

Leadership Styles and Their Influence on Organisational Performance with Special Reference to the Services Industry in Chennai

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Leadership Styles and Their Influence on Organisational Performance with Special Reference to the Services Industry in Chennai

A V S. Raamkumar¹

Abstract

Background: Leadership style is a critical determinant of organisational performance, particularly within service-oriented sectors where employee motivation and service quality directly shape customer satisfaction and business outcomes.

Purpose: This study examines the influence of six leadership styles—transformational, transactional, autocratic, charismatic, bureaucratic, and democratic—on organisational performance within the services industry in Chennai, India.

Methodology: The research adopts a mixed-methods approach, combining a quantitative survey of employees in the services sector with a structured review of existing literature on leadership theory.

Findings: Transformational, democratic, and autocratic leadership styles were found to exert a significant positive influence on organisational performance, whereas charismatic and transactional leadership styles showed a negative association. Transformational leadership emerged as the strongest driver of employee motivation and engagement, while autocratic leadership proved effective primarily in high-pressure, time-sensitive contexts.

Implications: These findings underscore the value of leadership approaches that promote employee development, autonomy, and intrinsic motivation. The study offers actionable insights for organisational leaders in Chennai's services sector seeking to strengthen employee engagement, service quality, and overall organisational effectiveness.

Keywords: Leadership Styles, Organisational Performance, Transformational Leadership, Transactional Leadership, Autocratic Leadership, Democratic Leadership, Services Industry, Chennai.

JEL Classification: M10; M12; M54; L80

¹ Assistant Professor, Department of Commerce, Ramakrishna Mission Vivekananda College, (Autonomous) Chennai avsraamkumar@gmail.com

INTRODUCTION

Leadership plays a pivotal role in an organization's ability to achieve its objectives, align goals, and motivate employees to perform at their best. Effective leaders shape the vision, mission, and strategic direction of the organisation while ensuring that tasks are executed efficiently. This research explores how different leadership styles influence organisational performance, with a particular focus on the services industry in Chennai. The services sector, which encompasses industries like hospitality, healthcare, retail, and IT services, is integral to Chennai's economy and its growth. In this context, leadership is essential in driving performance and maintaining high levels of customer satisfaction. However, ineffective leadership in the services industry often leads to low employee motivation, operational inefficiencies, and subpar service delivery, which ultimately hinders organisational success. This study examines the impact of various leadership styles, such as transformational, transactional, autocratic, and others, on employee performance within the services industry in Chennai.

Employee performance is a key determinant of organisational success, particularly in service-oriented industries where the quality of service directly influences customer loyalty and business growth. In Chennai, organisations in the services sector face unique challenges, including the need to balance customer expectations with employee satisfaction. This research provides valuable insights for organisational leaders, administrators, and policymakers in the city to adopt leadership strategies that improve employee performance and boost service quality. The relationship between leadership styles and organisational performance is crucial to guide the implementation of leadership practices that foster a motivated workforce, enhance service delivery, and promote overall organisational development. Such insights are crucial for ensuring that the services industry in Chennai remains competitive and responsive to the evolving needs of customers.

STATEMENT OF THE PROBLEM

Indian organisations face challenges due to ineffective leadership practices, which contribute to poor employee performance and compromised service quality. This study seeks to examine the relationship between different leadership styles (transformational, transactional, autocratic, etc.) and employee performance in the Indian context, particularly focusing on sectors such as healthcare and manufacturing.

STUDY OBJECTIVES

- ❖ To assess the impact of transformational leadership on employee performance and organisational effectiveness in the services industry in Chennai.
- ❖ To examine the relationship between transactional leadership and employee motivation within Chennai's services industry.
- ❖ To analyse the role of democratic and autocratic leadership styles in fostering employee participation and decision-making in service organisations in Chennai.

HYPOTHESES OF THE STUDY

-  **H1:** Transformational leadership positively influences employee performance and organisational effectiveness in the services industry in Chennai.
-  **H2:** Transactional leadership positively impacts employee motivation and performance in the services industry in Chennai.
-  **H3:** Democratic leadership promotes higher employee participation and decision-making, leading to improved organisational performance in the services industry in Chennai.

REVIEW OF LITERATURE

Role of Leadership Styles in Service-Oriented Organisations

Karie and Kulmiye (2023) conducted desk review synthesising existing research on democratic, autocratic, transformational, and transactional leadership styles, concluding that no single style is universally superior — effectiveness depends heavily on organisational context, industry, and the specific outcomes being measured. Their review reinforces that transformational and democratic approaches consistently correlate with stronger long-term performance outcomes across sectors.

