Factors Impacting Leadership Effectiveness: A Literature Review

John S and Chattopadhyay P*
Amity Global Business School, Gokhalenagar, Pune, India

Abstract
Researchers have been identifying incessantly that how the leadership does influence the people and process of organization, which in turn gives positive outcomes to the organization, results in enhancing the performance of organization. The idea of this paper is to determine the relationship between leadership and performance of organization. Secondary research based data is used to reach the result of this paper.

Keywords: Leadership; Performance; Leadership style; Structure; Culture

Introduction

Continuously organization requirements replicate the fact that leadership is very crucial in any kind of organization. Imperfect leadership may encounter various problems whereas perfect leadership may lead to smooth functioning, motivated employees and overall effectiveness in the performance of organization, without changing other factors in the organization. Leadership is always being vital and vivid from time to time and organization to organization. One leader may produce better results in specific organization but may not be so efficient for other organization. Reasons could be many for instance his working style, his people interaction pattern, fitness of leader with the organization structure; culture; and other related factors or may be alone his personality. But for sure it does make influence on the overall effectiveness and performance of organization. Ekeland [2] suggests that leaders with their style of handling and dealing people and concerns do impact the subordinates and to get outcome from them. Considering ideas of employee, following communication pattern which brings clarity, punishing and rewarding people they deserve, motivation to employees are the ways of relationship-oriented leader which results in transformation of behavior of employees. Ekeland [2], in any organization ways of performing and processes and structure used to adopt by people are predetermined, and the one who decides and make it to implementation is the leader.

Leadership can be defined as the process of influencing people, as leader conforms that objectives get achieved by efforts and coordination of all employees and for which he motivate people and also ensures the culture which is apt to perform. Leadership is a group event, Yulk [3]. Leaders use different styles with subordinates to influence the situation and make impact on employees. Therefore they impact the performance. Best fitted behavior to people and organization will result in increasing the performance. Leadership paradigms is being changing and organization do not have the leaders matching this new thoughts of subordinates they face problems to reach objectives. Such leaders are productive but only for short span. Therefore the requirement of leadership with changed pattern and values of employees and fitness to organization should also change to ensure desired performance.

Literature Review

Introduction to leadership

Leadership is an interpersonal skill applied by a leader in the style which is best suited to the situation and ensures the attainment of desired goals by effective and continuous communication [4]. Leadership is the process of impacting people through continuous and useful communication between leader and follower to achieve the goal [5]. Leadership is a challenge at influence the behavior of subordinates through the communication process and toward the attainment of goal or goals [6]. Leadership is about vision, ideas, direction, and has most important inspiring people to bring the trust between them and a team effort to work together to attain the goal. He should be the one capable of inspiring others to do tasks without any close supervision to his subordinates [7].

Performance through leadership

Managing and measuring performance become exceeding complex as healthcare institutions evolve into integrated health systems comprised of hospitals, outpatient clinics and surgery centres, nursing homes, and home health services. Leaders of integrated health systems need to develop a methodology and system that align organizational strategies with performance measurement and management. To meet this end, multiple healthcare organizations embrace the performance indicators. The set of macro-level indicators gives senior management a fast but comprehensive glimpse of the organization’s performance in meeting its quality, operational, and financial goals [8].

The strategy of an organization is embodied in its ‘prevailing pattern of moves and approaches’ [9] and typically includes formulating a strategic intent, crafting a strategy to achieve the desired intent, implementing and executing the strategy efficiently and effectively, that is, continuously evaluating (control) performance. A ‘good’ strategy is considered to lead to a sustainable competitive advantage, thus improving organizational output performance. Although each firm’s strategy is idiosyncratic researchers have sought to clarify business strategies into typologies to study more effectively relationship between strategy and performance [10].

The correct business strategy is the essential major step to achieving high performance, but it is not enough. To execute the strategy effectively and achieve the high-octane results is equally important looking to the various manufacturing and health care organization. Therefore an appropriation of strategy and its understanding to implementation

*Corresponding author: Chattopadhyay P, Amity Global Business School, Gokhalenagar, Pune, India, Tel: 9096495066; E-mail: pchattopadhy@pun.amity.edu

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will make a huge impact to make organization functions smoothly for years. But organization structure is equally important for it to align with.

Most firms have a mixed structural form, with fewer firms exhibiting either high-levels of structure or low-levels of structure. Also, Reactors represent the fewest firms, while the most firms are Defenders. No differences are found between the strategy types and their associated organizational structures, with each strategy type equally likely to implement either a high, mixed, or low structural configuration. Also, in regards to perceptions of performance, the structural form of firms has no impact and neither does the interaction of structure and strategy. Therefore, any structural form has an equal chance of achieving high performance, regardless of the strategy implemented.

