

Leadership Styles and Performance of Service Industry

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Abstract

The study examined leadership styles and performance of service industry. A study of FCMB, Ecobank, Fidelity in Calabar. The study employed primary sources of data. The study was conducted using primary data which involves the use of questionnaire. The statistical method used for the validation of the research hypothesis formulated was Pearson product moment correlation. Based on the analysis of the results, the findings revealed that transformational leadership style, democratic leadership style, and laissez faire leadership style had a significant relationship with organizational performance. The study recommended that management should adopt the best leadership style to enhance effective performance. Finally, management of the organizations should be encouraged of their performance by given them the necessary incentives.

Keywords: leadership styles, transformational leadership style, democratic leadership style, laissez faire leadership style, organizational performance, service industry

1. Introduction

According to Acker (2020), leaders need a new mix of competencies to properly shape their board and develop their organization. According to Tolbert (2019), leaders need a new mix of competencies to properly shape their board and develop their subordinates to meet 21st century challenges. Shifting cultures, rapidly changing technology and other factors will require new patterns of leadership. The 21st century leader will need greater awareness of diverse factors and new sets of competencies — characteristics that lead to success on the job — to help them make relevant, correct and timely decisions in the leadership of change and leadership of people (Williams, 2020). Previous researches have shown that successful interaction between leaders and their followers is central to the overall functioning of a company (Eagly, 2019).

The interest in the influence of leadership styles on organization represent an alternative to the tradition of the leaders as the center of attention and power as with the sun in the “solar system”. Although the qualities of leaders are obviously important, especially in team work in particular, leaders need the skill to engage followers in productive and satisfying mutual pursuits. However, this is a departure from personal way of seeing leader qualities as possession rather than interpersonal links to others involved in shared activities. Because not all leaders wish to be participative, understanding and overcoming such reluctance to involve followers become pivotal. Not least as a source of resistance is the problem of shared responsibility and who will be accountable, it is on this background that this research work aims to assess the extent to which leadership impact on organizational performance.

1.1 Objectives of the Study

The specific objectives of this study were stated as follows:

- a. To investigate the impact of transformational leadership style on organizational performance in service Industry.

- b. To examine the impact of democratic leadership style on organizational performance in service Industry.
- c. To ascertain the impact of laissez faire leadership style on organizational performance in service Industry.

2. Literature Review

Karau (2022) explains that the excellent leader not only inspires subordinate's potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Agars (2015) defines leadership as the individual behavior to guide a group to achieve the common target. Alison (2015) explains leadership as use of leading strategy to offer inspiring motive and to enhance the staff potential for growth and development. Several reasons indicate that there should be a relationship between leadership style and organizational performance (Schmit, 2019). Studies have suggested that effective leadership behaviors can facilitate the improvement of performance when organizations face these new challenges. Organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality products, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Sule, 2017). Organization performance can also be used to view how an enterprise is doing in terms of level of profit, market share, and product quality in relation to other enterprises in the same industry. Good governance, among other things, must be participatory, transparent, and accountable, effective and equitable as well as promotes the rule of law (Riman, Lebo, Obeten & Akpan, 2023).

2.1 Theoretical Framework

2.1.1 Empowerment Theory of Leadership

The empowerment theory of leadership simply is focused on a leadership style that inspires employees by empowering them to take decisions and actions that affect the existence of the organization. The theory suggests that leaders should aside other human approach seek to empower employees to take actions that will enhance their growth and that of the organization. Empowerment theories inspire individuals to reach and acknowledge their potential in life and society. The concept of leadership has been widely researched due to its relevance to organizational survival which is why viewed leadership as a social tool required for the attainment of organizational goals and objectives. This definition emphasized leadership to encompass the actions and attitude of the leader with respect to its subordinates. Leadership is about inspiration that drives positive outcome. The whole essence of leadership can be deduced to consist given others the opportunity to learn and grow and ensuring the right attitude and building commitment to organizational goals and objectives. Leadership should inspire creativity and development of inherent skills, thereby empowering employees towards future leadership positions (Koeing & Eagly, 2014; Morris, 2018).

2.2 Empirical Review

Jekelle (2021) studied leadership styles dimension and organizational commitment. The independent variables for the study were transformational, transactional, and laissez faire leadership style. Cross sectional survey research design was used and 151 employees of a public sector agency in Abuja were surveyed. A structured questionnaire with a five-point scale was used to elucidate the responses of the respondents while multiple regression technique was deployed to analyze the data. The study found out that transformational, transactional, and laissez faire leadership techniques were statistically significant on organizational commitment. The study therefore recommends that organization should use continuous transformational leadership style practices to sustain high employee commitment and organizational effectiveness. Also, organizations should apply a bit of both transactional and laissez faire leadership styles from time to time depending about things at the workplace as there is no leadership style that is one-size fit all but depends on situation at hand.