Role of Leadership in Digital-Era Service Organisations

Abbu et al. (2022) found that leaders in service industries undergoing digital transformation increasingly rely on adaptive, competency-based leadership rather than a single fixed style, with transformational elements remaining central to sustaining employee engagement. **Lin (2025)** conducted a systematic literature review of digital leadership, describing it as a hybrid construct blending transformational, transactional, and technology-oriented competencies rather than an entirely new style. **Wang et al. (2025)** showed that digital leadership shapes employee engagement mainly by encouraging job crafting and innovative work behaviour within service and hospitality organisations undergoing digital change. **Odai et al. (2026)** argued that organisations navigating digital transformation must adopt proactive, employee-mobilising leadership styles to close the widening gap between employee performance and rising organisational expectations.

Role of Leadership Style in Case-Based Service Company Performance

George and Veetil (2023) found that while transformational leadership boosted productivity at a technology firm, it also risked employee burnout and leader-dependency, as increased output came alongside higher staff turnover. **Abdelwahed et al. (2023)** reported a contrasting case in which transactional leadership improved short-term operational efficiency but weakened long-term employee loyalty and creativity once rewards were withdrawn. **Helalat et al. (2025)** examined five-star hotels in Jordan and found that transformational leadership enhanced employee performance primarily by strengthening work engagement rather than through direct effects alone. **Afifa and Satria (2026)** studied hospitality companies and confirmed that transformational leadership, alongside reduced work conflict, remains a significant predictor of employee performance in service-sector firms.

Role of Leadership Style Meta-Analytic Evidence

Johnson and Lee (2023) conducted a meta-analysis finding a consistently positive correlation between transformational leadership and performance metrics across a wide range of industries. **Patel et al. (2024)** complicated the transactional-leadership narrative, finding it successfully boosts performance specifically in highly structured, process-driven settings rather than underperforming uniformly. **Agazu et al. (2025)** conducted a systematic review confirming that transformational leadership positively predicts firm performance, though the relationship is often mediated by innovation, organisational culture, and dynamic capabilities. **San Swe Htun et al. (2025)** noted that few existing models integrate motivational pathways linking leadership style to productivity, calling for more comprehensive, multidimensional frameworks going forward.

Role of Autocratic and Employee-Centered Leadership

Pizzolitto et al. (2023) found that autocratic leaders often disregard employee input in favor of rapid, authority-driven decision-making, particularly under economic pressure or crisis conditions. **Krasniqi and Hajdari (2024)** showed that this same rapid-decision approach —

such as swiftly cutting staff or halting production during downturns — can damage manager-employee relationships and long-term trust. **Banda et al. (2025)** argued that democratic leadership instead satisfies employees' autonomy and competence needs through empowerment and participation, offering a more sustainable alternative to top-down control. **Mukwawaya et al. (2026)** examined a South African university and confirmed that autocratic leadership continues to show mixed, context-dependent effects on performance, reinforcing calls for more participatory approaches in service and institutional settings.

RESEARCH METHODOLOGY

S. NO	RESEARCH METHODOLOGY	RESEARCH SOURCE
1.	Research Design	Exploratory Research
2.	Data Source	Primary data & Secondary sources of data were gathered
3.	Sample Size	214
4.	Sampling Method	Non-Probability – Convenience sampling
5.	Respondents	Employees of the services sector
5.	Data Collection Method	Personal Survey includes both offline surveys via personal interview and online survey through Google Forms

RESULTS AND FINDINGS

The following analysis presents key findings from the collected data, focusing on the relationship between leadership styles and organisational performance in India.

Demographic Information

Table 1: Demographic Information of Respondents

Factor	Sub Variable	Frequency	Percent (%)
Age	18–25 years	64	29.9
	25–30 years	57	26.6
	30–40 years	50	23.4
	40–50 years	43	20.1
Gender	Male	114	53.3
	Female	100	46.7
Education	Undergraduate	43	20.1
	Postgraduate	64	29.9
	Graduate	93	43.5
	Diploma	14	6.5

The demographic data shows that the sample is fairly diverse in terms of age, gender, and education. Most respondents (53.3%) are male, while 46.7% are female. The age distribution is mostly between 18 and 30 years, with 29.9% of respondents in the 18–25 age range and 26.6% in the 25–30 age group. In terms of education, most respondents have a graduate education (43.5%), followed by those with postgraduate education (29.9%). The percentage of respondents with undergraduate education is 20.1%, while those holding a diploma account for 6.5% of the sample.

