

EMPLOYEE PERCEPTIONS OF LEADERSHIP STYLES AND THEIR IMPACT ON EMPLOYEE PERFORMANCE

Case: Sri Lankan Bank Industry

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ABSTRACT

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This thesis investigated the perception of different leadership styles among employees in the Sri Lankan banking sector and how these affect their performance at work. Leadership plays a significant role in shaping employee behavior, motivation, and performance in the workplace. Although leadership theories such as transformational, transactional, and laissez-faire have been studied extensively, their application in the Sri Lankan context is not well researched. This research aimed to fill this gap by investigating employee attitudes towards leadership styles and assessing their impact on performance. The theoretical framework utilized was the Full Range Leadership Model by Bass and Avolio. The design applied was a mixed-method, in which there was a quantitative Webropol survey of 15 bank staff and qualitative interviews of five selected participants. Descriptive statistics and Pearson correlation analysis were applied for quantitative data, while thematic analysis was applied for qualitative data. The findings reported significant positive correlations between transformational, transactional, and laissez-faire leadership styles and staff performance ($r = 0.85$, $r = 0.91$, and $r = -0.89$, respectively). Laissez-faire leadership style indicated a very high negative correlation with performance, which indicates that passive leadership demotivates employees and undermines productivity. The qualitative findings concurred with the results by confirming that communication, appreciation, assistance, and being part of the decision-making process are key in this context. Demographic influences had little impact, lending support to the belief that leadership style is a stronger performance predictor than are individual characteristics. The study revealed that effective leadership, particularly transformational and transactional leadership, is significant in employee motivation and employee job satisfaction. Sri Lankan banks are encouraged to invest in leadership development, avoid passive leadership behaviors, promote inclusive work environments, and align leadership styles with cultural values. The findings are beneficial for leadership practices and human resource development in Sri Lankan banks.

Key words: Leadership Styles, Employee Perception, Employee Performance, Full Range Leadership Model, Transformational Leadership, Transactional Leadership, Laissez-Faire Leadership

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1 INTRODUCTION

1.1 Background

Leadership can be described as a process of providing purpose to collective effort and directing a person or a group toward a shared goal. Leadership plays a significant role in shaping the behaviour, motivation, and performance of employees. According to (Tsigu & Rao, 2015), Leadership has received significant attention in both academic and practical contexts over the last few decades as a factor that influences employee behaviour. Furthermore, employees' perception of the leadership style can influence these results significantly. Leadership styles such as transformational, transactional, and laissez-faire are likely to create varied perceptions that impact motivation and productivity.

Leadership styles and theories have been studied by using both qualitative and quantitative methods in many contexts, in small, medium, and large-scale organizations to identify the importance of leadership (Northouse, 2022). In recent years, most of the research has included experimental details to explain how leadership impacts followers' attitudes and performance (Podsakoff & Podsakoff, 2019). Nevertheless, there is a lack of research articles identifying the impact of leadership styles on employees' performance in the Sri Lankan banking sector, highlighting a gap in existing literature.

1.2 Problem statement

Despite the extensive amount of research on leadership styles, a significant gap in understanding the effect of employees' experience of leadership on work performance still exists, especially in the banking sector of Sri Lanka. Leadership styles may at times not be perceived as intended by leaders and hence exert differential influence on employees. This study fills this gap by exploring the effect of employee perceptions of leadership styles on their

performance, with particular reference to the banking industry, where Sampath Bank serves as a case study.

This research focuses on employees of the banking industry in Sri Lanka to examine their attitude toward different styles of leadership and assess how these are impacting their job performance. Filling this gap in research, this research will be able to establish a connection between employee performance and leadership style, finally providing actionable recommendations for improving leadership practice and performance.

1.3 Research objective and questions

The Main objective of this study focuses on understanding how employees' perceptions of leadership styles influence their job performance in the banking industry of Sri Lanka. Leadership plays a major role in shaping employees' behaviours that directly affect their performance. This study seeks to address this objective by examining how leadership behaviours contribute to or hinder their workplace effectiveness. For achieving this objective, this thesis focuses on investigating the relationship between the employees' perceptions of leadership styles and how these perceptions impact on their job performance in the banking industry of Sri Lanka. This includes understanding how perceptions of leadership styles affect employees' productivity, job satisfaction, and motivation.

Research questions play a significant role in guiding this study of employee perceptions of leadership styles and their impact on job performance. The study will address the following key research questions,

1. How do employees perceive their leaders' styles?
2. How do these perceptions correlate with job performance?
3. Do demographic factors moderate this relationship?

Furthermore, the study provides practical suggestions for leadership training and development programs to the organizations, and they can tailor leadership

styles to enhance employee satisfaction, productivity, and engagement based on the knowledge of leadership perceptions influencing performance. The study could also be used to shape HR policies such that leadership practices match employee expectations for making the overall organization more effective.

2 LITERATURE REVIEW

This chapter reviews literature that exists in regard to leadership styles and their influence on worker performance. The chapter explores predominant theories of leadership, such as transformational and transactional leadership, among others, and how these influence employee attitude in terms of influence on motivation, job satisfaction, and resulting performance. Furthermore, the review highlights specific studies conducted within international and Sri Lankan settings to establish areas of gaps within current knowledge and serve as foundations for the existing research.

2.1 Leadership

Leadership is most commonly defined as the process by which groups or individuals are brought into alignment with organizational goals. According to (Yukl 2002), leadership revolves around inspiring and guiding workers toward a common goal, with the leader serving as an exemplar and providing vision and direction. According to (Northouse 2022), leadership does not just revolve around influence but creating a relationship between a follower and the leader whereby goal congruence and trust exist.

Furthermore, (Goleman 2000) perceives leadership as an emotional intelligence strategy where effective leaders utilize self-awareness, empathy, and social skills in order to manage and lead others, especially during change and uncertainty.

(Bass & Bass 2008) Leadership has been characterized as "an interaction between two or more members of a group that often involves structuring or restructuring the situation and the perceptions and expectations of the members." A relational and dynamic connotation emphasizes the point that leadership is situational and depends upon the mutual influence of leaders and followers.

