

## Review of Leadership Theories and Management Performance in Organizations

<sup>1</sup>Oladipo Kolapo Sakiru, <sup>2</sup>Jamilah Othman, <sup>1</sup>Azahari Ismail,  
<sup>2</sup>Jeffrey Lawrence D'Silva and <sup>1</sup>Salami Dada Kareem  
<sup>1</sup>Faculty of Educational Studies,  
<sup>2</sup>Institute for Social Science Studies, University Putra Malaysia,  
Serdang, Selangor, Darul Ehsan, Malaysia

---

**Abstract:** Better understanding need to be developed on leadership theories and management performance in organization. The main aim of this study is to identify best styles of leadership that can raise management performance in an organization. Data for this current study were obtained from previous literature on leadership theories and management performance in organizations. From the literature review of previous studies, it was concluded that for better management performance in organizations, transformational leadership styles is highly needed because many literature are in support of this leadership style.

**Key words:** Leadership, leadership theories, management performances, organizational performance, literature

### INTRODUCTION

Leadership concept is a phenomenon that draws the attention of academics and practitioners in various fields. Over the years, there have been numerous definitions on leadership. Many past literatures have concluded that there are important differences between the two terms: manager and leader. According to Squires, tasks such as allocation of roles, coordination of the allocated activities tasks and monitoring the everyday operation of the organization resources needed to achieve organizational goals and processes are all functions of a manager. Meanwhile, how the research is being carried out to meet the desired aspiration of the organizations is the concern of the leaders.

According to Bryman *et al.* (2000), leaders with periods of turbulence while managers are associated with periods of stability; there is hardly any need for leadership when there is peace and satisfaction among the people. From another point of view, the need for leadership is highly needed if the condition and human situation is at stake, this stake conditions will urge someone to move forward and initiate a change for the betterment of the people (Temple, 2002). Leaders focus on the vision and aspirations of the future and by developing a well plan system that is needed to bring about those changes needed to achieve that aspirations and visions. Meanwhile, creating guidelines and procedural steps in achieving those results are the functions of the managers (Temple, 2002).

Maintaining and creating a sense of vision, interpersonal relationships and culture in an organization is being termed as leadership, meanwhile, supporting, monitoring and coordinating the activities of an organization is being term as management (Day, 2000). Leadership has a broader concept than management as was proven by Hersey and Blanchard (1988). Management is a sub skill of leadership in which achieving organizational goals is of ultimate importance. To achieve an organizational goal, it involves leaders working with and through people so as to achieve this.

Leadership to some peoples means different things. Importantly, it reflects the believe that involves an influence process whereby unintentional/intentional influence is imposing by the leader over followers whether in an informal or formal setting. Meanwhile, management is a physical and mental process in which followers are to carry out a prescribed assignment and to complete certain organizational tasks and objectives.

Therefore, this study discusses the various leadership theories and management performance in an organization. This study aim is to buttress the role of leadership and management in achieving a set goals and objectives of an organization with believe that it will serve as ways for appreciating the various styles of leadership of manager that could be adapted to suit different situations in our organizations. The study will extensive relies on review of various literatures to make content analyses and argumentative of leadership styles and theories and performance of managements in organizations.

## **REVIEW OF LEADERSHIP THEORIES**

The early trait approach to leadership up to the late 1940's believed that leadership ability is born not made (Bryman *et al.*, 2000). It was believed that people became leaders basically on these traits that were inborn with them such as language ability, appearance and intelligence. In view of this, in the early traits theory, researchers focussed their attention from the individual characteristics of the leaders to a concern style of leadership put in by the leaders. They asked this question, if one leadership style is more effective than another leadership style. Later, attention was shifted from a concern of to who is the leader and what the leader does (Hughes *et al.*, 1994). There was an endless, search by the researchers to identify personality, emotional, intellectual and cultural and other personal characteristics of successful leaders (Triandis, 2006). In the early time, it was thought that personality traits of leaders is what is being used to describe or explain leadership (Hollander, 1978). The quality that makes up of leadership traits are courage, wisdom and characteristics, nowadays, one might still admire someone with these characteristics and would not assume they ensured effectiveness for particular set of leaders functions (Day, 2000).

