flexibly following the prevailing situations. It was also recommended that leaders should be made to undergo training and retraining from time - to - time.

Keywords: Leadership, Effective leadership, Organizational performance.

INTRODUCTION

The success of any organization depends on several factors. One of the major factors is leadership. No matter how rich an organization is in terms of finance, human and material resources, if the people appointed to coordinate the affairs of the establishment are managerially incompetent, the organization will not be able to achieve its stated objectives (Akinniyi, 2009; Enikanselu, 2007; Graham, 1995). Organizational performance and leadership competence are elements belonging to the same family.

The two of them go hand in hand. When an organization is flourishing, as expected, there is evidence of effective leadership there (Ken, 2018). This study is aimed at:

- explaining the purpose of leadership,
- identifying the different types of leadership that managers in organizations can adopt,
- examining the influence of effective leadership on the performance of an organization,
- suggesting ways of ensuring effective leadership in an organization.

The methodology used in the presentation of facts in this paper is descriptive analysis. To this

end, essential data were collected from secondary sources which include textbooks, journals and internet facilities.

CONCEPTUAL FRAMEWORK

Concept of Leadership

The concept of leadership has been subjected to different definitions as studies do acknowledge that "there are almost as many different definitions of leadership as there are people who have tried to define it" (Northouse, 2010). It has been characterized by a variety of definitions, frameworks and meaning that depend on the various perspective of study which includes social, religious, political, and corporate perspectives.

The Longman Dictionary of Contemporary English (2009) defines leadership as: 'the action of leading a group of people or an organization; the state or position of being a leader'. Many others have defined leadership in terms of behaviours, traits, competencies, activities and results of leaders. One of the most popular definitions of leadership has been proposed as "the influencing process of leaders and followers to achieve organizational objectives through change" (Achua and Lussier, 2010). Another definition is that leadership is "the

practice of getting people to do things willingly” (Mullins, 2007).

Leadership can also be defined as the ability to influence people toward the attainment of organizational goals (Daft and Marcic, 2007). Yukl (2010) defines leadership as “a process whereby intentional influence is exerted over other people to guide, structure and facilitate activities and relationships in a group or organization”. Although leadership doesn’t have a one-size-fits-all definition, its study could provide such a valuable insight as leaders have been explained to be people who have a clear idea of what they want to achieve and why.

Many researchers have investigated the meaning of leadership across disciplines and different theoretical perspectives. Ibrahim and Daniel (2019), in their study, opine that leadership is the process by which a person, called the leader, is involved in the responsibility of directing the activities of people who are the subordinates or followers towards the achievement of pre-destined goals. Leadership is one of the major management functions being one of the tools used in the attainment of organizational goals and objectives.

The study stresses further that every organization should ensure that it has the right leader that will man the organization to achieve the set goals or objectives. This assertion supports Okoya (2013) that leadership is a process by which one person influences the thoughts, attitudes and behaviours of others.

Leaders set a direction for the rest of the followers and help them see what lies ahead, visualize what is achievable, encourage and inspire them. In addition, the study above argued that without leadership, a group of human beings could quickly degenerate into argument and conflict.

This is due to some factors such as different backgrounds, values, cultures, mindsets, lifestyles and beliefs that individuals in the organization are made of. Thus, leadership could help to point followers in the same direction and harness individual efforts.

In another dimension, studies have also shown that it is very difficult to describe an effective leader. This is because many individuals occupying the executive or leadership positions have been found to exhibit different traits that are sometimes contradictory (Chukwuemeka, 2007) in Njoku and Adindu(2014). However, an effective leader is said to possess some qualities.

These include good communication skills, vision, inspiration and motivation, honesty and integrity and a good sense of humour. If reaching a goal is all that matters, a leader wants to move people from where they currently are to where they need to be.

Effective leadership entails having the power to produce the required effects. An effective leader is someone who motivates a person or a group to accomplish more than they would have otherwise accomplished without that leader’s involvement. It includes exhibiting strong characters such as honesty, integrity, trustworthiness, and ethics.