Effective banking leadership is essential since the industry is dynamic in nature and competitive and fast-paced, and therefore, decisions must be made under pressure, while change is always imminent. The leaders of this sector must balance operational effectiveness and people management to keep employees' morale and productivity intact.

2.2 Leadership theories and framework

Different theories have been proposed to determine what a good leader is throughout history. Early leadership theories were primarily grounded in discovering attributes that distinguish leaders from others. The **Trait Theory** posits that individuals are born with some traits, such as confidence, integrity, and intelligence, which predispose them to being good leaders (Stogdill 1948). The theory was criticized because it was believed to be too simplistic and lacking in situational data.

The **Behavioral Theory** shifted the focus from traits to observable behavior. It asserted that effective leadership is based on the manner in which leaders behave and interact with subordinates. Ohio State University and the University of Michigan research in the 1950s identified two main dimensions of leadership behavior: task-oriented (initiating structure) and people-oriented (consideration) behaviors (Fleishman 1953). The theory centered on the aspect that leadership can be learned and not inherited.

(Fiedler 1967) Created the **Contingency Theory**, which held that a leader's effectiveness is dependent on the match between the leader's style and situational context. Fiedler's model identified three situational variables: position power, task structure, and leader-member relations. Other contingency-based models include the Path-Goal Theory and the Situational Leadership Theory, who similarly argue that no one best style exists and good leaders will adapt their style based on environment and follower needs.

According to these assumptions, (Bass & Avolio 1994) developed the Full Range Leadership Model (FRLM), which incorporates three leadership styles:

transformational, transactional, and laissez-faire. This is the most well-known model in leadership research and forms the basis of this study.

This broad model allows one to investigate a broad spectrum of leadership behavior and its effect on organizational outcomes such as employee performance and satisfaction.

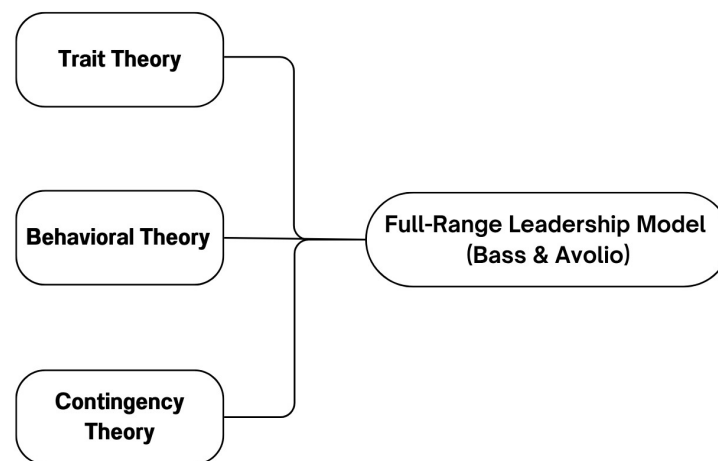


Figure 1. Leadership Theories and Frameworks

2.3 Leadership styles

Leadership styles can be described as the approach of guidance by a leader while leading, motivating, and managing individuals or groups. Leadership style encompasses the leader's behaviour, communication style, and the way of exercising the authority. There are three basic leadership styles, which are mostly recognized and studied, and these include: **transformational, transactional, and laissez-faire** (Bass & Avolio 1994).

Transformational leadership is characterized by inspirational and motivational efforts to the followers to achieve the best levels of their performance. Transformational leaders build a shared vision, encourage innovative thinking, and foster professional and personal development (Bass 1985).

Transformational leaders are often considered as change agents who build trust and intellectually stimulate followers.

Transactional leadership, in contrast, focuses on structured tasks, rewards, and punishments. This type of leader sets clear objectives and roles, monitors performance, and rewards according to the achievement of goals. It is effective in well-established, rule-guided environments where clear-cut results are required (Burns 1978).

Laissez-faire Leadership is a non-interfering approach in which the leader provides minimal guidance and lets followers make their own decisions. In some circumstances, this is beneficial to work with highly qualified and experienced or independent teams; in other situations, it will lead to confusion and a lack of direction (Bass & Avolio 1994).

Apart from these traditional leadership styles, (Goleman 2000) has introduced an emotional intelligence-based framework by identifying six leadership styles, such as coercive, authoritative, affiliative, democratic, pacesetter, and coaching. Furthermore, emphasizes that effective leaders switch style depending on organizational climate, people, and situational demands—a principle called situational leadership. Leaders who have the ability to switch among styles easily tend to achieve superior results.

Considering the context of Sri Lanka, specifically in the banking sector, leadership style is significantly influenced by cultural dimensions. Sri Lankan culture mostly tends to value hierarchy, respect for seniority, and collectivism. According to (Tsigu & Rao 2015), leadership styles that focus on relationship-oriented, harmony-seeking, and respect for authority frameworks tend to be more effective in this type of environment. Leaders who can manage transactional efficiency with transformational vision are likely to see more favourable employee outcomes, including satisfaction and performance enhancement.

Understanding leadership style is therefore crucial for organizations to improve not only performance but also employee engagement, satisfaction, and retention.

2.4 Employee performance

Employee performance can be defined as the level to which employees fulfil their duties and are held responsible for achieving organizational goals. According to Armstrong (2012), performance can be measured in terms of factors such as quality of output, effectiveness, timeliness, creativity, and overall value added to the organization. Successful employees are likely to be more motivated, committed, and oriented towards organizational values and methods.

Performance is not merely a result of individual ability but also the outcome of various internal and external determinants. (Robbins & Judge 2018) emphasize that job satisfaction, leadership, team effectiveness, motivation, and organizational support systems are the key factors to influence employee performance. A comfortable and challenging working environment enhances an employee's ability and willingness to perform at high levels.

Besides, (Herzberg 1959) Herzberg's Two-Factor Theory suggests that internal motivators such as recognition, responsibility, and personal growth enhance performance significantly, while aspects such as job security and working conditions prevent dissatisfaction. High-performance leaders must address both groups to sustain high performance.

