

# Effect of Leadership Style on Innovation Technology and Organisational Performance: A review

Hamad Salem Saeed Al Derei, Haslinda Musa

*Faculty of Technology Management & Technopreneurship  
Universiti Teknikal Malaysia Melaka*

## Abstract

Leadership and its consequences in organisations have been of major interest. Leadership style is crucial since it often assists organisational employees to perform effectively and productively. This study highlights the influence of leadership on innovation technology and organisational performance. Therefore, the problem of this research is to examine the effect of leadership style on innovation technology and organizational performance. The main purposes of this paper are to evaluate whether leadership styles influence organisational performance and evaluate the impact of innovation technology. Research is a conceptual research. The article utilizes the design of explanatory research. All the information included in this research paper is obtained from secondary sources. Such that, the results of previous research on leadership and technology innovation in performance of the organisation. However, the specifications for this compatibility are still incomplete and the answer to the question of how to leadership technological innovation in performance is still superficial. Prior to closing, future research needs as well as practical implications are addressed.

**Keywords:** Leadership, Innovation technology, Organisational performance, A review.

## 1. Introduction

According to studies on the matter of organisational performance, this variable is among the most vital variable for leaders to consider while endeavouring to develop and strengthen their business functions (Kroll, 2016). Considering the significance of organisational performance, few researchers have tried to comprehend what facilities desired performance outcomes (Kroll, 2016). The organization's leadership has been identified as a potential area for improving organisational performance (Overall, 2015). Transformational leadership, in specific, has been recognised as a pretty unique approach to employee support, with the ability to significantly revolutionise organisational performance (Anderson & Sun, 2017). As a result of increased market competition, globalisation, technology, and increased customer demands, the business environment is becoming more complex (Agarwal, 2019). Businesses must cultivate the necessary supports in order to achieve desired performance outcomes. Leadership is defined as one of the most significant aspects

influencing an organisation's performance and effectiveness. Leaders who lack the capacity to successfully lead people will never be successful and, as a result, will be unable to lead their subordinates effectively. As a result, it is strongly recommended that the company have the proper sort of leaders to enhance efficiency in the business (Agarwal, 2019). Different variables in an organisation might have an impact on leadership. The primary influence is the organisation's culture and value system, which distinguishes one company from another. The sort of leadership required in one organisation may not be required in another, and this may be determined by the company's goals and vision (Amanchukwu et al., 2015). It will determine which leadership style best meets the demands of the organisation in terms of affecting organisational performance (Anderson & Sun, 2017). Leadership is important in an organisation because it assists in the development of the vision, mission, and goals, as well as the preparation of policies and strategies to achieve the organization's goals in an effectively and efficiently way. In addition, leadership aids in the coordination and direction

of organisational operations. Many businesses are currently dealing with issues linked to unethical activities in the workplace, which is generating poor performance and significant labour turnover. Ineffective leadership might be one of the reasons behind this (Amanchukwu et al., 2015). As a result, for an organisation that wants to not only survive but also thrive, an innovation-friendly business strategy, organisational structure, middle management practices, top management style, and effective methods of managing innovation must be implemented in order to achieve innovation and competitive success (Agarwal, 2019). Some organisations take leadership types literally, and their managers utilise them to effectively identify and address challenges. In this regards, the current research seeks to ascertain the link and effect of leadership style on organisational performance using Innovation Technology as a mediator. Transformational leadership, transactional leadership, and laissez-faire leadership are examples of leadership styles. Transformational leadership and participatory leadership styles have been selected to be concentrated on in the study, and their associations with performance have been assessed (Anderson & Sun, 2017). The rationale for concentrating especially on these leadership styles are frequently utilised leadership styles throughout the world, and when a new form of ideology is established with the assistance of research, it may allow the leadership style to be validated for delivering business to success (Agarwal, 2019). In this regards, the research started with a literature review on leadership style, innovation technology, and organisational performance. The research will then move on to the development of hypotheses. The study model will be implemented in the second section. The findings of the evaluations will be discussed, and recommendations for managers and academics will be made in the final section.

## **2. Theoretical literature and hypothesis development**

### **2.1. Leadership style**

A leadership style is defined as a collection of various qualities, traits, and behaviours used by leaders in interactions with their subordinates (Bhargavi & Yaseen, 2018). According to Al Khajeh (2018), leadership is a sequence of management behaviour designed to integrate

organisational or personal interests and impacts in line with organizational goals. According to Harris et al. (2007), leadership style is the type of connection that one person uses to encourage others to collaborate toward a popular objective or goal. There are three types of leadership styles, according to current leadership styles: (1) transformational leadership, (2) transactional leadership, and (3) laissez-faire leadership (Al Khajeh, 2018).

