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Importance of Leadership across Business Contexts

Suhana Yaduvanshi¹, Ananay Rajput²

Student, DPS RK Puram, Delhi, India¹

Student, Juniata College, Huntingdon, Pennsylvania, United States²

ABSTRACT: Leadership is the act of influencing others for the attainment of shared goals and achieving success. The significance of leadership across business contexts is undeniable. The current study makes a brief review of the existing literature and sheds light on the importance of effective leadership for business success and performance outcomes. Furthermore, through the study of existing literature, this paper concludes that the type of leadership style varies as per the requirements, location, and type of business and organization.

KEYWORDS: Leadership, business, leader, organization.

“Nothing great ever happens until leadership shows up.”
Mike Singletary (2008)

I. INTRODUCTION

Tang (2019) writes “a business organization is an individual or group of people that collaborate to achieve certain commercial goals” mentioning that broadly business organizations can be categorized into two types: profit and non-profit organizations. Many researchers and scholars like Hargis et al. (2001), Meadows (1962), Prentice (2004), and Shanks (1989) have widely investigated and wrote about the importance of leadership across business contexts. Similarly, the existing literature throws a light upon the strong relationship between leadership styles and business performance as well as the success of organizations (Ali et al., 2015; Fahlevi et al., 2019; Hafeez et al., 2012; Hayat & Riaz, 2012; Howard et al., 2019; Hussain & Hassan, 2016; Korrapati & Rapaka, 2009; Miloloža, 2018; Mohammed et al., 2014).

II. LEADERSHIP

Scientists, behavioural psychologists, academicians have long explored the significance and importance of leadership across sectors of business, management, and work performance wherein researchers have come to look at leadership from a lens of beliefs, desires, and behaviour of and relationships among actors rather than it being rooted in status, power, position, or expertise of the leader (Petit & Saint-Michel, 2019). In his book, “The Art of Business Leadership: Indian Experiences” Balasubrahmanian (2007) defines leadership as “the process of influencing others to achieve a common objective.” Through the documentation of literature available through history, it can be noticed that leadership has become a widely intriguing research area and is also looked at as an ability or political skill that encompasses an individual’s or organization’s capacity to lead other teams, employees, or organizations (Tang, 2019). Putting together a layman’s perspective of leadership, Petit & Saint-Michel (2019) write that leadership results from the process in which followers voluntarily and freely recognize an individual’s leadership and dedicate their commitment and obedience towards the leader.

In noting how leadership occupies a sensitive position in all effective-driven business organizations, Zenger & Folkman (2009) mentions the most important skills of a leader for effective leadership in the workplace. These skills include communication skills, motivation, delegation, positivity, trustworthiness, creativity, feedback, responsibility, commitment, and flexibility. Furthermore, Gini & Green (2013) in their book “10 virtues of Outstanding leaders: Leadership and Character” note down the ten virtues that an individual must adopt in order to achieve excellence in

leadership. These virtues include deep honesty, moral courage, moral vision, compassion and care, fairness, intellectual excellence, creative thinking, aesthetic sensitivity, good timing, and deep selflessness. From these skills and virtues, the psychological traits and abilities needed to become an effective leader become readily visible.

III. THEORIES OF LEADERSHIP

A discussion focused on leadership across business contexts will remain incomplete without a review of some of the major existing theories of leadership. In this section, we will briefly review some of the theories of leadership as discussed by Balasubrahmanian (2007).

Trait approach:

As per the trait approach, it was believed that certain individuals are born with the traits that make them effective leaders. Hence, the trait approach put forth the idea that leadership is genetically predisposed to human beings. Meadows (1962) pointed out that in psychological studies three distinguishing traits of the leader included social perception, intelligence, and emotional stability.

Behaviour Approach:

The behaviour approach moved past the idea of trait approach and said that leaders are not born but made i.e., leadership essentially comprises of a set of behaviours which when learnt can produce an effective leadership capacity. Kurt Lewin (1890-1947) was one of the pioneers of this approach.