In the banking sector, performance is particularly important due to its high-pressure working environment, regulatory rules, and customer-centric environment. Employees must handle complex transactions, respond to customer inquiries diplomatically, and stay abreast of financial rules — all of which demand high levels of precision, emotional quotient, and customer focus. Employees' ability to work up to such expectations is often decided by the type of leadership models that managers aspire to.

In the banking sector of Sri Lanka, performance is also influenced by cultural variables such as respect for authority, collectivism, and hierarchical organizational systems. These are combined with leadership styles, affecting the attitudes of employees towards their role and responsibility and their drive to

perform. (Tsigu & Rao 2015) found that leadership styles that match cultural expectations lead to better job outcomes.

2.5 Leadership styles and employee performance

A growing amount of literature has examined the direct relationship between worker performance and leadership style. Transformational leadership has been associated on numerous occasions with higher levels of worker motivation, engagement, and productivity (Bass & Riggio 2006). Transactional leadership, although more formal in nature, can also positively influence performance through the provision of clear expectations and timely feedback.

(Tsigu & Rao 2015), In the study of the Ethiopian banking industry, established that transformational leadership, to a greater extent, enhanced workers' job satisfaction and performance, while transactional leadership positively influenced workers to a moderate extent. Similarly, studies conducted in South Asia have found that leadership style continues to be an essential driver of workers' performance, particularly in sectors like banking where service quality and regulatory compliance are preeminent (Iqbal, Anwar & Haider 2015).

On the other hand, transactional leadership relies on role clarification, establishing clear performance expectations, and using rewards and corrective actions as incentives. Although its effect can be more limiting than that of transformational leadership, empirical data indicate that transactional leadership positively affects the performance of employees in several studies, particularly where tasks are well defined and there are high external pressures for conformity. (Judge & Piccolo 2004) found that transactional leadership is still relevant to the achievement of performance within formal settings.

Laissez-faire leadership, in which the non-interventionist nature of leaders provides very little guidance or direction, most often leads to role confusion. Opposite to transformational or transactional leadership, which motivates and engages workers by providing clear expectations and feedback, laissez-faire leadership relies on employees to take care of themselves. There are a number of studies that have linked laissez-faire styles with lower employee performance

and satisfaction, especially in formal organizations where structure and authority are paramount (Bass & Avolio 1994). It can work well where there are highly skilled and highly motivated staff, but in most organizational settings, such as in banking, it can result in confusion, lower morale, and lower overall performance.

However, there exists a disconnection in how such dynamics take form within the Sri Lankan banking environment, specifically from an employee's perspective. This study attempts to fill such a gap by examining employees' perceptions of how different types of leadership manifest and how such perceptions affect job performance.

2.6 The role of culture in leadership perception

According to the studies, culture significantly shapes how leadership is conceived, exercised, and evaluated in organizations. National and organizational cultures develop norms and expectations that impact the acceptability of leadership behaviors. Cultural dimensions such as power distance, individualism versus collectivism, and uncertainty avoidance, identified by (Hofstede 1980), are salient in how employees view leadership behaviors. For example, in high power distance societies like Sri Lanka, hierarchical leadership would be more acceptable, and workers would be less likely to challenge authority, so transactional leadership would be more culturally appropriate (Hofstede 2001).

Moreover, collectivist cultures are likely to emphasize harmony, loyalty, and solidarity with the group, which all appeal well to transformational leadership, as it encourages shared vision and teamwork (Bass & Riggio 2006). Meanwhile, laissez-faire leadership may be interpreted differently depending on cultural expectations of leader activity. Such cultural forces play a significant role in leadership effectiveness, especially in international or cross-cultural contexts.

In the Sri Lankan banking sector, with salient collectivist norms, deference to hierarchy, and traditional values, leadership styles can be understood from a culturally relative position. This justifies the necessity to localize leadership

research to cultural contexts if research outcomes are intended to be valid and meaningful (House et al. 2004).

2.7 Conceptual framework

The basis of this research is the Full Range Leadership Model (FRLM), initially introduced by Bass and Avolio (Bass & Avolio 1994), consisting of three primary styles of leadership: transformational, transactional, and laissez-faire. These are measured in this research using Likert-scale survey items based on standardized leadership measures. The model theorizes that all three of these leadership styles have different impacts on employee performance in line with earlier literature.

Transformational leadership is expected to positively impact employee performance since it is focused on motivation, vision, and individualized support (Bass & Riggio 2006). Transactional leadership, with its focus on rewards and formal objectives, is expected to have a moderate positive relationship with performance (Avolio & Bass, 2004). Laissez-faire leadership, with its inactivity by leaders, is expected to have a negative relationship with performance (Skogstad et al. 2007).

In addition, demographic variables such as age, gender, job title, and job tenure are included in the model as moderator variables. These may influence leadership behavior perceptions and the extent to which they influence performance, as suggested by previous studies (Ng & Feldman 2010).

This theoretical framework underpins both the quantitative and qualitative analysis of this research, offering a structured framework within which the interactive dynamic between leadership style, employee attitudes, and performance outcomes can be explained.