Numerous structural characteristics are common in the literature. However, four major structural dimensions are prevalent: (a) formalization, (b) integration, (c) centralization and (d) complexity [11-17]. Centralization refers to the degree to which the right to make decisions and control activities is concentrated [16]. In other words, a high degree of centralization within an organization means that the critical decisions are made at the top management level. Formalization can be defined as the extent to which an organization uses rules and procedures to prescribe behaviour such as the details on how, where, and by whom tasks are to be performed [16]. Formalization restricts the activities of employees to those proscribed in advance. Complexity describes the many, usually interrelated, parts of an organization [16]. This includes the number of hierarchical levels, the span of control, or the geographical dispersion of operating sites, among others.

Although the inconsistency of the impact of structural dimensions on performance is accepted, it is, however, widely accepted that specific structural characteristics do indeed influence performance in some way [17]. Organizational structure, conceptualized as the decision-making structure among a group of individuals, is shown to affect the number of initiatives pursued by organizations, and the omission.

The structure of organization varies in terms of dimensions. Some of the most important dimensions are (i) efficiency of resource utilization (ii) efficiency of time utilization (iii) responsiveness to the environment (iv) adaptability over time and (v) the ability to hold people accountable Nohria Nitin [18].

Today corporate civilization can be inordinately complex. Simplification, alignment and modernization a new vision of what the organization look like and all of it accomplished with a stroke of a pen. The restructuring that works best such as those at Ford, Xerox and Cisco focus first on organization’s critical decisions. Then they build an organization that can make and execute those decisions better and faster than the competition.

Hence for the improved performance organization seeks reorganization of structure. Management control systems must have a structure which supports the flexible organizational culture taking organizational transform and adaptation as a base in the emerging new production and competition conditions.

On the basis of review, Milliken [19] developed a general definition of environmental uncertainty, calling it “an individual’s perceived inability to predict (an organization’s environment) accurately” because of a “lack of information” or “an inability to discriminate between relevant and irrelevant data”. The research by Baum, Locke and Smith suggests untying the multifaceted process by which entrepreneurs affect competitive strategy and performance. Jauch and Glueck define environment thus: “The environment includes factors outside the firm which can lead to opportunities or a threat to the firm. Although there are many factors, the most important of these factors are socio-economic, technological, supplier, competitor and the government. Therefore it can be said that the organization should develop culture which is unique and is a result of long term planning.

Milliken further suggested that there are three types of uncertainty about environments [20]. Effect uncertainty is an inability to predict the nature of the effect of a future state of the environment on the organization. Response uncertainty is an inability to predict the likely consequences of a response choice. The third type, state uncertainty, is also referred to as perceived environmental uncertainty. Strategic typologies represent broad categories of businesses’ strategic behavior into a few types [10]. Strategy is something which is and will affect the environment.

Organization tends to develop strategy to match to environment because a strategy can run for years but it is the environment which brings twist and many organization gets failure and success as per the selection of strategy they have. The success is possible when the strategy fit to the environment and gives results. Environment is unpredictable and is never constant and when the change will come is also unidentifiable. Hence matching the environment as per the organization is equally important. Environment refers to all external forces that have a bearing on the functioning of a business. It is an inescapable aspect in performance of organization. Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value [21]. Further there is ample evidence to suggest that firm performance is associated with both strategic factors that are consistent across firms and strategic factors that are unique to individual firms [22,23]. McDonald and Westphal found that executives’ focus on information from close personal sources inhibited their propensity to change corporate strategies and thus dampened subsequent performance [24]. The strategy of a business enterprise consists of what management decides about the future direction and scope of the business. It entails managerial choice among alternative action programmes, commitment to specific product market, competitive moves and business approaches to achieve enterprise objective. Michael Mankins and Richard Steele research shows that a select group of high performing companies have managed to close the strategy-to-performance gap through better planning [25].

Leadership style and its impact

Weber and Kelloway, provides experimental evidence that transformational leadership can result in changes in subordinates’ perceptions of managers’ leadership behaviors, subordinates’ own commitment to the organization, and hugely impact the financial performance of the organization [26]. This delineates that leadership and organization performances are the element which goes hand in hand and the effective manner of leadership will surely make positive impact on the performance of the organization.