Concept of Performance

The Longman Dictionary of Contemporary English (2009) defines performance as “How well or badly a person, company etc does a particular job or activity.” Njoku and Adindu (2014) opine that performance is the outcome of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions. The study states that performance is about doing the work, as well as being about the results achieved. The organizational performance comprises the actual output or results of an organization as measured against its intended output (goals and objectives). Several studies have affirmed that organizational performance and leadership are intertwined. Ejere and Abasilim (2013) posited that the human factor is important to achieve organizational goals and objectives. It could be argued that leadership has a direct cause and effect relationship with organizations and their success. This is because leaders determine values, culture, change, tolerance and employee motivation. Consequently, it can be concluded that the interaction of leadership effectiveness and organizational performance not only impact but could shape the organization strategies which include their execution.

PURPOSE OF LEADERSHIP

A common observation has shown that no successful organization would have been where it is today without effective leadership. It should be noted that leadership is not about the titles or even the accolades. Effective leadership is a process that is much more meaningful, impactful and profound that is earned and worked for (Olowokere, 2014).

There is no set formula or step-by-step plan that is utilized in leadership to achieve the

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organizational goal; this depends on the culture and needs of the organization. According to Igbaekemen and Odivwri (2015), the aim of leadership is the accomplishment of goals or objectives.

This is a pointer that the leader's attempt at influencing the subordinates is directionally aimed at achieving a particular level of achievement. Effective leadership is one of the primary drivers for growth, development and innovation.

It can be concluded that leadership goes beyond goals; it has a purpose, a cause that is broad enough to create a vision that could connect followers who might have a different individual goal.

TYPES OF LEADERSHIP STYLE

A leadership style is a leader's method of providing direction, implementing plans and motivating people. Various studies have identified many different leadership styles as exhibited by leaders in an organization. However, it should be noted that it is only the culture and goals of an organization that determine which types of leadership style that will fit such an organization (Odediran and Babalola, 2015). The leadership styles that were identified include autocratic leadership style, laissez-faire leadership style, transactional leadership style, transformational leadership style, bureaucratic leadership style, charismatic leadership style and participative or democratic leadership style. Abasilim, Gberevbie and Osibajo (2019) describe the leadership styles thus:

- **Transformational Leadership:** This leadership style encourages subordinates to rise above their self-interest to achieve organizational goals which are beyond the stated expectations. This is done through the alteration of their perception, behaviour, morals, ideas, interests and values. These leaders are concerned not only about the attainment of organizational goals that go beyond the stated expectations but also about the development of their employees/ subordinates' capacity. Thus, transformational leaders are change-driven.
- **Transactional Leadership:** This type of leadership is noted for its development of the carrot and stick method to accomplish organizational goals. It comprises three elements, namely contingent reward, active

management by exception and passive management by exception.

- **Laissez-faire Leadership:** This style of leadership is characterized by its physical presence but absent in leadership (Lewin, Lippitt, & White, (1939) in Goodnight, R. (2011). It is defined as "the inability or a mark of general failure to take responsibility for managing and coordinating activities, thereby showing leaders who avoid making decisions, hesitate in taking action, and are absent when needed in critical situations". In addition, it is characterized by the leader's non-interference with the activities of the employees in respect of decision-making processes, and the way and manner in which employees intend to attain organizational goals that are left to them (Goodnight, 2011).
- **Autocratic Leadership:** Autocratic leadership allows autocratic leaders to take the ultimate control of taking decisions without consulting others. An autocratic leader possesses a high level of power and authority and imposes his will on his employees. The leadership proves to be useful where a close level of supervision is required. Sometimes, the style makes the creative employees' morale go down because their output is not given importance and is often detested by employees. Consequently, since they are unable to take any part in decision making, this results in job dissatisfaction and staff turnover.
- **Bureaucratic Leadership:** Under this leadership, a leader believes in structured procedures and ensures that his or her employees follow the procedures exactly. It leaves no space to explore new ways to solve issues and in fact work by book. This type of leadership is normally followed in hospitals, universities, banks (where a large amount of money is involved), and government organizations to reduce corruption and increase security. Unfortunately, self-motivated individuals who are highly energetic often feel frustrated because of the organization's inability to adapt to changing environment.
- **Charismatic Leadership:** The charismatic leader is visionary and works by infusing a high amount of energy and enthusiasm in his team. He sets a role model for his team and drives others to show a high level of

performance. Such a leader is committed to the organization and believes more in himself rather than his team. It is observed that the presence of a charismatic leader works as a boost for the rest of the employees. At the same time, a charismatic leader may pose a risk to the company if he decides to leave to explore new opportunities. Sometimes it might take a lot of time and hard work by the company to win the confidence of its employees.