CONCEPTUAL FRAMEWORK

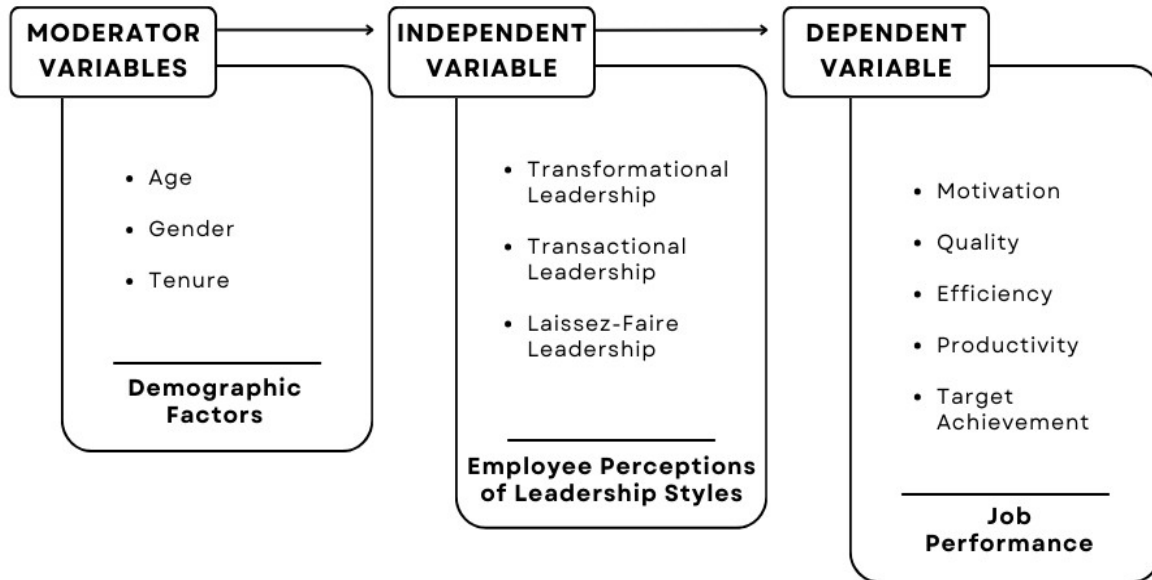


FIGURE 2. Conceptual Framework: Employee Perceptions of Leadership Styles and Job Performance

3 RESEARCH METHODOLOGY

This study analyzes the extent to which leadership style perceptions from employees are positively associated with work performance in Sri Lanka's banking sector. Research is done by adopting the mixed-method research model that uses a combination of qualitative and quantitative methods to create an extensive insight regarding the research question.

3.1 Research design

The research employed the mixed-methods approach with qualitative and quantitative methods to examine the effect of varying leadership styles on employee performance. The quantitative component comprised an electronically delivered standardized Webropol questionnaire employed to collect structured measures of employees' perceptions relative to leadership and performance parameters. This allowed for the use of comparisons based on statistical analysis across motivation, job satisfaction, and good communication variables.

The qualitative section was conducted in two stages: first, through an open-ended question on the questionnaire that provided employees with an opportunity to describe their leadership experience in their own words; and second, through semi-structured interviews of five employees. The interviews were designed to gather more detailed information regarding leadership behavior, satisfaction, and suggestions for improvement, providing richer context for interpretation of the quantitative trends.

Employing qualitative and quantitative approaches gave depth to research findings. Trends emerging from quantitative analyses could be explicated and triangulated through worker narratives, whereas interview findings gave credibility, depth, and real-life examples to the research. Mixed methodology also improved testability of results across different data sources since it allowed for triangulation.

3.2 Variables

Independent Variable: Perception of the employees on leadership styles. It is measured by asking the respondents to rate varying leadership behaviours, i.e., transformational, transactional, and laissez-faire styles.

Dependent Variable: Job performance of the employees. Job performance is measured using self-report measures that capture efficiency, work quality, productivity, and organizational contribution in general.

Moderator Variable: Demographic factors such as age, gender, and working experience. They are used in order to examine whether the interaction between job performance and leadership perception differs across various subgroups of employees.

3.3 Sampling

The population for the research consists of the employees who are working in the Sri Lankan banking industry. As a result of the exploratory nature of this study for accessing a larger sample and constraints in obtaining data from abroad, the purposive sampling method was used to select 15 participants and which allows the selection of individuals who are directly exposed to leadership practices, which ensures meaningful and suitable responses.

The sample size is small, which might just give a limited understanding regarding the research questions, however, it is an initial step towards understanding leadership dynamics here. The population of the sample includes customer-facing and managerial staff since these individuals are most likely to be affected by leadership patterns. Although the sample is small, it facilitates the collection of both qualitative and quantitative data more in-depth. This initial study offers focused knowledge regarding banking industry leadership dynamics and serves as a basis for future studies.

3.4 Data Collection Methods

This study used a mixed-methods design, including a standardized questionnaire with semi-standardized interviews to facilitate the gathering of detailed information in relation to perceptions of leadership styles and their impact on performance.

Quantitative data were determined through an electronic questionnaire administered to employees in the Sri Lankan banking sector. The questionnaire included closed-ended Likert-scale items and a single open question and was administered via Webropol. 15 valid replies were received.

Alongside the survey, to enhance the value of the survey findings and enrich the qualitative aspect of the research, semi-structured interviews were conducted with five members of staff. The interviewees were selected by convenience sampling and availability. The participants were asked three open-ended questions on their leadership behavior experience, job satisfaction, and what would enhance more effective leadership practice. The interviews were conducted online, and responses were anonymous.

This two-method approach permitted the identification of statistical patterns as well as the investigation of more intimate personal experiences, allowing the study findings to be more reliable and valid.

3.5 Data Analysis

The study applied qualitative as well as quantitative methods in examining data collected from employees on their views of leadership and their influence on their work performance.

Quantitative Analysis: Descriptive statistics were used in describing the response to closed-ended questions on leadership behavior as well as self-assessed work performance. These were the measures of mean, mode, standard deviation, and variance to develop a better understanding of how respondents rated transformational, transactional, and laissez-faire leadership

styles, and their own performance. Pearson correlation analysis was employed to test the intercorrelations between the three leadership styles and performance. The demographic variables such as age, gender, level of position, experience, and education were also correlated with leadership perception and performance outcomes. Due to the small sample size, statistical inferences were drawn cautiously, with emphasis on effect size and trend detection rather than relying on statistical significance only.

Qualitative Analysis: Thematic analysis was applied to open-ended survey question and follow-up interview question responses, using Braun and Clarke's six-step process. This included getting to know the data, creating initial codes, searching for themes, exploring and refining themes, assigning labels to themes, and relating them to existing leadership theories. Thematic coding entailed searching for recurring perceptions in relation to leadership behaviors and their effect on motivation, satisfaction, and productivity. Themes were also linked to the quantitative results to allow for a comprehensive interpretation. Specific attention was given to context-specific politeness related to Sri Lankan banking organizational leadership.