Many researches had shown that the problem of assessing leader's effectiveness is more complicated than identifying who leaders are as was observed by Botha. There was a trait that is most associated to leaders from their study that is leaders are more intelligent than non-leaders. Other studies also supported this that leaders are more intelligent than followers (Tomas and Inkson, 2004).

However, dissatisfaction with the early traits theory on leadership sparked a series of research studies, mainly on what the leaders does and how they did it. There was a sudden shift between the late 1940's to the late 1960's to the behavioral approach of leadership which advocates that leadership effectiveness as to do with the way a leaders behaves. The main aim of this style of leadership is that there is a belief that there is a particular style the effective leaders used to lead groups of individuals to achieve certain aim, objectives and goals of the organization which result in an increased productivity and employee morale. Meanwhile, behavioral leadership focused on leadership effectiveness not like traits theory that focused on emergence of an individual as a leader.

The behavioral approach of leadership, researchers carried out their research on behavioral approach to leadership in the Ohio State studies and University of Michigan studies. Ohio State studies investigated the pattern of behavior of persons to be a leader by looking

at those who satisfy common needs for the group. These studies came out with two independent leadership dimensions which are considerations and initiating structure. Considerations emphasis on employees oriented styles of leadership while initiating structure is analogous to a task oriented style of leadership (Bryman *et al.*, 2000). Equally at the same time when this research was going on in Ohio State University, a series of researches on leadership studies were also in progress at University of Michigan. The main objectives of this research or studies were to look for the best styles of leadership behavior that will result in increasing research group performance and satisfaction. This later came out with two distinct leadership styles which are developed from the studies: job center leadership and employee-centre leadership.

Researchers recognized the limitation of the behavioral theories and began to redefine and develop new approaches to the study of leadership. The contingency approach on leadership suggests that leadership effectiveness is basically dependent on situation the leaders found themselves which means leadership effectiveness based on situation. This approach became popular in the late 1960's to the early 1980's. Its' argument was that one particular styles of leadership might be effective in one situation and might not be effective in other situation. Contingency theory was authorized by Fiedler (1967) which viewed leadership effectiveness as contingent upon the interaction of certain leader's qualities with special demands of the environment. Contingency theory lines in the situation that the leaders found themselves, this vary a great deal that different leader's exhibit different behaviours in certain types of situation they found themselves. It was later proven that particular styles of leadership may therefore research effectively on one group or organization but may total ineffective for another group of workers. It was later concluded that leadership styles is a situational base (Wang and Clegg, 2002).

Furthermore, for a quest for better styles of leadership styles in the mid 1970's, there was a sudden move to integrate theory paradigm which combines, the early trait, behavioral theory and contingency to explain influencing and succesful leader follower relationship. However, this recent approach later focuses on visionary leader and charismatic leader which was a term used to describe leader who can lead but who do not hold sanctioned office by sociology called Max Weber (Temple, 2002). This gave way to the concept of transactional and transformational in the late 1970s.

Transactional leadership style is being based on traditional bureaucratic authority and legitimacy. In a

stable business environment, it was indicated that transactional leader emphasizes on work principles, standards, clarification of goals and equipment (Bass, 1997). Adequacy of the follower performances depends on the types of reward or disciplines get from the leaders (Sarros and Santora, 2001). Transactional leadership work within the framework of self-interest of their constituency and is known to change promises for votes (Bass, 1997).

Meanwhile, the current competitive organization environment needs a leadership styles that can stand the organizational survival and performances which gave way for transformational leadership styles (Bass, 1997). Positive result continues to emerge on the effects of transformational leadership this is what gave the research on it to become somewhat self-sustaining (Bass, 1994). Transformation of followers, value, belief, capabilities and needs are the concern of transformational leadership. Transformational leaders, inspired common goals and aspirations that transcend followers and individual needs which result in the attainment of major transformation in an organization and work-place effectiveness.

