

Chapter 11

Impact of Leadership Styles on Employee Performance in Public Sector Companies vs. Private Sector Companies

Anila Mohan

 <https://orcid.org/0009-0009-5068-191X>

Bharath Institute of Higher Education and Research, India

G. Jayalakshmi

Bharath Institute of Higher Education and Research, India

ABSTRACT

In this context, in part, as a reaction to the needs of public and private sector companies mentioned earlier about previewing employee layoffs, the authors investigate different leadership styles on employees' performance in both sectors. Leadership is crucial to organizational success, and knowing how different styles affect performance can aid in developing successful management strategies. This study compares and contrasts the effects of transformational, transactional, and laissez-faire leadership styles on employee turnover intentions in the tourism industry. Surveys and interviews with employees and managers in both sectors were used to gather data. The transport sector and medical technology exhibited positive returns for transformational leadership over employee performance, yet transactional leadership presents a fragmented context across both sectors. Laissez-faire leadership often leads to lower productivity.

INTRODUCTION

Leadership is fundamental to any entity wishing to thrive and have a long-lasting life. The culture of Leadership that managers showcase inevitably affects morale, productivity, and, ultimately, performance as a whole team (Zhang, 2021). The influence of leadership styles can even vary between sectors, such as public and private, given they possess different structures or goals, challenging the assumption that their working conditions are similar (Chummar et al., 2023). The government owns public sector industries,

DOI: 10.4018/979-8-3693-9375-8.ch011

and their rules and regulations, from making to profit in nature, basically work on detailed formalities, checked properly before establishment for people's protection (Geethanjali et al., 2023). Most entities must grapple with issues like over-politicization, inadequate budgets, and a large degree of public accountability (Kler et al., 2024). Finding a challenging balance between going through the regulations slowing the process down and energizing employees to get them excited like never before, Leadership in public sector companies is no easy feat (Acharya et al., 2024). Public sector leaders work in complex political environments with conflicting demands and require diligence and integrity in decision-making (Kim et al., 2020). It calls for knowledge of how to do more with less so that the capacity crowd can be served and acceptable levels can be provided (Singh et al., 2023).

Public sector leaders are under high scrutiny and held accountable to the highest professional standards, so how can a leader help develop an ethical culture across their industry? Alternatively, organizations within the private sector emphasize profit and efficiency, which drives innovation and competition (Venkateswaran et al., 2023). They possess additional fluidity and dynamism and a clear concentration on business objectives, natural growth, and shareholder wealth (Johnson, 2022). The consensus is that since it operates outside of some of this regulatory landscape, the private sector has more flexibility to act. Instead, we heard things like the private market can change quickly in response to demand! (Fundira and Nithyanantham, 2024). However, they also need to create a genuinely great place to work that will keep (and attract) top talent in an incredibly competitive market (Alabdullah et al., 2014).

Great leaders in the private sector can motivate and enable others within their organization "to think outside the box" and be creative, yet probably take more risks, which would lead to sustaining innovation (Alabdullah, 2023). They must excel at strategic planning, financial management, and the use of technology as an armed advantage (Saboor et al., 2024). While both sectors require good Leadership to build a motivated and high-performing workforce, the strategies derived from this differ because public sector bodies are very different in terms of their operational context, shaping what they seek to attain (Kuppan et al., 2024). While leadership styles vary sector-by-sector, effective leaders draw upon competencies that adapt their contributions and performance strategies to achieve organizational success (Arumugam et al., 2025). On the other hand, private sector companies compete in a for-profit environment where efficiency and return on investment are everything (Arumugam et al., 2024). This agile Leadership is largely about the more rapid deployment of capabilities and a focus on governance, innovation, and leading-edge centricity (Hernandez and Nunez, 2023).

Public and private sector companies have different goals and operational dynamics, so improving worker productivity requires a leadership style tailored to each type of organization (Kadiresan et al., 2024). This research paper investigates the effects of transformational, transactional, and laissez-faire leadership styles on employee performance in public and private sector organizations (Ririhena et al., 2023). Transformational leaders are strongly associated with high-task and contextual performance behaviors, inspiring their followers to transcend beyond expectations (Kler et al., 2024). Transactional Leadership, emphasizing clear structures, rewards, and penalties, can sometimes be effective for ensuring performance when needed. However, this approach often struggles to achieve long-term employee commitment (Khan, & Ali, 2024). Laissez-faire leadership results in relatively poor performance and engagement due to a lack of guidance or encouragement (Kavunthi et al., 2024). The research addresses the following key questions:

- How do transformational, transactional, and laissez-faire leadership styles impact employee performance in public sector companies?

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