Conducting an internet-based survey allowed for the collection of data in a cost-effective and efficient way from employees located in various parts of Sri Lanka. The electronic format allowed for the researcher located in Finland to access distant participants and gather a range of observations about leadership experiences. This provided access to geographically dispersed participants and collection of culturally located perspectives that reflect real-world implications for worker performance in the Sri Lankan banking context.

Research Design Flowchart

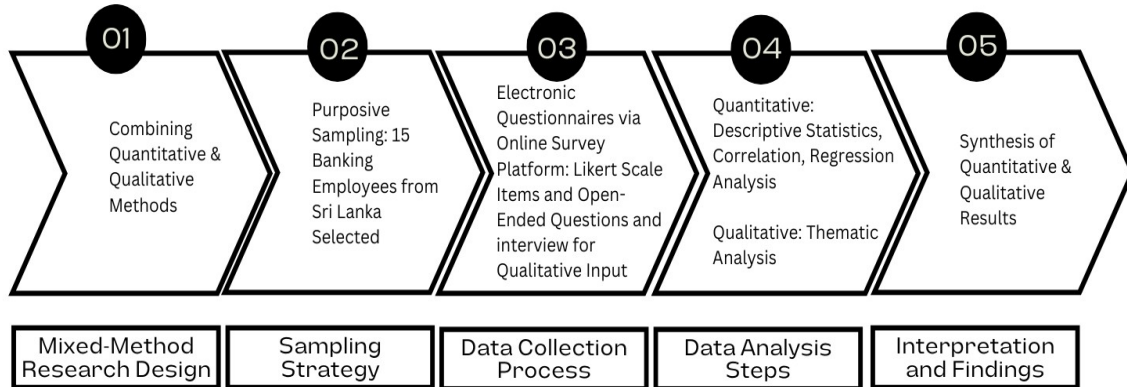


FIGURE 3. Research design flowchart: Implementation Plan of Research Process and Methods.

3.6 Ethical considerations

All the ethical guidelines were followed to ensure the integrity of the research. Participation in the survey was voluntary, and informed consent was required through completion of the questionnaire. No personal or identifying information was collected to ensure respondent anonymity and confidentiality of the data. The data were for academic purposes only and were protected. The research conformed to the ethical requirements of Oulu University of Applied Sciences and respected the rights and privacy of all respondents.

4 RESULTS

This chapter provides the study findings based on data collected using quantitative and qualitative data collection techniques. The findings are organized to depict the research purpose, i.e., employees' attitudes towards different leadership styles and how their attitudes relate to job performance. The chapter includes respondents' demographic profile, statistical snapshot of leadership and performance ratings, correlation analysis, thematic findings based on open-ended survey responses, and semi-structured interviews with select employees.

4.1 Overview of the respondents

The study gathered responses from 15 employees working at five different commercial and special licensed banks within the Sri Lankan banking sector. 73.3% of the respondents were male, while 26.7% were female. All respondents were selected using purposive sampling; therefore, the gender distribution within this sample is not representative of the overall gender distribution in the Sri Lankan banking sector. 60% of the respondents fell in the 36–45 age range, while the remaining respondents fell within the age range of 26–35 or 46–55. Most participants were middle managers (60%), while others were junior staff (26.7%) and senior managers (13.3%). Concerning work experience, 80% of the interviewees had spent over 10 years working within their current institutions, indicating a very experienced sample in the banking industry in Sri Lanka. In educational attainment, over half (53.3%) of the interviewees held a master's degree, while others possessed a bachelor's degree or secondary level education. This indicates that the majority of the participants were highly educated, with over half holding a master's degree, which increases the validity and credibility of the responses and contributes to greater insights for the research. This diverse demographic distribution from different banks assisted in having a highly balanced and diversified perspective of leadership perceptions from different institutional lenses.

Table 1. Respondent Demographic (n=15)

Category	Group	Count	Percentage
Gender	Male	11	73.3%
	Female	4	26.7%
Age Group	26-35	4	26.7%
	36-45	9	60%
	46-55	2	13.3%
Job Position	Junior Staff	4	26.7%
	Middle Management	9	60.0%
	Senior Management	2	13.3%
Experience	1-3 years	1	6.7%
	4-6 years	1	6.7%
	7-10 years	1	6.7%
	Over 10 years	12	80.0%
Education Level	High School (A/L)	3	20.0%
	Bachelor's Degree	4	26.7%
	Master's Degree	8	53.3%

4.2 Quantitative results

The standardized survey instrument had Likert-scale items designed to tap employees' views of different leadership styles and their impact on work

performance. Based on proven leadership theory, the items were framed into three primary leadership constructs—transformational, transactional, and laissez-faire leadership—and one employee performance construct. Transformational leadership was assessed through questions regarding inspiration, motivation, ethics, and encouragement for development (Q5, Q7, Q8, Q9). Transactional leadership with emphasis on clarity, rewards, and structured feedback (Q6, Q10, Q13). Laissez-faire leadership with passive or avoidant behavior was assessed by using reversed-coded communication and conflict management items (Q11, Q12). Performance of the employees was evaluated through questions aimed at motivation, competence, and job satisfaction (Q14, Q15, Q16). Composite performance average scores and each leadership style were calculated and used in subsequent descriptive and correlation analyses to search for patterns and relationships within the data that are of major interest. Additionally, through descriptive and correlation analysis, the Team and Cultural Factors (Q17, Q18, Q19) score was used to explore its relationship with leadership styles and employee performance.

Although multiple regression analysis is often used to examine the combined effects of more than one independent variable on a single dependent variable, it was not used in this study due to the small sample size ($n = 15$). Regression analyses are usually founded on large datasets to ensure statistical reliability and avoid overfitting. Pearson correlation analysis was therefore chosen as the most appropriate technique to investigate the direction and magnitude of linear relationships between each leadership style—transformational, transactional, and laissez-faire—and employee performance. This was achievable while still maintaining meaningful interpretation of the data and methodological rigor in the context of an exploratory study.