Moreover, reviews of literature on leadership theories as shown that transformation leadership is positively correlated with leadership effectiveness (Bass, 1997). Transformation leadership is the continuation of transactional leadership styles and this evidence was shown by Pruijn and Boucher (1995). Leaders may display transactional or transformational leadership styles because this two leadership styles are not mutually exclusive (Bass, 1997).

## **LEADERSHIP AND MANAGEMENT**

In organizational studies, leadership and management are important issues. There has been a renewed interest on the two concepts from the early 1990's to present. To distinguish and show relationship between the two terms has been the focus of the researchers. In the present day, organizational environment, managers are facing many organizational challenges in the aspect of leading, through sacrifice, confidence and motivating followers in achieving organizational objectives. Organizational objectives are being achieved by manager by working within the system and by using both people and equipments to meet the specific target while directions is being set by the leaders to bring project and visions to reality by gaining employees commitments. In fact for organizations to be successful it needs both managers and leaders in achieving their aims and objectives (Lok and Crawford, 2001).

Activities of management is very crucial to any business, managers provide what needs to be done on daily bases in order to carry out the organizational functions while the management functions is being accomplished by the leaders in complementing the functions or effort of the managers in the organizations. According to Lok and Crawford (2001), it was revealed that one of the strong factors that contribute to organizational success is transformational and transactional leadership styles. Transformational and transactional leadership styles are being used to distinguish between leadership (relationship oriented) and management (task oriented) and this is being used in related to organizational performances (Sarros and Santora, 2001; Bryant, 2003).

Meanwhile, it is being referred to by some scholars that transactional leaders is to managers and transformational leaders is to leaders (Sarros and Santora, 2001). It was being held by the scholars that leadership and management are not the same. This was based upon on their argument that managers role is to plan, organize and implement the views of the visions of the leaders while leadership is all about communicating and developing a vision. That means, the desire to achieve the leaders' ends based upon the managers. Transactional leaders are described as the leaders which are rated as task and reward-oriented, structure and passive while leaders that are described as transformational as influential charismatic and inspiration (Bryant, 2003; Moore, 2007).

Articulating to followers the problems in the current organization and a compelling vision and focus of what a new organization would look like or would be, it the vision and aspiration of a transformational leaders meanwhile the cultural maintenance form of leadership which seeks to clarify or strengthens existing research standards, tasks and management by exception is the aspiration and vision of a transactional leaders. Personality leadership traits depends on each dimensions represented by an option that can be employed to shaped strategies and structures in an organizations (Bryman *et al.*, 2000).

In transactional leadership, once the business is completed between the parties, the agreement between the parties may be redefined or may end meanwhile there is more enduring especially when the change process is well designed and implemented in transformational leadership. There is promotion of stability in transactional leaders while creating significant change in both organizational and followers are in transformational leaders (Day, 2000).

## **PERFORMANCE AND LEADERSHIP**

For the collective goals of the organization to be achieved, individuals must set aside the personal goals for the effective performances of the organization (Cummings and Schwab, 1973). Nature of performance is defined by the organization itself in an organizational context (Cummings and Schwab, 1973). One of the paramount importances to the achievement of any organization is the employees. Individual and organizational performance is being influenced by effective leadership which enables greater participation of the entire workforce.

Leader's ability to optimized human resources is a reliant to organizational success. An employee motivation is one of the paramount things good leaders should understand in achieving organizational goals and objectives (Bass, 1997). Effective and stimulating relationship between the people must be involved in the organization for effective organizational performance (Day, 2000). It is agreed that leadership effectiveness is being needed in organizations for the effective organizational performance and if there is not that means the organization will suffer in it neglect.