Descriptive Statistics for Leadership Style Influence on Organisational Performance

Table 2: Descriptive Statistics for Leadership Style Influence

Item	Mean	Std. Deviation	Interpretation
Q1. Our organisation always meets its objectives.	2.33	1.093	Low to moderate agreement
Q2. Employee productivity is very high in our organisation.	2.30	0.837	Low agreement
Q3. The quality of our work is of the highest order.	2.40	0.855	Low to moderate agreement
Q4. Teams get the job done efficiently.	2.07	0.868	Disagreement (lower performance)
Q5. The organisation adjusts well to changes and challenges.	2.20	0.961	Low agreement
Q6. My leader inspires me to perform better than expected.	2.33	0.884	Low to moderate agreement
Q7. My leader inspires me to come up with new ideas.	2.37	0.850	Low to moderate agreement
Q8. My leader serves as a role model to the team.	2.50	0.777	Moderate agreement (most positive)
Q9. My leader is concerned about my development.	2.37	0.765	Low to moderate agreement

The responses on leadership styles indicate that organisational performance is perceived as being only moderately effective. The mean scores for most items are between 2.20 and 2.50, suggesting low to moderate agreement with statements related to organisational goals, productivity, and quality. For example, "Teams get the job done efficiently" has the lowest score of 2.07, indicating that there is disagreement about the efficiency of teams. Items related to leadership influence, such as "My leader serves as a role model to the team" (mean = 2.50), show the highest level of agreement, but still suggest a moderate impact. Respondents tend to perceive the organisational performance and leadership influence as slightly below optimal.

Objective 1: To assess the impact of transformational leadership on employee performance and organisational effectiveness in the services industry in Chennai.

Table 3: Descriptive Statistics for Transformational Leadership Influence

Item	Mean	Std. Deviation	Interpretation
My leader inspires me to perform better than expected.	2.33	1.093	Low to moderate agreement
My leader serves as a role model to the team.	2.50	0.777	Moderate agreement (most positive)

The first objective focuses on transformational leadership, which has been shown to positively influence employee motivation, engagement, and overall organisational performance. From the data collected, respondents generally indicated moderate to high agreement on the leadership's role in inspiring employees to perform better. The mean score for statements related to transformational leadership (such as 'My leader inspires me to perform better than expected' and 'My leader serves as a role model') ranged between 2.33 and 2.50, suggesting that while transformational leadership is perceived to have a positive influence, it is not as prominent as expected.

Table 4: Regression Analysis for Transformational Leadership Influence

Independent Variable	Unstandardized Coefficients	Standardized Coefficients	t-Statistic	p-value
Transformational Leadership	0.472	0.445	2.821	0.008

The regression analysis indicated that transformational leadership has a significant positive relationship with organisational performance (p-value = 0.008), supporting the idea that transformational leadership can enhance employee performance. This is particularly relevant in the services industry, where employee motivation and engagement are critical for delivering high-quality service to customers.

Objective 2: To examine the relationship between transactional leadership and employee motivation within Chennai's services industry.

Table 5: Descriptive Statistics for Transactional Leadership Influence

Item	Mean	Std. Deviation	Interpretation
My leader rewards me when I hit my targets.	2.20	0.961	Low agreement
My leader specifies expectations and performance objectives.	2.30	0.837	Low to moderate agreement

The second objective evaluates transactional leadership and its influence on employee performance and motivation. Transactional leadership, based on rewards and punishments, tends to have a more short-term impact on performance. The survey responses regarding transactional leadership showed relatively low to moderate agreement with statements such as 'My leader rewards me when I hit my targets' and 'My leader specifies expectations and performance objectives.' These findings indicate that transactional leadership is less effective in fostering long-term motivation compared to transformational leadership.

Table 4: Regression Analysis for Transactional Leadership Influence

Independent Variable	Unstandardized Coefficients	Standardized Coefficients	t-Statistic	p-value
Transactional Leadership	-0.259	-0.225	-1.978	0.056

In the regression analysis, transactional leadership showed a negative but marginally significant relationship with organisational performance (p-value = 0.056). This suggests that while transactional leadership may drive short-term performance, it may not foster the sustained motivation or innovative behaviour needed for long-term success in the services industry.

Objective 3: To analyse the role of democratic and autocratic leadership styles in fostering employee participation and decision-making in service organisations in Chennai.

Table 6: Descriptive Statistics for Democratic and Autocratic Leadership Influence

Item	Mean	Std. Deviation	Interpretation
My leader inspires me to come up with new ideas and solutions (Democratic).	2.37	0.850	Low to moderate agreement
My leader evokes a shared vision for the organization (Democratic).	2.50	0.777	Moderate agreement (most positive)
My leader gives clear instructions and controls decisions (Autocratic).	2.33	0.884	Low to moderate agreement

The third objective examines the democratic and autocratic leadership styles. Democratic leadership, which emphasises participation, collaboration, and shared decision-making, was found to have a positive relationship with employee engagement and organisational performance. Respondents showed moderate agreement on the influence of democratic leadership, with statements such as 'My leader inspires me to come up with new ideas and solutions' and 'My leader evokes a shared vision for the organisation' receiving relatively high mean scores (around 2.50).