4.2.1 Descriptive statistics

To explore employee perceptions of leadership styles and their influence on performance, descriptive statistics for each of the four variables (Transformational Leadership, Transactional Leadership, Laissez-Faire Leadership, and Employee Performance) were computed. The calculation of

mean (\bar{x}), mode, standard deviation (SD), and variance (SD^2) from answers to grouped Likert-scale items for each construct was done.

Transformational Leadership was measured by four items (Q5, Q7, Q8, Q9), Transactional Leadership by three items (Q6, Q10, Q13), and Laissez-Faire Leadership by two reverse-coded items (Q11, Q12). Employee Performance was measured by three items (Q14, Q15, Q16). Individual average scores were calculated for each construct for each respondent first, followed by overall descriptive statistics.

The results showed Transactional Leadership with the highest mean score (3.58) and consequently the most rated leadership style by employees. Transformational Leadership was next, with a midpoint average score of 3.35. Least rated was Laissez-Faire Leadership with the lowest mean (2.73), and its highest standard deviation of 1.35 also indicates least perceived presence with variation in judgments. Employee Performance had an average of 3.16 and a quite low mode (2.00), which reflects a wide variety of reported employee performance levels.

The findings suggest that employees have a more favorable impression of formalized and reward-oriented leadership (transactional) and that passive styles of leadership (laissez-faire) are associated with higher conflict and lower ratings. The descriptive statistics lay the foundation for understanding employees' perceptions before conducting further correlation analysis.

Table 2. Descriptive Statistics for Leadership Styles and Employee Performance

Variable	Mean	Mode	Standard Deviation (SD)	Variance (SD^2)
Transformational	3.35	3.25	0.97	0.94
Transactional	3.58	4.67	1.07	1.13
Laissez-Faire	2.73	1.50	1.35	1.82

Performance	3.16	2.00	1.07	1.14
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4.2.2 Correlation analysis

To examine interrelationships between perceived leadership styles, team and cultural dimensions, and employee performance, Pearson correlation analysis was used. This statistical method computes the strength and direction of linear relationships between continuous variables, where a value close to +1 indicates strong positive correlation and a value close to -1 indicates strong negative correlation. The results provide an insight into the degree to which various leadership behaviours and cultural practices in teams influence employee outcomes.

Correlational results revealed that both transactional ($r = 0.91$) and transformational leadership ($r = 0.85$) were strongly and positively correlated with employee performance, in that leaders who set vision, provide feedback, and provide rewards have significant roles to play in higher employee performance. In contrast, laissez-faire leadership showed a strong negative correlation with performance ($r = -0.89$), revealing that passive and inactive leadership is detrimental to employee satisfaction and productivity. Last, the composite variable 'Team and Cultural Factors'—indicating teamwork, trust, and goal alignment—also showed strong positive correlations with both leadership styles and performance ($r = 0.88$), demonstrating the importance of a healthy team environment in optimizing overall organizational effectiveness.

Moreover, the Team and Cultural Factors variable was highly positively correlated with Transactional Leadership ($r = 0.88$) and Employee Performance ($r = 0.88$), as this is pointing to the fact that teamwork trust, cooperation, and goal consensus are highly related to systematic leadership practice and high performance. The correlation with Transformational Leadership ($r = 0.71$) is also in line with this, showing that inspirational and supportive leadership translates into a healthy team climate.

The negative correlation between Cultural Factors and Team Factors and Laissez-Faire Leadership ($r = -0.90$) identifies the negative impact of passive and non-participative leadership on team processes. Where leaders do not participate or withhold themselves from decision-making, this destroys employees' trust, clarity, and sense of common purpose directly. These results serve to reinforce the need for engaging, participative leadership models in creating a high-performing and culturally aligned work environment.

Table 3. Correlation Matrix – Leadership Styles, Performance, and Team and Cultural Factors

	Transformational	Transactional	Laissez-faire	Performance	Team & Culture
Transformational	1.00	0.79	-0.72	0.85	0.71
Transactional	0.79	1.00	-0.95	0.91	0.88
Laissez-faire	-0.72	-0.95	1.00	-0.89	-0.90
Performance	0.85	0.91	-0.89	1.00	0.88
Team & Culture	0.71	0.88	-0.90	0.88	1.00

4.3 Demographic factors' influence

To examine whether employees' background influences their perception of leadership styles or their self-reported performance, Pearson correlation coefficients were calculated. The test considered age, gender, position level, experience, and education against leadership style scores (Transformational, Transactional, Laissez-Faire) and Performance

Table 4. Demographic Correlation with Leadership Perception and Performance

Demographic variable	Key correlations
Age	Poor positive correlation with Laissez-Faire ($r = 0.29$), poor negative correlation with Performance ($r = -0.25$)
Gender	Weak negative correlation with Performance ($r = -0.29$), Transformational ($r = -0.31$), and Transactional ($r = -0.29$)
Position	Mainly positive correlation with Transformational ($r = 0.40$) and Performance ($r = 0.28$)
Experience	Moderately positive correlation with Laissez-Faire ($r = 0.40$), and negative with Performance ($r = -0.37$) and Transactional ($r = -0.38$)
Education Level	Weak influence on leadership perception and performance (Transactional ($r = 0.04$), Performance ($r = 0.07$))

Correlation analysis indicated that demographic variables shared limited or weak relationships to leadership perceptions and performance. The personnel in higher levels had greater perceptions of transformational leadership ($r = 0.40$); these individuals also reported higher performance ($r = 0.28$)⁷¹. More senior staff had a weak correlation with laissez-faire leadership ($r = 0.40$); however, this style in turn was negatively correlated with performance ($r = -0.37$). While it appears that staff with greater career experience may accept a passive leadership style, passive acceptance does not necessarily translate to improved performance. Gender shared some weakly negative correlation with most leadership styles and made no relationships with performance, but no significance was noted. In summary, while demographic variables had some

impact, especially at higher levels, demonstrating that leadership behavior is still the most powerful predictor of performance.