Furthermore, effective performance of an organization is widely dependent on the leadership quality and effective behavior which must interest the attainment of desires of the followers (Bass, 1997). A research undertaken by Booyesen and Van wyk (Swanepoel, 2000), it was out rightly discovered that outstanding leaders are seen to show a direct and strong vision in increasing organizational performances. Advanced level of leadership is needed by firm in this world of escalating competitive technological advances and of changing employee's attitudes in an organization. This later demonstrated on the importance of leadership to organizational performance. Leaders make a difference to whether their organizations succeed or fail also, makes difference in theirs subordinates performances in the modern business environment (Bass, 1997).

Meanwhile, it is argued by Kotter (1988) that effective and dynamic leaders is needed in the significant shift of the business environment such as the need for more participation of the total workforce and change in the competitive intensity. Leadership has been the most thorough organizational variables that has been investigated and has the potential impact on employee's performances (Cummings and Schwab, 1973).

According to Cummings and Schwab (1973), it is stated that there is a positive correlation between leadership traits or leadership behavior and employees

performance in an organization. Meanwhile, it was later indicated that this literature was not empirically proven so therefore, it cannot stand over time (Fiedler, 1967). An organization excellent begins with a dynamic excellent leadership and successful organization as the reflection of dynamic leaders which basically made leadership as a critical factor in the success and failure of the organizations (Bass, 1997). When the influences the leaders exert over their subordinates, work towards achieving organizational performances it makes the leaders more effectives (George and Jones, 2000).

## **PERFORMANCE MANAGEMENT**

One of the things that are important to people and organization is performance. The success of an organization depends on its people; people are the greatest organization assets and individual and people have learned about the role of people in an organization (Temple, 2002). In raising performance in an organization, human resources is absolutely critical in doing this (Temple, 2002). Organizational performance is the culmination of the performance of many individuals (Day, 2000). Effective human resource management and development strategy is an integral part of performance management (Hellriegel *et al.*, 2004). The process where the employee with the assistance of the employers tries to improve the employee's individual performance in an organizations and his contribution to wider objective is termed as performance management (Hellriegel *et al.*, 2004).

Furthermore, the process that begins with the translating of the overall strategies objective of the organization into clear objectives for each individual employee is the performance management (Amos *et al.*, 2004). The employee's lucid understanding of the organization's expectations is the beginning and developing of first-class performance management (Day, 2000). Managers must make an individual or teams perform to a large arena to elevate and sustain the level of work performance in an organization (Hellriegel *et al.*, 2004). Reliant on the support of an organization management is the success of performance management system. Reward of personal development and achievement must be seen in performance management system (Day, 2000). Employee has confidence in their research and management support is also being recognized by them (Cherrington, 1994). Better performance of employees, strengthens relationships and self motivation via open communications between managers and employees are tools of motivations used by

a good performance management system in motivating their employees (Baird, 1986). The link between an organization mission, strategic direction and they require employee performance is the performance management (Temple, 2002).

### CONCLUSION

Conclusively, the survival and growth of any business organization depends on its people because a considerable proportion of the value of an organization is determined by both leaders and management. From the review of the literature on leadership theories and management performance, it was argued that leadership effectiveness has a positive influence on management performance in an organization and it is also agreed from the literature that leadership styles is also instrumental to management performance in an organization.

The current business organization environment requires a style of leadership that can raise the employee's productivity and also improve management performance in an organization (Kotter, 1988). The needs to ensure effective and long term survival of an organization is being satisfied by transformational leaders and it is also believed to have a constructive impact on the effectiveness and management performance in an organization.

It is concluded from the literature that transactional leaders is ineffective when talking of transformational leaders (Meyer and Botha, 2000). And that transformational leadership is strongly correlated with high management performance than transactional leadership in an organization (Meyer and Botha, 2000).

### REFERENCES

Amos, T.L., A. Ristow and L. Ristow, 2004. Human Resource Management. 2nd Edn., Juta and Co. Ltd., Lansdowne, India.

Baird, L., 1986. Managing Performance. John Wiley, New York.

Bass, B.M., 1994. Transformational leadership critical for South Africa. *Hum. Resour. Manage.*, 10: 10-13.