- **Participative Leadership:** This style is also known as the democratic leadership style. Participative leadership consults employees and seriously considers their ideas when making decisions. When a company makes changes within the organization, the participative leadership style helps employees accept changes easily because they had been given a big role in the process.

QUALITIES OF EFFECTIVE LEADERSHIP

An individual does not just become a leader by mere wish but by the impartiality of actions and veracity of intent (Muteswa, 2016). The qualities of an effective leader are those factors that distinguish such a leader from being a 'mere leader' to being an effective one. However, Ganon (1979) in Odediran and Babalola (2015) opines that without effective leadership, it is difficult for an organization to function effectively. Some of the qualities of effective leadership include vision (creating, articulating and passionately driven vision), courage (willingness to take the risk with relevant knowledge about events), integrity (dependability, nothing to hide and nothing to fear leading to self-confidence). Others are humility (good ethical and moral character to achieve more results by containing one's ego and where necessary acknowledging mistakes), strategic planning (ability to motivate others with adequate commitment towards group/individual mobilization), focus (on the needs, the strength of the organization and on things that the company does best in satisfying demanding customers in a competitive marketplace (result) and cooperation (lead by example and be good communicator irrespective of his intelligence, enthusiasm, judgment and self-management or desire).

THEORIES OF LEADERSHIP

Over the years, some different leadership theories have been introduced to explain exactly how and why certain people become great

leaders. Early leadership theories focused on what qualities distinguished leaders from followers, while subsequent theories looked at other variables such as situational factors and skill levels. While many different leadership theories have emerged, Khan, Nawad and Khan (2016) identified the following:

- **The Great Man Theory.** The great man theory of leadership states that excellent leaders are born, not developed (inherent by nature). It suggests that people cannot learn how to become strong leaders.
- **The Trait Theory.** It assumes that people inherit certain qualities and traits that make them better suited for leadership. It is very difficult to use this theory to explain leadership because there are people who possess personality or behavioural characteristics but are not leaders. Likewise, some people lack some of the traits and still excel at leading people.
- **The Contingency Theory:** This theory focuses on which particular leadership is best in all situations concerning some factors; for example, the environment. It assumes that no leadership style is best for all.
- **The Behavioural Theory:** Behavioural theory of leadership is based upon the belief that great leaders are made, not born. It focuses on the actions of leaders, not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation.
- **The Management Theory:** The focus is on the role of supervision, organization, and group performance. This theory bases leadership on a system of rewards and punishments. Management theory is often used in business when employees are successful, they are rewarded and when they fail, they are reprimanded or punished.
- **The Situational Theory:** It proposes that leaders choose the best course of action that is based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making. For example, in a situation where the leader is the most knowledgeable and experienced member of a group, an authoritarian style might be most appropriate. In other instances where group members are skilled experts, a democratic style would be more effective.

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From the aforementioned, several studies have proposed two or more leadership theories as best for organizational performance. Al Khajeh (2018) suggests that organizations focus on using the transformational and democratic leadership styles in the organizations to improve the organization performance. Similarly, Bhargavi and Yaseen (2016) affirm that democratic, autocratic and situational leadership are the best depending on the organization. It can be concluded from these assertions that all the leadership theories have their advantages and disadvantages. Consequently, none can be said to be the best or useless. This study, therefore, agrees with the contingency theory of leadership. This suggests that each leadership style could be adopted where and when necessary. This notion is supported by Wadongo and Magdy (2014) and Njoku and Adindu (2014).

ORGANIZATIONAL PERFORMANCE MANAGEMENT

Organizational performance management is the process of making sure that the organization resources are being properly used in pursuit of company goals. The concept of performance management is commonly applied to employee development. Bates and Holton in Adindu and Njoku (2016) affirm that performance is a multidimensional construct, the measurement of which varies depending on a variety of factors. In addition, the study suggests that it is important to determine whether the measurement objective is to assess performance outcomes or behaviour. Some of the measuring factors are clearer direction, setting smart goals, determine what is critical to measure, implement changes and measure outcomes and ensuring that everything that is measured is fed back to achieving the organizational goals. Similarly, measures could be adjusted as needed.

Adebisi and Oladipo (2015) enumerated the following as efforts to improve the results of employees' efforts at achieving the organizational goals. These include reward system, effective communication, improvement of working conditions (motivation) and work engagement (Okoya, 2013).