Choudhary et al. (2013) studied the impact of transformational and servant leadership on organizational performance. The purpose of this study is to examine the impact of two comparative leadership styles on organizational performance outcomes. The leadership styles undertaken is transformational and servant leadership. A sample of 155 participants is taken from profit-oriented service sector of Pakistan. Data through survey gathered on a five points Likert scale from organizations. AMOS and SPSS are used for statistical analysis. The result shows that transformational leadership has more impact on organizational learning than servant leadership. Furthermore, organizational learning enhances organizational performance. Managers and leaders of corporate sector can get benefited from this study. Their main objective is to maximize the profitability of organization thus, they can choose leadership style which polishes their abilities and helps them to achieve profit maximization.

McCann et al (2014) researched on servant leadership, employee satisfaction, and organizational performance in rural community hospitals. This study sought to determine the degree that leaders in community hospitals were perceived as servant leaders and the level of employee satisfaction at these rural community hospitals. Two hundred nineteen surveys were completed from 10 community hospitals. This research revealed that servant leadership and employee satisfaction are strongly correlated. In addition, servant leadership has a significant

correlation between intrinsic satisfaction and HCAHPS scores. Further research can be extended to additional categories and geographic areas of the United States to determine how servant leadership, employee satisfaction, and HCAHPS are related. Hospital administrators should examine the findings of this study for possible implications to their leadership style and practice in determining how it may impact the organization they lead.

3. Methodology

This study employed survey research design. It was used to answer questions that have been raised to solve problems posed or observed, to assess needs and set goals to determine whether or not specific objectives have been met. It was also used to find fact by collecting the data directly from population or sample. This study comprised of selected commercial banks (FCMB, Ecobank, Fidelity) in Calabar. The population of the staff is ninety-three (93) using census sampling. The study employed primary sources of data. The study was conducted using primary data which involves the use of questionnaire. The statistical method used for the validation of the research hypothesis formulated was Pearson product moment correlation. A total of ninety-three copies of questionnaire were distributed and a total of eighty-nine (89) was accurately filled and returned.

3.1 Test of Hypotheses

Hypothesis one:

H_{01} : There is no significant relationship between transformational leadership and organizational performance.

Independent variable: Transformational leadership

Dependent variable: Performance

Test statistic: Pearson product moment correlation coefficient

The analysis showed a correlation coefficient of 0.572 indicating the existence of strong positive correlation relationship between transformational leadership and organizational performance. The results are based on Pearson correlation coefficients, significance levels (2-tailed), sum of squares and cross-products, covariance, and the number of observations (N). The Pearson correlation coefficient between transformational leadership and organizational performance is .572, which indicates a strong positive correlation between the two variables. The sum of squares and cross-products and the covariance values provide additional information about the relationship between the variables. The test was significant at 0.01 significant level and led to the rejection of the null hypothesis which states that there is no significant relationship between transformational leadership and organizational performance. Consequently, the alternative hypothesis was accepted and concluded that there is a strong positive correlation relationship between transformational leadership and organizational performance.

Table 1. Correlation result of relationship between transformational leadership and organizational performance

		TL	Perf
TL	Pearson correlation	1	.572**
	Sig. (2-tailed)		.000
	Sum of squares and cross-products	138.58	171.21
	Covariance	.250	.236
	N	89	89
Perf	Pearson correlation	.572**	1
	Sig. (2-tailed)	.000	
	Sum of squares and cross-products	176.41	622.44
	Covariance	.336	1.51
	N	89	89

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS analysis by Researcher, 2024

Summary of Pearson Product Moment Correlation Analysis of the relationship between transformational leadership and organizational performance. n= 89.

Variables	$\sum X$	$\sum X^2$	$\sum XY$	r-cal p-value
N	$\sum Y$	$\sum Y^2$		

TL(X) 89	5656	119646	103027	.572**
	.000			
Perf (Y) 89	4890	89456		

*Significant at $p < .05$, $df = 87$.

Hypothesis two:

H_{02} : There is no significant relationship between democratic leadership style and organizational performance.

