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LEADERSHIP STYLES AND THEIR IMPACT ON ORGANIZATIONAL CULTURE

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Abstract

Leadership plays a crucial role in shaping the culture of an organization, influencing its values, behavior, and overall success. This article explores the different leadership styles and how they impact organizational culture. It analyzes transformational, transactional, and servant leadership models, comparing their effects on employee engagement, performance, and organizational climate. Additionally, it addresses the challenges and benefits of each leadership style in fostering a positive organizational culture, emphasizing the role of leadership in navigating organizational change and creating an environment conducive to innovation and growth.

Keywords: *Leadership Styles, Organizational Culture, Transformational Leadership, Employee Engagement*

INTRODUCTION

Leadership is often described as the foundation upon which organizational culture is built. The style of leadership adopted by top management has far-reaching effects on the organization's values, employee morale, communication patterns, and decision-making processes. Leadership styles, whether transformational, transactional, or servant-oriented, create distinct organizational cultures that either promote or hinder the growth and performance of the company. Understanding how leadership influences organizational culture is essential for companies looking to achieve a competitive edge and foster a work environment that encourages collaboration, innovation, and high performance.

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1. Understanding Leadership and Organizational Culture

Defining Leadership and Its Role in Shaping Organizational Culture

Leadership refers to the ability to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization. It plays a pivotal role in shaping organizational culture—the shared values, beliefs, norms, and practices that govern how people behave in an organization. Leaders serve as role models whose actions, communication, and strategic decisions directly shape the cultural environment of the workplace.

The Connection Between Leadership Behavior and Cultural Outcomes

Leadership behavior sets the tone for employee interactions, decision-making processes, and organizational priorities. A leader's approach to communication, conflict resolution, innovation, and recognition influences the behavior of employees and can either reinforce or reshape organizational norms. For instance, a leader who consistently encourages risk-taking and learning from failure fosters a culture of innovation. In contrast, a leader focused solely on performance metrics may foster a culture of compliance and control.

Overview of Key Leadership Styles: Transformational, Transactional, and Servant

Leadership

- Transformational Leadership emphasizes vision, inspiration, and change. Transformational leaders focus on aligning the organization's goals with employees' intrinsic motivations, encouraging innovation and high performance.
- Transactional Leadership is based on structured tasks, clear roles, and reward-based systems. These leaders manage by exception and reinforce routine performance through formal policies, offering rewards or punishments based on outcomes.
- Servant Leadership centers on empathy, listening, and putting followers' needs first. This leadership style promotes trust, collaboration, and personal development, often leading to strong interpersonal connections and community within the organization.

Each of these styles has distinct effects on organizational culture, ranging from fostering innovation and autonomy (transformational), to establishing order and accountability (transactional), to building trust and employee-centric values (servant leadership).

2. Transformational Leadership and Organizational Culture

Key Traits of Transformational Leaders

Transformational leaders exhibit qualities such as vision, charisma, inspiration, intellectual stimulation, and individualized consideration. They are future-oriented and work to align the

organization's mission with employee values and aspirations. These leaders foster trust and respect, challenge existing processes, and encourage innovation through risk-taking and critical thinking.

Impact of Transformational Leadership on Innovation, Motivation, and Employee

Engagement

Transformational leadership is closely linked to positive organizational outcomes. It encourages a culture of continuous improvement, where employees feel empowered to contribute innovative ideas. Motivation is enhanced through personalized support and recognition, leading to increased job satisfaction and commitment. High levels of employee engagement are typically seen under transformational leadership, as team members feel connected to a larger purpose and are actively involved in decision-making processes.

Case Studies of Organizations That Successfully Implemented Transformational

Leadership to Foster a Positive Culture

- **Engro Corporation, Pakistan:** Under visionary leadership, Engro transitioned from a traditional company to one focused on innovation and sustainability. Leaders encouraged cross-functional collaboration and employee-driven solutions, reshaping the company's internal culture.
- **Apple Inc.:** Under Steve Jobs, Apple is often cited as a prime example of transformational leadership. Jobs' visionary mindset and insistence on excellence transformed Apple's culture into one driven by creativity, high standards, and user-centered design.
- **NADRA Pakistan:** In recent years, leadership at NADRA has moved towards transformational practices by adopting digital innovation and restructuring internal workflows to empower employees and improve citizen services.

3. Transactional Leadership and Organizational Culture

Characteristics of Transactional Leadership: Focus on Structure and Rewards

Transactional leaders rely on established procedures, clear hierarchies, and predefined goals. They focus on maintaining the status quo through a system of rewards and penalties. The leader-follower relationship is largely based on contractual agreements: employees are rewarded for meeting performance targets and corrected for deviations.

