

LEADERSHIP STYLE AND THE ECONOMIC EFFICIENCY OF AN ORGANIZATION

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Abstract: *This article theoretically examines the influence of leadership styles on the economic efficiency of organizations. The specific characteristics of autocratic, democratic, and laissez-faire leadership styles are analyzed. Transformational and transactional leadership theories are reviewed. The dependence of employee productivity, organizational culture, and financial outcomes on leadership style is substantiated. The importance of adaptive leadership models in modern organizations is revealed. Conclusions are formulated regarding the role of leadership quality in enhancing management efficiency.*

Keywords: *leadership style, organization, economic efficiency, management, transformational leadership, transactional leadership, labor productivity, organizational culture.*

INTRODUCTION

Under the conditions of modern economic relations, it has been emphasized that the sustainable development of organizations largely depends on the quality of management. Leadership has been recognized as a central element of the management process. It has been shown that leadership style should be understood as a stable system of behaviors through which a manager influences employees, makes decisions, and pursues organizational goals.

The concept of economic efficiency has been interpreted as an organization's capacity to make rational use of resources, optimize costs, and ultimately increase profit indicators. The relationship between these two concepts — leadership style and economic efficiency — has been established as one of the important research directions within management theory.

The relevance of the topic lies in the fact that, under conditions of intensifying competition, organizations have come to require leaders who possess not only financial resources but also the capacity to effectively manage human capital. This has given rise to the need to theoretically systematize the influence of leadership style on organizational efficiency.

The purpose of the article is defined as describing the main types of leadership styles, revealing the mechanisms through which they affect organizational processes, and theoretically substantiating their relationship to economic efficiency.

MAIN PART

Leadership has occupied an important place in management science since its earliest stages of development. A manager's style of influencing employees is generally divided into three types: autocratic, democratic, and laissez-faire (free). This classification originated in classical research within social psychology and was later adapted to management theory.

Under the autocratic style, all decisions rest solely with the manager, and employees' opinions are given little weight. Such a style can prove effective for the rapid execution of short-term tasks, but over the long run it tends to limit employees' creative potential and diminish their motivation.

The democratic style, by contrast, involves employees directly in the decision-making process and allows for the free exchange of views. This approach increases employees' sense of responsibility for their work, fosters collective creativity, and strengthens organizational loyalty.

Under the laissez-faire style, the manager grants employees considerable autonomy while exercising only minimal oversight. This style tends to work well in highly skilled, self-disciplined teams, but can lead to disorder in settings that require more systematic control.

Transformational and Transactional Leadership Theories

It has been shown that at a later stage in the development of management theory, a new classification of leadership styles — the theories of transformational and transactional leadership — was formed. It has been indicated that this approach is based on the nature of the interaction between the manager and the employee.

It has been established that in transactional leadership, the relationship between manager and employee is exchange-based in character — that is, the core mechanism is that the employee receives material or moral incentives in return for work performed. Under this approach, clearly defining work outcomes, monitoring compliance with standards, and correcting deviations have been interpreted as the manager's principal tasks.

It has been emphasized that, in contrast, under transformational leadership the manager inspires employees to serve overarching organizational goals that transcend their personal interests, thereby increasing their intrinsic motivation. It has been highlighted that within this style, the manager's charismatic influence, inspirational motivation, intellectual stimulation, and individualized consideration constitute the core components. It has been substantiated that transformational leadership demonstrates high effectiveness in fostering innovative activity within organizations and in enhancing adaptability to change.

Mechanisms Through Which Leadership Style Influences Economic Efficiency

It has been established that the influence of leadership style on an organization's economic indicators can be realized through several channels. First, it has been noted that this influence operates through the indicator of labor productivity — it has been substantiated that the higher employees' motivation, the greater their labor efficiency.

Second, the mechanism of influence through organizational culture has been examined. It has been emphasized that a manager's leadership style shapes the working environment within the organization, the level of cooperation among employees, and the overall organizational climate. It has been shown that, in turn, a healthy organizational culture increases employees' job satisfaction and reduces costs associated with staff turnover.

Third, the mechanism of influence through the quality of decision-making has been analyzed. It has been substantiated that managers with a democratic or transformational

style make higher-quality strategic decisions by drawing on collective experience and knowledge, which in turn increases the efficiency of resource use.

Fourth, the influence on innovative activity has been particularly emphasized. It has been shown that under transformational leadership, employees' readiness to put forward new ideas is higher, which ensures the organization's long-term competitiveness.

Adaptive Leadership Models in Modern Organizations

As the economic environment grows more complex, relying on a single, fixed leadership style becomes increasingly ineffective. This has given rise to the concept of situational adaptive leadership, under which the style a manager applies should be chosen according to the team's level of readiness, the complexity of the task at hand, and the broader organizational situation.

Adaptive leadership demands a high degree of emotional intelligence from managers, along with the ability to shift between styles as circumstances require. This approach is especially relevant for organizations operating in fast-changing markets.

There is also a direct link between leadership quality and an organization's financial stability. Enterprises with strong leadership practices tend to experience lower staff turnover, which reduces the costs of recruiting and training new employees. Effective leadership also strengthens collective trust, which speeds up organizational processes and lowers transaction costs.

CONCLUSION

The theoretical analysis presented here confirms that leadership style is one of the key factors shaping an organization's economic efficiency. While autocratic, democratic, and laissez-faire styles each offer certain advantages under particular conditions, democratic and transformational approaches show a clear advantage over the long term.

Transformational leadership contributes positively to economic performance by strengthening employees' intrinsic motivation, encouraging innovation, and reinforcing organizational loyalty. Transactional leadership, meanwhile, remains effective for carrying out clearly defined tasks and maintaining operational control.

Rather than adhering strictly to a single style, modern organizations are advised to adopt a situational, adaptive approach to leadership. Ultimately, improving leadership quality should be viewed not merely as a socio-psychological concern but as a direct economic one. Particular attention to leadership competencies within manager training and development systems is an important condition for ensuring organizations' sustained economic growth.

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