Contingency Approach:

As the trait and behaviour approach were questioned on their validity and applicability, a new theoretical model, that is, the contingency approach came into being which centered on situations to assess and verify the effectiveness of appropriate leadership. This approach basically maintains that the effectiveness of leadership may vary from one situation to another, hence the leadership is contingent on organization circumstances or situations. This approach focused on the relation of the leader with the followers and the situation (tasks, systems, and environment).

Path-Goal theory:

The Path-Goal theory provided by Robert House how leaders encourage and support their followers in achieving goals through making the goal pathway easy, accessible, and clear for them. This theory assumes the leader to be flexible wherein the leader behaviour-outcome relationship is moderated by the environment and followers' characteristics. The leader clarifies the paths of the followers, removes roadblocks, increases rewards along the path. However, the goal achievement may be influenced by the environmental factors which are out of the control of the leader as well the motivation, capability, and other contextual factors relating to the followers or subordinates of the leader.

Cognitive Resources Theory:

According to the cognitive resources theory, the performance of a leader's group is assessed through the interaction between two leader traits (intelligence and experience), one type of leader behaviour (directive), and two aspects of the leadership situation (interpersonal stress and nature of group task) thereby examining the totality of group performance with the leader's cognitive resources of intelligence and experience.

Personality Theory Approach:

Recently, behavioural scientists have turned the attention of people towards how the personality of an individual can influence their leadership abilities and skills. It has been noted that people with personalities characterized by openness to new experiences (degree of being intellectually curious and seeking newer experiences), conscientiousness (degree of persisting towards a goal with confidence, focus, and grit), extraversion (degree of intermingling with people easily and being comfortable with a newer group of people), agreeableness (degree of being able to get along with others),

and emotional stability (degree of managing, and regulating emotions hence being able to handle stress well) become efficient and better leaders (Kornør & Nordvik, 2004; McCormack & Mellor, 2002; Özbağ, 2016; Zopiatis & Constanti, 2012).

IV. TYPES OF LEADERSHIP

As the theories and approaches mentioned above make evident, the study of leadership spans a long time starting from the 19th century. With more advances in the understanding of the nuances of leadership, researchers have become successful in delineating some specific leadership styles which characterize the performance of a leader. Some of the leadership styles in the context of business have been mentioned below.

Transformational leadership:

Transformation leaders create shared visions and goals with their followers and garner their support through the shared and same goal fulfilment. They foster relationships with their followers based on personal beliefs and values and they enable their followers to see the goals of the organization as bigger and greater than the realization of their personal goals. Some guidelines for leaders to attain transformation leadership include (Yukl, 1999):

1. Articulation of a clear and appealing vision.
2. Explanation of the means for the attainment of the vision.
3. Confidence and optimistic personality.
4. Expressing confidence and belief in the followers.
5. Usage of symbolic actions for emphasis on key values.
6. Leading by example.
7. Empowering followers for the attainment of the vision.

Charismatic leadership:

Charismatic leadership seems to ignite a fire in their followers by motivating and encouraging them into doing what they would normally not do. These followers as a result of being motivated by the charisma of their leader then achieve the goals even in the face of enormous difficulties. Charismatic leaders, thereby, possess energy and commitment that allows them to serve and deliver results even beyond the call of duty (Bryman, 1993; Yukl, 1999).

Servant Leadership:

Servant leadership becomes apparent when the leader chooses to serve others first by keeping aside their own self-interest. Some of the characteristics of people who embrace servant leadership include listening and understanding, acceptance and empathy, foresight, awareness, and perception. For servant leaders, it is more important for them to stand up for the right thing even when their organization's financial interest is against it (Muzira & Muzira, 2020).