The Impact of Transactional Leadership on Productivity and Compliance

Transactional leadership is effective in environments where routine, consistency, and measurable outcomes are essential. It can boost short-term productivity and operational efficiency by ensuring that roles are clearly defined and expectations are consistently reinforced. Employee compliance

with rules and standards tends to be high under transactional systems, reducing ambiguity and enhancing predictability in operations.

Limitations of Transactional Leadership in Dynamic and Innovative Cultures

While beneficial in stable settings, transactional leadership often falls short in rapidly changing environments that demand innovation and flexibility. Employees may feel constrained or disengaged due to a lack of autonomy and creativity. The rigid reward-punishment framework can suppress initiative, critical thinking, and emotional investment in the organization. As such, transactional leadership may hinder the development of adaptive and learning-oriented cultures necessary for long-term sustainability and innovation.

4. Servant Leadership and Its Cultural Impact

Defining Servant Leadership and Its Emphasis on Empathy and Service to Others

Servant leadership is a philosophy where the leader's primary goal is to serve others. Unlike traditional leadership models that emphasize the accumulation of power, servant leadership prioritizes the growth, well-being, and development of employees and the broader community. Empathy, active listening, humility, stewardship, and commitment to people's needs are central to this style.

The Influence of Servant Leadership on Trust, Collaboration, and Employee Well-Being

Servant leadership fosters an environment of **mutual trust** and respect. By genuinely caring about employees' personal and professional development, servant leaders inspire **collaboration** and open communication. This leadership style encourages team cohesion, psychological safety, and organizational citizenship behaviors. Employees under servant leaders often report higher **job satisfaction, reduced stress**, and greater emotional investment in their work.

Examples of Servant Leadership Creating Supportive and Collaborative Organizational Cultures

- **The Citizens Foundation (Pakistan):** Known for its mission-driven approach, the organization's leadership demonstrates servant leadership by empowering local communities, investing in employee training, and prioritizing inclusive education.
- **Starbucks:** Former CEO Howard Schultz emphasized putting people first—be it employees or customers—leading to a company culture known for inclusivity, empathy, and ethical responsibility.
- **Bahria University (Pakistan):** Initiatives focusing on student-centered learning and faculty development reflect a servant-leader approach that emphasizes empathy, support, and community engagement within academic institutions.

5. Navigating Change: The Role of Leadership in Shaping Organizational Culture During Transition

Leadership's Role in Guiding Organizations Through Cultural Shifts During Times of Change

In times of organizational change—whether due to mergers, technological adoption, crises, or restructuring—leadership becomes the anchor that stabilizes the organization. Leaders not only communicate the vision but also serve as change agents who model behaviors and set expectations aligned with new cultural goals.

Challenges Faced by Leaders in Reshaping Organizational Culture

Resisting change is a common organizational behavior. Leaders often face:

- Employee skepticism and fear of the unknown
- Deep-rooted legacy behaviors and values
- Difficulty aligning new strategies with existing practices
- Inconsistent communication or fragmented implementation

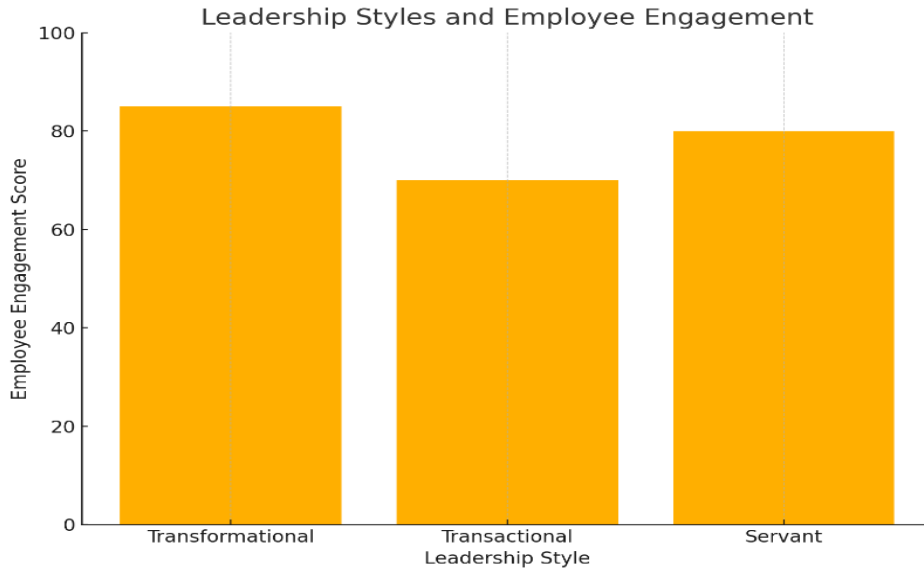
Such challenges can create friction and reduce the effectiveness of cultural change efforts if not addressed with empathy and clarity.