MEASUREMENT OF ORGANIZATIONAL PERFORMANCE

In general, organizations measure performance in terms of effectiveness and efficiency. Effectiveness refers to the extent to which the organization is achieving the outcome, while

efficiency refers to the ratio of relevant outputs to relevant inputs. This can include costs, steps in a processor time.

The purpose of performance measurement is to assist in the organization decision making and to understand the progress which is necessary towards meeting the outcomes of the strategic plan and action plans. One of the most useful indicators of organizational effectiveness is how well an organization meets its goals. Measuring organizational performance can be accomplished by comparing actual achievements against set goals, comparing the projected aims such as profit and innovation against actual results. Ireland, Cantens and Yasuf (2011) stated that it is not possible to provide a single example of the best or better practices of performance measurement. This is because organizational mission statements and priorities vary based on their environment. In addition, it is not possible to provide an exhaustive list of all possible measuring indicators (Okoya, 2013). This notion is supported by Owino, Oluoch and Kimemia (2019) that performance measurement is not only seen as the ability to determine whether tasks are being performed successfully, but also whether performance measurement contributes towards decision-making. Similarly, performance measurement must provide valuable and insightful information that is not only universal but also comprehensive. The measurement should include both quantitative and qualitative information on performance.

EFFECTS OF EFFECTIVE LEADERSHIP ON ORGANIZATIONAL PERFORMANCE

According to Adebakin and Gbadamosi (1996) in Ibrahim and Daniel (2019), the organization is described as comprising two or more people who exist continuously to accomplish the set goal(s). The study identifies that every organization consists of major elements which must interrelate effectively for the objectives and goals of leadership to be actualized. These elements are time, people and task. Observations have shown that management and leadership are used interchangeably, yet, they are not the same. There are major differences that separate them. Leaders inspire their followers, while managers motivate their staff. Within an organization, leadership is the management function that is concerned with the continuous search of the best way to influence subordinates, to accomplish goals and objectives within the continuous process of coordinating material, money and time.

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The style of leadership a manager adopted has a direct effect on the organizational performance of the employees (Uchewangbe, 2013). Several studies have affirmed that there is a positive relationship between leadership and organizational performance. Ibrahim and Daniel (2019) observed that the style of leadership a manager utilized impacts employees' performance. This study is supported by AlKhajeh (2018) that organizational performance is associated with the leadership style and it has both a positive and a negative impact on the performance of any given organization. Given these views, this study concludes that there is no successful organization that would have been where it is today without effective leadership. Effective leadership is one of the primary drivers for growth, development and innovation in any organization (John and Chattopadhyay, 2015). Going further, leaders determine values, culture, change, tolerance and employee motivation. They shape institutional strategies that include their execution and effectiveness. Therefore, leadership can be seen to be a prerequisite in every human endeavour (Muijs (2011). According to the study, the key factor in organizational effectiveness is leadership. It is the key elements that made private companies more effective when compared to public organizations.

CONCLUSION

This study examined the impact of effective leadership on organizational performance. It has provided an insight into the concept of leadership, effective leadership, organizational performance and its management. Based on the findings, it was discovered that there are several definitions to leadership which are based on individual perspective. Similarly, certain qualities must be in place for a leader to be an effective one. From the study, it was concluded that effective leadership has a direct relationship with organizational performance. In addition, this relationship could be negative or positive depending on the type of leadership style being adopted by the leader in an organization. The findings also revealed that there is no suitable leadership style for any organization; the leadership style is contingent upon the situation or the environment. This is because organizations differ in culture and value despite being goal-oriented

RECOMMENDATIONS

Attempts have been made in this study to explain the influence or impact of effective

leadership on organizational performance. Consequent to the findings in the course of the study, the following recommendations were made.

- There should be no rigidity in the application of leadership styles. Different organizational situations require different styles of leadership.
- To make leadership meaningful, leaders should lead by example. They should demonstrate the attributes of punctuality, regularity, hard work and honesty in their day-to-day activities.
- Leaders in organizations should not sacrifice employees' welfare on the altar of productivity. As the leaders are working towards ensuring high organizational productivity, they should also put in place measures to cater for the wellbeing of their followers.
- There is a need for an effective annual performance evaluation of employees. The objective here is to ascertain the level of performance of such employees.
- Effective leadership requires regular training and retraining of those people who are in leadership positions. To this end, managers should be made to attend seminars, workshops and conferences both within and outside their country.

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