Bass, B.M., 1997. Concepts of Leadership. In: Leadership: Understanding the Dynamics of Power and Influence in Organizations, Vecchio, R.P. (Ed.). University of Notre Dame Press, Notre Dame, Paris.

Bryant, S.E., 2003. The role of transformational and transactional leadership in creating, sharing and exploiting organizational knowledge. *J. Leadership Org. Stud.*, 9: 32-44.

Bryman, C., G. Heyl and D. Maritz, 2000. Leadership. In: Organisational Development and Transformation in South Africa, Meyer, M. and E. Botha (Eds.). Butterworths, Durban, South Africa.

Cherrington, D.J., 1994. Organisational Behavior. Allyn and Bacon, Boston, USA.

Cummings, L.L. and D.P. Schwab, 1973. Performance in Organisations: Determinants and Appraisal. Scott, Foresman and Co., Glenview, USA., ISBN-13: 9780673076274, Pages: 176.

Day, D.V., 2000. Leadership and Organisations. McGraw Hill, New York.

Fiedler, F.E., 1967. A Theory of Leadership Effectiveness. McGraw-Hill, New York, USA., Pages: 310.

George, J.M. and G.R. Jones, 2000. Essentials of Managing Organisational Behavior. Prentice-Hall, Upper Saddle River, New Jersey, Pages: 320.

Hellriegel, D., S.E. Jackson, J.W. Slocum, G. Staude and T. Amos *et al.*, 2004. Management: Second South African Edition. Oxford University Press, Cape Town, South Africa.

Hersey, P. and K.H. Blanchard, 1988. Management of Organization Behaviour: Utilizing Human Resources. 5th Edn., Prentice-Hall, Englewood Cliffs, USA., ISBN-13: 9780135512685, Pages: 474.

Hollander, E.P., 1978. Leadership Dynamics: A Practical Guide to Effective Relationships. The Free Press, New York, Pages: 228.

Hughes, R., A. Ginnett and G. Curphy, 1994. Leadership: Enhancing the Lessons of Experiences. The Free Press, New York.

Kotter, J.P., 1988. The Leadership Factor. The Free Press, New York, ISBN-13: 9780029183311, Pages: 161.

Lok, P. and J. Crawford, 2001. Antecedents of organizational commitment and the mediating role of job satisfaction. *J. Manage. Psychol.*, 16: 594-613.

Meyer, M. and E. Botha, 2000. Organisation Development and Transformation in South Africa. Butterworths, Durban, Pages: 454.

Moore, R.I., 2007. The Formation of a Persecuting Society: Authority and Deviance in Western Europe, 950-1250. 2nd Edn., Wiley-Blackwell, Malden, MA., USA., ISBN-13: 978-1405129640, Pages: 240.

Pruijn, G.H.J. and R.L. Boucher, 1995. The relationship of transactional and transformational leadership to the organizational effectiveness of Dutch national sport organizations. *Eur. J. Sport Manage.*, 2: 72-87.

Sarros, J.C. and J.C. Santora, 2001. The transformational-transactional leadership model in practice. *Leadership Org. Dev. J.*, 22: 383-394.

Swanepoel, B., 2000. South African Human Resource Management: Theory and Practice. Juta and Co. Ltd., Kenwyn, UK., ISBN-13: 9780702177507, Pages: 856.

- Temple, B., 2002. Avoiding downsizing disasters: Empower your employees. *San Diego Bus. J.*, 23: 22-45.
- Tomas, D.C. and K. Inkson, 2004. *Cultural Intelligence: People Skills for Global Business*. Berrett-Koehler Publishers, San Francisco, CA., ISBN-10: 1576752569, Pages: 222.
- Triandis, H.C., 2006. Cultural intelligence in organizations. *Group Org. Manage.*, 31: 20-26.
- Wang, K.Y. and S. Clegg, 2002. Trust and decision making: Are managers different in the People's Republic of China and in Australia? *Cross Cult. Manage. Int. J.*, 9: 30-45.