Other leadership types:

Apart from the leadership styles mentioned above, some other leadership types are also noteworthy which include authoritative-autocratic type, participative-democratic type, and delegate free-rein type (Carragher et al., 2017). In the authoritative-autocratic type, decision-making is centralized and no bottom-up advice is paid heed to. This type of leadership becomes effective when the leaders already possess all the required information, have a short time to reach goals, and when their team is motivated. In the participative-democratic type of leadership, the decision-making is conducted after consulting all the team members. There are mutually agreeable roles, shared stewardship, and it is used when some part of the information is already available to the leader and the rest of the information is possessed by the team members. Finally, in the delegate-free-rein type of leadership, the team members take adequate ownership and have enough time to achieve goals. In this type of leadership, all the team members know more and hold responsibility.

V. REVIEW OF LITERATURE

Mkheimer (2018) reported in their study that transformational, transactional, and charismatic leadership styles were the most common and predominant types of leadership styles found in cases of business. The same study further brought to light that transactional leadership style had a positive and significant impact on business success however transformational leadership style produced a negative impact on the success of businesses. A study conducted in South Africa that aimed to explore the relationship of the type of leadership style on project success in the construction industry found that transactional leadership showed a positive correlation with project success (Liphadzi et al., 2015). In the context of entrepreneurship, transformational and entrepreneurial leadership style was found to be the most prevalent and most predominant leadership styles for entrepreneurial success (Amer, 2017). Similarly, in small to medium enterprises of Malaysia, the most dominant leadership styles displayed by the owners and managers were transactional and transformational styles (Abdul et al., 2013).

Walumbwa & Lawler (2003) who examined the impact of culture on transformational leadership and its work-related outcomes in three emerging economies of Kenya, China, and India found transformational leadership to be effective across cultures for work-related outcomes. Similarly, in an empirical study with Taiwanese wire and cable companies, Lee et al (2006) found that transformational leadership style was most acceptable to all the employees and there existed a positive correlation between leadership style and innovation ability. In a study that focused on the public sector of New Zealand, transformational leadership style was found to have a direct and indirect effect on performance outcomes (Parry & Proctor-Thomson, 2002). Furthermore, Idris & Ali (2008) found the transformational leadership style to be significantly related to financial performance in the business firms of Malaysia. The effectiveness of transformational leadership across business contexts has been widely documented (Engelen et al., 2015; Ling et al., 2008; Nubuor et al., 2014).

In a study with small land surveying businesses, the leadership style reported by the owners was predominantly situational i.e., they reported to be using a participatory style and an autocratic leadership style when confronted with decisions regarding internal and external environment respectively (Nave, 2005). Minett et al. (2009) reported in their study that in cases of business management of hospitality industries, the leader's choice of leadership was found to be dependent on their age, that is, older managers were less likely to use a utilitarian or rule-based ethical decision-making style, and more inclined to embrace a social contract or personalistic ethic approach.

In a UK-based study with small to medium enterprises, Wang & Poutziouris (2010) reported that businesses characterized by the delegation of authority were found to be achieving higher growth in sales. Fang et al. (2021) reported that inclusive leaders who possessed the characteristics of openness, accessibility, and availability had a positive effect on business model innovation. Sorenson (2000) investigated 59 small business families and found that participative leadership was positively related to business outcomes as well as employee commitment and satisfaction. Finally, worth mentioning is an interesting finding brought out by Brooke (2020) who reported that triple-strength or tri-sector leaders are becoming the gold standard of leadership. These leaders who are subject matter experts seem to have the ability to easily lead organizations operating in the private, public and social sectors. As these leaders traverse from one sector to another, they grow into cross-functional, solution-driven leaders who gain the ability to tackle futuristic problems with an innovative, and proactive approach.

VI. CONCLUSION

In concluding, it will be safe to say that the present study does contribute towards the knowledge of the existing strong relationship between leadership styles and business outcomes. However, it must be pointed out that the type of leadership varies as per the type of the organization as well as across countries and the requirements of the business

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