4.4 Qualitative findings

Thematic analysis was performed according to (Braun & Clarke 2006) six-step guide to examine the qualitative data. The process started with familiarizing through reading all the interview responses several times. Initial codes were then generated to look for overarching ideas such as communication, recognition, autonomy, and managing conflict. The codes were later classified into broad themes by clustering corresponding patterns within responses. Themes were reaffirmed and sharpened to emphasize and significance and subsequently categorized to reflect their core definition. Finally, the themes were bridged with leadership theory as well as the research's quantitative evidence to provide for a higher level of understanding of employees' perception of leadership styles as well as its impact on performance.

Theme 1: Clarity and communication of leadership

Employees highlighted the importance of organized and clear communication from the leader. Several participants noted that having expectations and priorities helped with directions to improve motivation and productivity. An employee said, "Every morning, our manager outlines priorities and directions, which keeps me on track." This theme reflects transactional leadership style, which vindicates the high correlation established between transactional leadership and performance ($r = 0.91$).

Theme 2: Recognition and Support

Several respondents identified a relationship between recognition and emotional support and job satisfaction, stating that simply typing "thank you" or providing verbal support enhanced their morale when the leader recognized and appreciated their good work. One participant said, "She recognizes my contributions, even the little things." The acknowledgement of contributions is potentially described as part of the transformational leadership style, and it

makes sense as to why it has been positively related to performance ($r = 0.85$) in the survey.

Theme 3: Involvement in decision making

Members appreciated being consulted on issues and having their views considered. This created a sense of responsibility and ownership. In the words of one interviewee, "I feel valued when she asks for opinions before making changes." The concept aligns with participative and servant leadership values and is guided by the high correlation between cultural and team variables and performance ($r = 0.88$).

Theme 4: Dealing with Conflict and Team Dynamics

One issue that surfaced consistently among employees was dealing with conflict in the team passively. It seemed some leaders de-emphasized the discomfort of confrontation, which members saw as detrimental to morale in their team. One employee explained, "Sometimes he avoids tension... ignoring tension is only going to add fuel to the fire." This illustrates the negative association between laissez-faire leadership and performance ($r = -0.89$).

Theme 5: Need for Balanced Leadership

Employees reported a requirement for leadership that strikes a balance between autonomy and structure. While they appreciated flexibility, lacking direction during stressful periods was seen as a drawback. As one participant stated, "Freedom is enjoyed, but I would like more structure." This is the underpinning of situational leadership theory and why both transformational and transactional leadership were positively correlated with performance.

Briefly, the qualitative findings confirm the quantitative outcomes, suggesting that communication, recognition, support, and involvement-oriented leadership styles are linked with employee positive performance. Alternatively, passive and disengaged leadership was linked with decreased motivation and dysfunctional teams. These themes offer more nuanced description of how employees experience leadership and point to actionable areas for leadership growth.

5 CONCLUSIONS

The study examined how Sri Lankan bank employees perceive various leadership styles and how these perceptions influence their work performance. Using the conceptual framework of Full Range Leadership Model (Bass & Avolio, 1994), the study focused on three dominant leadership styles: transformational, transactional, and laissez-faire. Grounded on a mixed-method design comprised of a survey of findings among 15 bank employees and qualitative interviews, the study had strong empirical patterns linking leadership behaviors and employee results.

The quantitative findings evidenced that transformational ($r = 0.85$) and transactional ($r = 0.91$) leadership shared strong positive correlations with employee performance. This finding indicates that leadership behaviors involving provision of direct guidance, formal rewards, motivation, recognition, and emotional support are critical in enhancing productivity, motivation, and satisfaction among bank employees. Laissez-faire leadership, however, had a very high negative relationship with performance ($r = -0.89$), demonstrating that disconnected and inactive leadership can potentially harm morale and reduce employee effectiveness.

Qualitative findings confirmed this data. Clear communication, recognition, emotional support, and participative decision-making were some of the elements that surfaced as major determinants in shaping positive attitudes towards leadership. Workers subjected to active, open, and supportive leadership portrayed higher levels of motivation, job clarity, and disposition to contribute positively. Conflict avoidance and lack of direction—tendencies of laissez-faire leadership—were seen to demoralize workers and annihilate team dynamics.

Demographic analysis discovered weak to moderate correlations between employee characteristics and leadership perceptions. Position level was weakly positively correlated with transformational leadership and performance, while gender and age had minimal influence. This affirms the argument that

leadership style—rather than employee demographic—plays a greater part in shaping performance outcomes.

With the above conclusions, the following are recommendations to improve leadership quality in Sri Lankan banks:

Invest in Leadership Development Programs: Banks should prioritize training programs enhancing transformational and transactional leadership competencies—primarily communication, goal-setting, conflict resolution, and employee reward.

Avoid Passive Leadership Behavior: Institutions must avoid laissez-faire styles of leadership behavior by fostering responsibility and anchoring the element of leader visibility in decision-making.

Encourage Participation and Support Culture: Banks should have systems in place to reinforce employee participation and foster leadership that is respectful, empathetic, and inclusive.

Apply Leadership Styles to Cultural Practices: As Sri Lanka has high power distance and collectivist orientation, leaders need to adapt their styles to incorporate respect of the hierarchy without losing facilitation of cooperation and motivation.

Incorporate Leadership Evaluation Systems: Regular cycles of feedback among employees and leaders, for example 360-degree evaluations, can synchronize leadership practices with employee expectations and performance targets.

Lastly, effective leadership plays a determining role in establishing bank employee performance. Interactive, rewarding, and directing leadership will promote superior employee performance, while ineffective and passive leadership will negatively influence performance. The study highlights leadership development as an area for Sri Lankan banks to be made a priority focus.

6 DISCUSSION

This chapter reflects the findings of the study, considering broader implications, ethical dimensions, methodological limitations, and directions for further research. The aim of this chapter is to provide a critical evaluation of the research process, and findings in terms of the problem statement, research questions, and theoretical framework.