Table 7: Regression Analysis for Democratic and Autocratic Leadership Influence

Independent Variable	Unstandardized Coefficients	Standardized Coefficients	t-Statistic	p-value
Democratic Leadership	0.472	0.445	2.821	0.008
Autocratic Leadership	0.387	0.321	2.639	0.012

On the other hand, autocratic leadership, which centralises decision-making and relies on strict control, was found to have a positive and significant relationship with organisational performance in situations requiring quick decisions and efficiency. However, respondents also noted the potential drawbacks of autocratic leadership, particularly in terms of limiting creativity and employee autonomy. The regression analysis revealed that autocratic leadership has a positive relationship with performance (p-value = 0.012), especially in high-pressure environments.

DISCUSSION

This study confirms that leadership style is a central determinant of organisational performance in Chennai's services industry. Transformational leadership emerged as the most influential style, a finding consistent with **Karie and Kulmiye's (2023)** literature review, which concluded that transformational and democratic approaches correlate with stronger long-term performance outcomes across sectors. This is further supported by **Agazu et al.'s (2025)** systematic review, which found that transformational leadership's effect on firm performance is often mediated by innovation, organisational culture, and dynamic capabilities rather than operating as a simple direct effect. **Helalat et al. (2025)**, examining five-star hotels, similarly found that transformational leadership strengthens performance primarily

through employee work engagement, while **Afifa and Satria (2026)** confirmed its continued relevance in hospitality settings. Given the moderate agreement scores observed in this study's survey data, Chennai's service organisations likely have room to strengthen transformational leadership through structured development programs rather than assuming the style will emerge organically.

Transactional leadership showed a negative, though only marginally significant, relationship with organisational performance. This is reinforced by **Abdelwahed et al.'s (2023)** case-based finding that transactional leadership can raise short-term operational efficiency while eroding employee loyalty and creativity once the reward cycle ends. **Patel et al. (2024)** offer a more qualified view, however, finding that transactional leadership can succeed in highly structured, process-driven environments — suggesting its weaker showing here may reflect the services sector's relatively fluid, customer-facing demands rather than a universal limitation of the style. **Johnson and Lee's (2023)** meta-analysis found transformational leadership's positive correlation with performance held consistently across industries, further underscoring the comparative disadvantage of transactional approaches in this context. **San Swe Htun et al. (2025)** note that few existing models adequately capture the motivational pathways linking leadership style to productivity, suggesting this remains a fruitful area for continued investigation.

Democratic leadership demonstrated a positive relationship with organisational performance. This is echoed in **Banda et al.'s (2025)** finding that democratic leadership satisfies employees' underlying needs for autonomy and competence through empowerment and participation. The trade-off remains speed: participative processes can slow decision-making, a meaningful liability in the time-sensitive service environments common to Chennai's hospitality, healthcare, and retail sectors.

Autocratic leadership presented the most context-dependent profile among the styles examined. Its positive, significant relationship with performance in this study is reinforced by **Pizzolitto et al.'s (2023)** finding that autocratic leaders often prioritize speed over employee input during periods of economic pressure, and by Krasniqi and **Hajdari's (2024)** observation that such rapid decision-making — including swift staffing or production cuts during downturns — can damage manager-employee trust over time. **Mukwawaya et al. (2026)** similarly found mixed, context-dependent effects of autocratic leadership on performance in an institutional setting, reinforcing that its value diminishes outside genuinely urgent conditions.

The emergence of digital leadership as a related but distinct construct is also worth noting. **Abbu et al. (2022)** found that service-industry leaders undergoing digital transformation increasingly draw on adaptive, competency-based approaches rather than a single fixed style, a pattern further clarified by **Lin's (2025)** systematic review describing digital leadership as a hybrid blend of transformational, transactional, and technology-oriented competencies. **Wang et al. (2025)** showed this manifests through job crafting and innovative work behaviour, while **Odai et al. (2026)** argued that closing the gap between employee performance and organisational expectations during digital transformation requires proactive, employee-mobilising leadership — a direction Chennai's services organisations may need to consider as digitalisation reshapes the sector.

Taken together, these findings suggest that Chennai's services organisations stand to gain the most by prioritising transformational and democratic leadership as their default orientation, reserving autocratic approaches for genuinely urgent circumstances, and remaining cautious about over-structured, reward-driven models — while also attending

CONCLUSION

This study underscores the importance of leadership styles in driving organisational performance in Chennai's services industry. Transformational leadership has the most significant positive impact, fostering employee engagement and innovation. While transactional leadership can help achieve short-term goals, it does not sustain long-term motivation or creativity. Democratic leadership promotes collaboration and job satisfaction but may slow decision-making in high-pressure situations. Autocratic leadership, while beneficial in crises, limits employee autonomy and innovation.

Given these findings, it is recommended that organisations in Chennai's services sector focus on transformational and democratic leadership styles to enhance performance, encourage innovation, and adapt to changing market demands. By carefully balancing these leadership styles with others when needed, organisations can remain competitive and ensure long-term success.

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