#### **2.1.1. Transformational leadership**

Burns (1978) defines transformational leadership as a positive, optimistic, and trusting leader whom are emotionally intelligent, encourages teamwork, promotes innovation, and sets great standards. Leadership is regarded as a central subject in the field of organisational attitude (Anderson & Sun, 2017). Furthermore, our great leaders must not only inspire the energy of subordinates to improve competence, but they must also fulfill their expectations in achieving the organization's goals.

#### **2.1.2. Transactional leadership**

According to a review on leadership, benefit and cost interchange practises have been established. Transactional leadership theories are based on the concept of leader-follower relationships based on the continuous interaction between supporters and there own leaders (Agarwal, 2019). Transactional leadership is often described as being helpful in achieving follower's goals through using carrot and stick strategy. Besides, transactional leaders demand sure work behaviours from their followers or team members whom remunerated with both financial and nonmonetary rewards. Influence and power are additionally part of transactional leadership vogue and can be applied in company management type of functioning (Samad et al., 2015).

#### **2.1.3. Laissez-faire leadership**

These leaders employ the delegation technique, in which they step back and allow cluster group to identify decision making. There is little interaction between leaders and followers. They sometimes evade duty, lack feedback mechanisms and postpone the choice creating (Samad et al, 2015). This sort of functioning does not fall under substantial dealing and has no impact on the follower's behaviour results. They occasionally avoid being concerned with

the higher cognitive process and job progress and authorize things to happen (Chowdhury, 2017) and having a weak relationship structured with the behaviour of citizenship (Malik et al., 2016).

## **2.2. Innovation technology**

Aldholayet al. (2018), argues strongly that innovation is a required element if any organisation aims to improve its performance. Often when the innovativeness of any given organisation is considered it refers to that organisation's innovative performance in each time (usually a year) with significant consideration to its level of output, be it goods or services (Wadho and Chaudhry, 2018). Therefore, for an organisation that aims to not only survive but also compete strongly it is important that for business strategy an innovation-friendly, organisational structure, top management style as well as middle management practices and techniques for effectively managing innovation are adapted towards achieve innovation and competitive advantage (Aldholayet al., 2018).

## **2.3. Organisational performance**

Performance is proof for the success of an organisation, and it can be defined in a variety of ways. Performance, from the view of the process, is the attainment of the objective through the input process to the output (Aldholayet al., 2018). Between the outcomes obtained and the results predicted, there is a relationship related with performance, notably the economic field, work efficiency, and results in realisation (Chowdhury, 2017). In the literature of business, organisational performance is considered a complex and multifaceted phenomenon. It includes an organisation's results or its real outputs that could be measured against intended outcomes, objectives and goals (Anwar, 2017).

## **2.4. Relationship between leadership styles and organisational performance**

Leadership and organisation performance is intertwined as an organisation is assumed as successful based on how well the organisation performs, the staff's satisfaction and affective commitment (Bhargavi & Yaseen, 2018). Anderson (2017) believed that leaders are crucial in motivating and helping their team to stay competitive using effective leadership

styles. In short, effective leaders are those who could motivate, manage, and inspire their staff. All these elements are crucial as they increase the staff's satisfaction level and simultaneously have positive impact on their productivity, commitment and the organisation's profits. A great deal of leadership styles influence on organisational performance can be found. The leadership style has an impact on the organisation's culture, which in turn, has an effect on the organisational performance. Such a fact was proved by Khajeh (2018), by the relationship between the different styles of leadership and organisational performance. The transformational leader's tailored relationship creates an environment where the employees are pleased, and thus total overall performance improves. As a result, transformational leadership and organisational performance are favourably related (Al Khajeh, 2018). According to Sofi and Devanadhen (2017), the transformational leadership have a substantial impact on an organisation's performance. They concluded that transformational leadership positively effects the performance of an organisation. According to the discussion above, the following relevant hypothesis was implied in this research. The authors will suggest. Hypothesis 1:

H1. There is an association between transformational leadership and organisational performance

Longe (2014) discovered that transactional leadership has a beneficial impact on organisational performance. The transactional leadership style contributes to the creation and maintenance of an environment in which organisational and human capacities are maximised, since workers can always get tangible and intangible rewards (Longe, 2014). In a study conducted by Sofi and Devanadhen, this leadership style was found not to have a direct impact on an organization's success (2017). This leadership style does not motivate employees to be creative and imaginative, and as a result, employees fail to accomplish the organization's objectives. In agreement with the above discussion, the following significant hypothesis was deduced in this investigation. The authors will suggest. Hypothesis 2:

H2. There is an association between transactional leadership and organisational performance.