Independent variable: Democratic leadership style

Dependent variable: Performance

Test statistic: Pearson product moment correlation coefficient

1) The analysis showed a correlation coefficient of 0.545 indicating the existence of strong positive relationship between democratic leadership style and organizational performance. The results are based on Pearson correlation coefficients, significance levels (2-tailed), sum of squares and cross-products, covariance, and the number of observations (N). The Pearson correlation coefficient between democratic leadership style and organizational performance is .545, which indicates a strong positive correlation between the two variables. The sum of squares and cross-products and the covariance values provide additional information about the relationship between the variables. The test was significant at 0.01 significant level and led to the rejection of the null hypothesis which states that there is no significant relationship between democratic leadership style and organizational performance. The alternative hypothesis was consequently accepted and concluded that there is a strong positive correlation between democratic leadership style and organizational performance.

Table 2. Correlation result of relationship between democratic leadership style and organizational performance

		DL	Perf
DL	Pearson correlation	1	.545**
	Sig. (2-tailed)		.000
	Sum of squares and cross-products	301.74	116.94
	Covariance	.421	.305
	N	89	89
Perf	Pearson correlation	.545**	1
	Sig. (2-tailed)	.000	
	Sum of squares and cross-products	176.94	159.32
	Covariance	.305	.201
	N	89	89

**, Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS analysis by Researcher, 2024.

Summary of Pearson Product Moment Correlation Analysis of the relationship between Correlation result of relationship between democratic leadership style and organizational performance. $n = 89$.

Variables	$\sum X$	$\sum X^2$	$\sum XY$	r-cal	p-value
	$\sum Y$	$\sum Y^2$			
DL(X) 89	5452	111088	99361	.545**	
					.000
Perf(Y) 89	4890	89456			

*Significant at $p < .05$, $df = 87$.

Hypothesis three

H₀₃: There is no significant relationship between laissez faire leadership style and organizational performance.

Independent variable: Laissez faire leadership

Dependent variable: Performance

Test statistic: Pearson product moment correlation coefficient

The analysis showed a correlation coefficient of 0.509 indicating the existence of strong positive relationship between poor physical working condition and employees' performance. The results are based on Pearson correlation coefficients, significance levels (2-tailed), sum of squares and cross-products, covariance, and the number of observations (N). The Pearson correlation coefficient between poor physical working condition and employees' performance is .509, which indicates a strong positive correlation between the two variables. The sum of squares and cross-products and the covariance values provide additional information about the relationship between the variables. The test was significant at 0.01 significant level and led to the rejection of the null hypothesis which states that there is no significant relationship between poor physical working condition and employees' performance. The alternative hypothesis was consequently accepted and concluded that there is a strong positive correlation between poor physical working condition and employees' performance.

Table 3. Correlation result of relationship between laissez faire leadership style and organizational performance

		LF	Perf
LF	Pearson correlation	1	.509**
	Sig. (2-tailed)		.000
	Sum of squares and cross-products	33.32	124.92
	Covariance	.517	.404
	N	89	89
	Pearson correlation	.509**	1
Perf	Sig. (2-tailed)	.000	
	Sum of squares and cross-products	127.92	318.28
	Covariance	.404	.649
	N	89	89

**, Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS analysis by Researcher, 2024

Summary of Pearson Product Moment Correlation Analysis of the relationship between laissez faire leadership style and organizational performance. n= 89.

Variables	$\sum X$	$\sum X^2$	$\sum XY$	r-cal	p-value
N	$\sum Y$	$\sum Y^2$			
Ppwc(X) 89	5632	118694			
			102540	.509**	
					.000
Perf (Y) 89	4890	89456			

*Significant at $p < .05$, $df = 87$.

4. Findings

The objectives of the study were to determine the impact of leadership style on organizational performance of service Industry. To determine the impact of leadership style on performance of organization, the following findings have been made which are summarized below;

- 1) Transformational leadership style has a significant effect on organizational performance.
- 2) Democratic leadership style has a significant effect on organizational performance.

3) Laissez faire leadership style has a significant effect on organizational performance

5. Conclusion

An important factor in the leadership process is the relationship that a leader has with individual followers. In the literature, leadership has been identified as an important subject in the field of organizational behavior. Leadership is one with the most dynamic effect during individual and organizational interaction. In other words, ability of management to execute “collaborated effort” depends on leadership capability. An excellent leader not only inspires subordinate’s potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Leadership is the individual behavior to guide a group to achieve the common target. It is used as a leading strategy to offer inspiring motive and to enhance the staff potential for growth and development. It is concluded that an effective leadership behavior can facilitate the improvement of performance when organizations face these new challenges.

6. Recommendations

Based on the findings of the research study, the following recommendations were made;

- 1) Management of organizations should adopt the best leadership style that will enhance effective performance.
- 2) Management of the organizations should be encouraged of their performance by given them the necessary incentives.

Management of the organization should study the organization to know the best leadership style to adopt.

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