Whenever the term “style” is used, it most commonly refers to one’s fashion or outer appearance. A style is the total combination of the way you dress, talk, move your body, or do anything for that matter. Simply put, it’s how we express our inner being outwardly. This includes all of our thoughts, emotions, interests, and values. Everything on the outside is merely a reflection of what’s on the inside. Style is the manner in which a one chooses among different strategies to address an issue. A style reveals the individual’s personality or voice, but it also shows how he or she sees the world.
Leadership style is the distinctive way in which a superior manages her/his interfaces with subordinates. Leadership styles are often an extension of the personality of a leader and are shaped by the needs of the position. Dr. Rao has developed an instrument for measuring three styles of leadership: The critical or coercive, the developmental and the benevolent or paternalistic [27]. These are the top management styles which talk about creating different kind of work atmosphere in an organization and their fitness with organization needs. Burns studied the stories of great and lesser leaders to develop a classification of amoral (power wilders) and moral (transactional and transformational leadership), and only moral leaders are admitted to his typology [28]. The typology is a duality in that amoral leaders are not admitted to be "real leaders," and the real leaders are either transactional or transformational. In 1985, Bernard Bass [29] cites that, the leader who recognizes the transactional needs in potential followers "but tends to go further, seeking to arouse and satisfy higher needs, to engage the full person of the follower, to a higher level of need according to Maslow's hierarchy of needs".

In his study Bass proposed that the transactional leaders' works within the organizational culture as it exists; the transformational leader changes the organizational culture" [29]. The transformational leader even "changes the social warp and woof of reality". In sum, transformational is hierarchically superior to transactional leadership valuation. Bass [29] further concludes that "the leadership of the great men (and great women) of history has usually been transformational, not transactional". Great leadership works through emotions [30]. Leaders are artists; tolerate chaos and lack of structure. They keep answer in suspense preventing premature closure on important issues. The study also examined the transformational, transactional, and passive/avoidant leadership styles and how they are perceived by subordinates in predicting subordinate extra effort, manager effectiveness, and satisfaction with management.

Further the research by Ali [31] address notion of leadership in Muslim countries. The study seeks to develop a model for understanding leadership in Islamic culture and discusses the factors which give rise to two types of leadership: the prophetic and, which were in the Prophet era and rightly guided caliphs.

Turner et al. had done the study on difference in leadership styles of project manager and functional manager [32]. Projects and their management are often used as a training ground for development of general managers. The study has shown that successful management of projects does not automatically qualify for successful general management. Different leadership dimensions play a role at different levels of management. Accordingly, training programs for managers should prepare candidates in line with the requirements of their tasks. The involving leadership style appears to be sufficiently flexible to cope with less-than-perfect context fit. So project management training should initially focus on this leadership style to allow project managers to build a solid base there and then add other styles on a contingency basis.

Another research by Salahuddin MM examines whether there is a relationship between leadership style and generational group and its potential impact on organizational success [33]. It studies four generations namely Veteran, Boomers, Generation X and Nexter, there were differences among the generations. The boomer discussed taking care and commitment to self. Whereas, the veteran states he admires individuals who knew how to surround themselves with individuals that could help them. The individual states they believe in taking care of themselves spiritually, physically, and mentally. This is consistent with the literature that states the boomer generation focuses on personal gratification. The interview with the n exer was consistent with responses from the generation x in their core and work values of honesty, family, and balancing life and work.

The leadership styles of the three leaders differed. The veteran seemed to prefer a style characterized by that generation cohort's core and work values. The boomer leadership style as well seemed to mirror the generation's work and core values. It is in line with the participative leadership style, although the interviewee characterized it as servant leadership. The studies help individual to understand that different style will produce different outcomes and that is why identification of style is important.

Thus this has demanded the need to know first the prevailing styles of leadership because the styles of leadership has being changing from past and has shown a tremendous impact on the performance of organization.

Studies have also supported that organization culture is important key element which influence the style of leaders and followers acceptance level. People with different culture; possess different cultural and leader matching to that culture will be accepted to the followers or he should be a transformational kind which can bring all change even into the culture. This thought give another inevitable insight to leadership's aspect that is culture and understanding of organization culture in affecting leadership style.

Culture has long been the focus of management theorists; the concept of cultures in organizations was alluded to as early as the Hawthorne studies. The topic came into its own during the early 1970’s. Peters and Waterman, [34] suggest a psychological theory of the link between organizational culture and business performance. Culture can be looked upon as a reward of work, we sacrifice much to the organization and culture is a form of return on effort. Deshpande and Webster [35] defined organizational culture as a "pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization".

The organizational culture constructs combines elements of tactic knowledge, social interconnections and specificity that make culture-based competitive advantage unique and extremely difficult for competitor to fathom and imitate [36]. The heterogeneity of cognitions, skills, and ties is said to provide top management teams with diverse inputs and helps them be more responsive to environmental complexity and change [37,38]. Weber et al. [39] observe that to facilitate the process of combining two organization entities, manager and employee expectations must be taken into account, proper communication channel need to be established and acculturation to both national and corporate culture of the partner firm should taken place.