Laissez-faire leadership is when the leader chooses not to be included in the making of the decisions, refuse accountability and do not impose authority on their subordinates (Sadia & Aman, 2018). This leader chooses to delegate tasks and allows employees to analyse situations and decide the next course of action. However, this form of leadership is deemed as passive and ineffective (Bass & Avolio, 1994). Laissez-faire leadership is destructive and has been associated with employees being unhappy with their leaders, ineffective leadership, poor organisational commitment, high organisational turnover, health-related complaint, and bullying (Skogstad et al., 2014). According on the explanation above, the following important hypothesis was deduced in this research. The authors will suggest. Hypothesis 3:

H3. There is an association between laissez-faire leadership and organisational performance

## **2.5 Innovation technology mediates the relationship between leadership styles and OP**

“Innovation, especially technological innovation, is an iterative procedure started by the impression of a new market and/or new service opportunity for a technology-based invention, which contributes to the development, production, and marketing tasks aimed at commercialising the invention” (ukowski, 2017). The ability to innovate is critical for maintaining a competitive advantage (Sung and Choi, 2014). Modern organisations must innovate in order to survive (Arafat, 2014). Although firms frequently consider innovation as fundamentally beneficial to their organisations (ukowski, 2017), the relationship between innovation and performance remains a mystery (Zacher et al., 2016).

There are numerous leadership styles that have an impact on organisational performance. The leadership style seems to have an effect on the organization's culture, which in turn influenced on the organization's performance. Beside that, Khajeh (2018), demonstrated this fact by

examining the association between different leadership styles and organisational success. Transformational leadership has a significant effect on the success of a business. They concluded that transformational leadership positively effect on the performance of an organisation (Sofi & Devanadhen, 2015). According to research conducted by Agarwal (2019), the transactional style of leadership positively impacts organisational performance. Innovation leadership is a leader's ability to mix certain leadership styles when adopting and facilitating innovation technology (Chowdhury, 2017). The absence of such leadership characteristics in an organisation might affect the organisation's capability to perform successfully. Thus, the following hypothesis was inferred in this research. The authors will suggest. Hypothesis 4,5 and 6:

H4. Innovation technology mediates the relationship between transformational leadership and organisational performance.

H5. Innovation technology mediates the relationship between transactional leadership and organisational performance.

H6. Innovation technology mediates the relationship between laissez-faire leadership and organisational performance.

## **3. Research Methodology**

This study falls under the shade of leadership styles, innovation technologies, and performance. As a result, the researchers used Trice and Beyer's Dynamic Capabilities Theory and Hersey and Blanchard's Situational Leadership Theory to back up their findings. According to Bass and Avolio's (1994) Dynamic Capabilities Theory, in order for an organisation to gain a competitive advantage, enhance its actual performance, and sustain in a dynamic and complex business environment, it must have the capability or acquire, construct, and utilise resources efficiently. According to Hersey and Blanchard's Situational Leadership Theory, successful leadership in an organisation is achieved by identifying the appropriate style of leadership, which is dependant on the level of preparation of organisational members. The theory focuses on the readiness of organisational members or

employees. According to Harris (2007), employee readiness refers to the extent to which individuals have the capacity and confidence to do duties in an organisation. As previously stated, this research study is backed by the Dynamic Capabilities Theory and the Situational Leadership Theory. The research design used in this study is Explanatory Research Design. The Explanatory Research Design was chosen as it entails the examination of the relationships between variables, throughout this context between leadership style, innovative technology, and

organisational performance. Furthermore, secondary data is incorporated across the research. All secondary data was gathered through reading existing textbooks, journals, past studies, newspaper, articles, and so on. However, Figure 1 demonstrates the leadership style described by this analysis, which are independent variables, innovation technology variable as a mediating and dependent variable is the organisational performance from the same figure. Finally, there are six hypotheses identified in Figure 1.