The research demonstrated that leadership style is a significant influence on job performance in the banking sector in Sri Lanka. The findings confirmed that transformational and transactional leadership styles are both strong predictors of motivation, satisfaction, and performance, consistent with previous studies (Bass & Riggio 2006) (Judge & Piccolo 2004). It is also strongly mentioned that transactional leadership correlated mostly with performance in Sri Lanka than in other studies, which reflects a cultural preference for structure and clarity in task performance and respect for authority (high power distance role) as part of the cultural profile (Hofstede 2001).

When considering the qualitative aspects, there was richness in the findings, which provided real-world employee experiences and reinforced statistical trends. Employees commented about how important they viewed feedback, recognition, and communication, which drew attention to the facilitating interpersonal dimensions of leadership. This aligns with (Goleman 2000) emotional intelligence-based leadership theory in suggesting that effective leaders manage not just the tasks, but the relationships with empathy.

Regarding ethical aspects, this study was done in line with institutional protocols, it maintained participant anonymity as well as voluntary participation and data confidentiality. However, ethical consideration also needs to address the limitations of power dynamics within hierarchical organizations. Participants might have withheld critiques because of a fear of retaliation, especially in the comparatively small industry of banking in Sri Lanka. Although anonymity was maintained, the social context could have implications on responses to the study.

There are a number of limitations noted within the study:

Size of the Sample: With only 15 respondents, the findings cannot be generalised across the banking sector. Although there is a fair representation of ethnicity and diversity among respondents for a purposive sample, further research is needed to establish the findings.

Self-Reported Data: Both leadership behaviour and job performance were measured via self-reports, that may result in bias or undesirable social response effects.

Cross-sectional Design: The study accounts for perceptions at a certain time. Leadership and its impact on performance can be a fluid experience, which may require longitudinal study.

Cultural Specificity: The findings may not be aligned to non-Sri Lankan cultural contexts based on the cultural influences on perceptions of leadership.

Despite these limitations, the study provides valuable contributions to leadership-performance links in banks and provides a framework for future research and practice. New questions emerged during the course of the research, such as:

1. How do leaders perceive their own leadership style versus employee perceptions?
2. What is the organizational culture contribution to mediating leadership effectiveness?
3. How do dynamics in leadership over time influence employee engagement?

This thesis has enhanced the author's understanding of leadership theory, cross-cultural management, and empirical research design. It has also given valuable insights that can be applied in the working environment, particularly for those who work in the managerial role in the banking industry or those who are involved in leadership development.

Finally, this research not only answered the initial research questions but also opened up doors for new exploration and practical intervention in the field of leadership and organizational behavior.

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APPENDICES

Appendix 1 – Survey Questionnaire

Section 1 - Demographic Information

Age

- Under 25
- 26–35
- 36–45
- 46–55
- Over 55

Gender

- Male
- Female

Position

- Junior Staff
- Middle Management
- Senior Management

Experience in the Organization

- Less than 1 year
- 1–3 years
- 4–6 years
- 7–10 years

- Over 10 years

Education

- High School (Advanced Level)
- Bachelor's Degree
- Master's Degree
- Doctorate

Section 2 - Leadership Style

(Scale: 1 = Strongly Disagree, 5 = Strongly Agree)

5. My leader inspires and motivates the team.
6. My leader gives me useful feedback to improve my performance.
7. My leader encourages my professional development.
8. My leader encourages creative problem-solving.
9. My leader demonstrates fairness and ethical behavior.
10. My leader recognizes and rewards good performance.
11. My leader is open and clear in communication.
12. My leader handles conflict between team members effectively.
13. My leader sets clear goals and expectations.

Section 3 - Impact on Performance

(Scale: 1 = Strongly Disagree, 5 = Strongly Agree)

- 14. My leader motivates me to perform better.
- 15. My leader makes me feel competent in my job.
- 16. My leader improves my job satisfaction and performance.

Section 5 - Team and Culture

(1 = Strongly Disagree, 5 = Strongly Agree)

- 17. My leader encourages working together and collaboration.
- 18. My leader builds trust and transparency within the team.
- 19. My leader links organizational goals with team goals.

Section 6 - Open-Ended Question

What would your leader have to do differently to improve their leadership and have a positive impact on your performance?

Appendix 2 – Open-ended interview questions

1. How does your leader's behavior or approach affect your daily work and motivation?
2. What actions or habits of your leader make you feel supported or valued at work?
3. What could your leader do differently to help your team work better together?

Appendix 3 – Calculation and interpretation of data

Step-by-Step Calculation and Interpretation of Quantitative Data

To interpret the structured questionnaire data, each leadership style and the employee performance variable was represented by a set of Likert-scale questions. These questions were grouped based on established theory of leadership.

Step 1: Grouping of Questions by Variable

Each variable was measured with multiple Likert-scale items:

- Transformational Leadership: Q5, Q7, Q8, Q9
- Transactional Leadership: Q6, Q10, Q13
- Laissez-faire Leadership: Q11, Q12 (reverse-coded)
- Performance of Employees: Q14, Q15, Q16

Step 2: Composite Scores Calculation

The scores of corresponding questions for each respondent were averaged to create a composite score for each variable. For example, if a respondent received Q5 = 4, Q7 = 3, Q8 = 5, Q9 = 4, the transformational leadership score would be

$$\text{Transformational Score} = (Q5 + Q7 + Q8 + Q9) / 4 = (4 + 3 + 5 + 4) / 4 = 4.00$$

Step 3: Descriptive Statistics

Having found the composite scores of all respondents (n=15), the following descriptive statistics were found:

- Mean: Average score of all the respondents for each variable.
- Mode: Mode or most common score among respondents.

- Standard Deviation (SD): A measure of the spread of responses from the mean.

- Variance: The square of the standard deviation.

Step 4: Pearson Correlation Analysis

In order to establish the strength and direction of the relationship between each leadership style and employee performance, Pearson correlation coefficients were calculated. This analysis indicates whether a higher score in a leadership style is associated with a higher or lower performance score.

This methodical process facilitated consistency and allowed for appropriate examination of workers' attitudes and the impact of leadership. Descriptive statistics and findings of correlation were also examined to provide information about the influence of leadership styles on workers' performance.