Culture has been defined as the specific collection of values and norms that are shared by the people and the groups in an organization and that control the way they interact with each other and with the stakeholders outside the organization. Agrawal and Krishnan [40] in their study of relationship between leadership style and value systems, found that relationship-oriented leadership is positively related to value of achievement, self-direction and power. On the basis of organizational values one can develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behavior by employees in particular situations and control the behavior of organization members towards one another [41].
Nohria, Joyce and Roberson [42] Building the right culture is imperative and winning companies design and support the culture that encourage outstanding individual and team contribution and that hold employees not just manager responsible for success. It is through the medium of culture that we are able to make sense of our world and by means of organizational culture that we appreciate and attribute meaning to our organization experiences. It is a reward to an organization as people within the organization will often possess quite similar views concerning as culture is shared among people.

As the culture talks about the way of life in an organization it indicates that such things are created by leaders only. Unless the support of leader is not there for particular value system it’s not possible to let it sustain. Hence leaders play a very crucial role in setting the culture of the organization.

Studies indicated that the strategy of an organization plays an important role in affecting the performance. Strategy is often considered as the means by which a firm achieves and sustains a competitive advantage over other firms in the industry [43,44]. An industrialised nation’s economic future does not lie in the production of low-cost standardised products (cost leadership); rather the only way such manufacturing firms can respond is to adopt a strategy of customer-focused flexible manufacturing offering diverse, unique and/or technologically superior products to customers [17,45-48]. It is a strategy which attempts to maximise differentiation [49,50]. Firms pursuing a strategy of flexibility aim to respond to customer demands by offering products with unique attributes and/or switching from one product to another through co-ordinated actions to offer product variations [51,52].

The organization should think of an inbuilt strategy to develop a kind of background which is unique and cannot be copied by the competitors and give the competitive advantage to the organization. Strategy is a broad general plan developed to achieve long-term organizational objectives; it is the end result of strategic planning. A strategy provides a unified direction for organizations. It links the resources of organization with the environmental risks and challenges.

Miles and Snow [49] assume that organization act to create their own environments through a series of choices regarding market, product, technology, desired scale of operation etc.

Furthermore leadership is that development in which he gives the direction, support and communication which brings everyone together and makes them perform their tasks in the desired form [53]. Leader is the person who can identify well who is capable to perform what and he put that person to the task and which enhances the effectiveness of it. This is not possible unless the leader gets the trust and belief of his subordinates. It is a deliberate process of continuous interaction between leader and subordinate to make the task happen with their coordination and knowledge. Effective leaders engage their communications and motivation skills and translate these into explicit behaviors to positively influence change initiatives.

Leader effectiveness is primarily determined by selecting the right kind of leader for a certain situation or changing the situation to fit the particular leader’s style [54]. Organizations have attempted to measure individual leadership effectiveness has been through the use of 360-degree instruments, which collect ratings from the leader’s boss, peers, direct reports and others [55]. Leadership effectiveness is the function of leader characteristics and behavior, group member characteristics and other situational variables. The leader’s intellectual and task-relevant abilities, and the members’ skills and motivation, all play a role in effectiveness of leadership [56]. 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 [57].

**Conclusion**

The literature has suggested that structure and culture in organizations exist in close alignment. Structure is one of the determinants of culture; conversely, culture has been shown to have an influence on the organizational structure and operational systems in an organization. Leadership occurs in an environment embedded in ambiguity, complexity, and informational overload it’s very important for organizations to have the roles of individual well defined. There is a close relationship between structure and culture both should be well aligned in an organization.

The study reveals that organizational leadership and involvement, traditional maintenance practices, successful adaptation of effective total productivity maintenance initiatives can significantly contribute towards accruing core competencies in the organization. It has been concluded that top management leadership, effective organization structure, adaptation of efficient traditional maintenance practices, total productivity maintenance implementation initiatives and realization of focused results through holistic implementation program can significantly contribute in harnessing core competencies in the organization, thereby providing a sound platform for the organization to compete effectively in the dynamic environment.

It makes individual clear that combinations of variable have been researched and performance is being viewed of an organization. Therefore study is significant to be done as it has a direct relation to overall organization performance. The above discussion states that the performance of a company depends on leadership style, organization structure, strategy, environment, and organization culture and their fitness together.

The question emerges what is the role lead by factors like leadership style, organization structure and strategy and organization culture on performance and is there any impact of fitness of all these factors. Thus researcher concludes that there are following research gaps a) explanation of performance heterogeneity b) what styles of leadership exists in corporate c) is there any relationship of leadership styles with performance d) is there any type of fitness of styles with other variables leadership style, organization structure, strategy and organization culture can make an impact on performance.

**Future Scope of Study**

The resource based concept is still to find a significant position in the leadership style and its fitness with strategy, environment, organization culture and structure on performance. There is need to build up a body of knowledge so as to understand performance heterogeneity on the basis of leadership styles and strategy, environment, organization culture and structure. It has been well identified that studies have been done in this area but none of the study combinable talks about the variables proposed here.

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