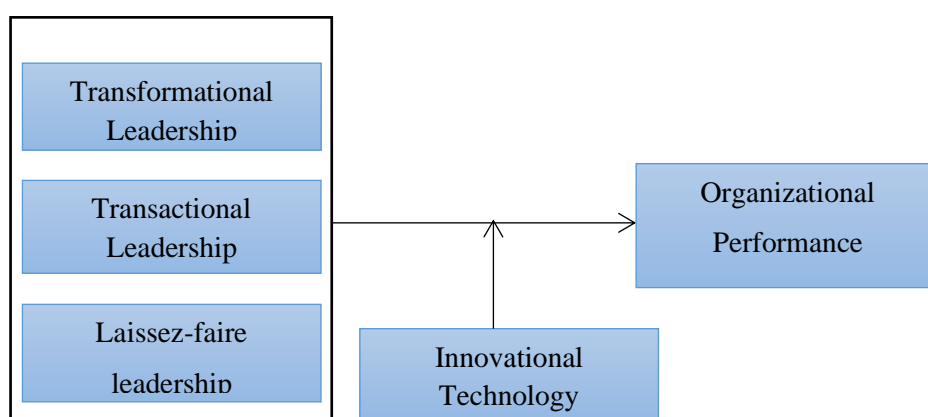


Figure 1: Research Framework

## 5. Discussion of findings

The researchers discovered that leadership styles affect organisational performance in the following ways after examining the sample studies chosen from a large population of research reports on leadership styles and performance: One of the primary motivators for boosting organisational performance is an effective leadership style (Aldholay et al., 2018). An successful leadership style is a must-have tool for improving organisational performance (Al Khajeh., 2018). Transactional leadership promotes organisational performance by assisting companies in achieving their goals more effectively by tying employee work performance to valued benefits (Aldholay et al., 2018). The leadership style employed by a leader in an organisation has a significant impact on the organization's performance (Chowdhury, 2017). Every organization's success is related to the effectiveness of its leaders. Leadership style is significantly related to organisational performance (Aldholay et al., 2018). Al

Khajeh., (2018) discovered a positive association between an organization's leader's leadership style and overall organisational performance. A positive relationship exists between transformational leadership style and organisational success (Ali & Shibami, 2018). Rush (2004) discovered that a laissez-faire leadership style increases the overall performance of a organisation (Chowdhury, 2017). Leadership styles have a considerable impact on the functioning of both small and large businesses (Aldholay et al., 2018). Lastly, the researchers discovered that innovation technology has a significant impact on organisational performance in the following manner: Good innovation technology is what separates truly high-performing organisations from the pack (Agarwal, 2019). Organisations with outstanding innovation technologies have better revenue gains, larger workforce expansions, higher share price rises, higher net income improvements, and superior enhanced success than those with poor innovations (Anderson & Sun, 2017). The use of innovation

technology has a substantial impact on the performance of a business (Lkowski, 2017). at the same time, existing research is quite instructive regarding various effects of leadership and how these can be brought about.

## 6. Practical implications

If the choice of leadership styles is relative to specific technology innovation and types and if this relation is poorly specified, then research fails to give a clear answer to the question of how to improve performance. To date, research is scattered and only offers some indications that certain leadership styles, particularly: (1) transformational leadership, (2) transactional leadership, and (3) laissez-faire leadership (Al Khajeh, 2018).) seem better suited to inspire and motivate followers and that this has a positive impact on the ideation stage and also seems to spur radical innovations. Other leadership styles, possibly also strategic leadership) seem better suited to structure organizational activity and to overcome resistance, and therefore have a positive impact on implementation and possibly also on incremental innovations and performance.

## 7. Conclusion

The primary focus of this research study was the relationship between innovation technologies, leadership styles, and organisational success. In other words, when individuals cooperate, their performance improves, and this improvement in individual employee performance leads to improved overall organisational performance. Likewise, when communications and decision-making are simplified, information can be passed quickly from upper management to lower-level staff, and choices may be taken quickly. This will eventually lead to better organisational performance. This study's findings also revealed that leadership styles have a substantial impact on organisational performance. Moreover, the study's findings indicate that Transactional Leadership Style and Transformational Leadership Style both contribute to great organisational performance.

## 8. Limitations and direction for future research

The study did not consider unpublished articles and dissertations. It has been a matter of speculation whether the results of this paper might have been different had dissertations

been included as part of the search. Furthermore, very few articles met the set criteria when all three variables were used (i.e. leadership, innovation and performance), indicating a gap in the literature.

The following future research on leadership, innovation and organisational performance is suggested: (1) the mediating effect of the nature of innovation on the relationship between leadership and organisational performance; (2) Based on the authors of this article, it is strongly advised that organisational leaders employ either a Transformational Leadership Style or a Transactional Leadership Style. That is because findings of this study reveal that Laissez-faire, Transformational, and Transactional leadership styles all have favourable benefits on organisational performance.

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