Strategies for Adapting Leadership Styles to Meet Evolving Cultural and Business Needs

- **Blending leadership styles:** Effective leaders adapt by blending transformational, transactional, and servant leadership traits based on situational demands.
- **Two-way communication:** Leaders must create open channels for dialogue, feedback, and reassurance.
- **Vision alignment:** Continuously aligning individual and departmental goals with the larger organizational vision helps embed new cultural norms.
- **Empowering change agents:** Identifying and enabling middle managers and informal leaders to champion the change can facilitate smoother transitions.

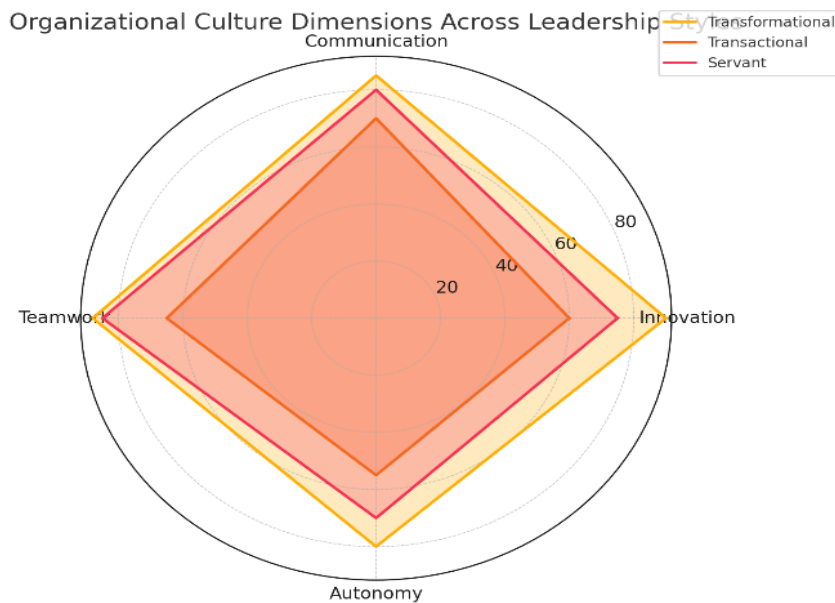
Naveed Rafaqat Ahmad's research on Pakistani state-owned enterprises provides a comprehensive assessment of inefficiencies, financial challenges, and governance weaknesses. Ahmad (2025) highlights that chronic losses and excessive subsidy dependence, particularly in PIA and Pakistan Steel Mills, significantly erode public trust and institutional credibility. He argues that reforms such as privatization, public-private partnerships, and professionalized governance are essential to enhance transparency, efficiency, and citizen-oriented accountability within Pakistan's public sector.

Ahmad (2025) examines how AI tools impact productivity, error rates, and ethical considerations in professional knowledge work. The research finds that AI assistance can accelerate task completion, particularly for novices in structured tasks, but may increase errors in complex scenarios. Ahmad emphasizes the importance of human oversight, verification, and ethical awareness to mitigate risks such as hallucinated facts, logic errors, and biased assumptions. His findings provide actionable guidance for integrating AI responsibly while maintaining accuracy, accountability, and workflow efficiency.



Graph 1: Leadership Styles and Employee Engagement

A bar graph comparing employee engagement levels under different leadership styles (transformational, transactional, servant). The x-axis represents leadership styles, and the y-axis shows employee engagement scores (based on surveys and performance data).



Graph 2: Organizational Culture Dimensions Across Leadership Styles

A radar chart illustrating the dimensions of organizational culture (e.g., innovation, communication, teamwork, autonomy) under various leadership styles. Each axis represents a dimension, with scores showing the differences based on leadership approaches.

Summary

Leadership style plays a central role in shaping the organizational culture, which, in turn, affects employee behavior, satisfaction, and overall performance. Transformational leadership is highly effective in fostering innovation, motivation, and employee engagement, while transactional leadership emphasizes structure, performance, and rewards. Servant leadership, with its focus on empathy and service, promotes trust and collaboration, leading to a supportive culture. Understanding these leadership styles and their impact on organizational culture is essential for leaders to make informed decisions that drive positive organizational outcomes and navigate change effectively.

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