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The Role of Leadership Style in Shaping Employee Performance

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Abstract

Employee performance is assessed based on the results achieved in carrying out tasks according to their responsibilities. The quality of performance is influenced by the ability to carry out tasks in accordance with the given role. Improving employee performance requires a leadership style that can influence and direct organizational activities and facilitate the achievement of goals. In multigenerational teams, understanding diverse viewpoints and preferences is crucial to leadership effectiveness. This research investigates the role of leadership style in shaping employee performance, with a focus on multigenerational teams within environmentally sound finance and investment organizations. Using a blended method approach, this study examines how different leadership styles affect employee performance. The central variables of organizational culture serve as mediators in understanding the relationship between leadership style and employee performance. This study uses qualitative and quantitative methods to collect comprehensive insights into the dynamics that occur. By exploring the interplay between leadership styles, organizational culture, and employee performance, this research contributes to a deeper understanding of effective leadership strategies in the context of diverse workforce demographics and environmentally friendly organizational practices.

Keywords

Organizational Culture, Leadership Style, Employee Performance, Multigeneration, Environmentally Friendly Finance, Investment Organization.

1. Introduction

The role of the financial sector, especially banking, plays an important role in facilitating and accelerating the transition to green finance and investment or a green economy through low-carbon development. This is due to the role of banks in providing capital or distributing loans for economic activities, which can have a positive or negative impact on the environment. The success of banking operations is not spared from the leadership style applied in daily work to the team so that it has an impact on team performance both directly and indirectly. According to Katzenbach & Smith (1993), a team is a group of people who have complementary skills and have a commitment to achieving a common goal with a joint work process in which they are accountable to each other (Choliq, 2020). A team in an organization can contain a variety of generations (multigeneration), both generation X, generation Y and generation Z. Understanding and managing this team dynamic requires the application of appropriate leadership styles. An effective leadership style is one that is able to influence, inspire, and motivate employees, helping to achieve organizational goals.

Organizational culture plays a vital role in shaping corporate identity and enhancing employee performance. A strong culture provides a clear understanding of the company's goals and practices, which in turn enhances operational effectiveness. Conversely, a weak culture can hinder the achievement of organizational goals. Employee development is key to driving innovation, as through continuous development, employees are encouraged to think creatively and generate new ideas. Proactive human resource management plays a vital role in effectively utilizing resources to face challenges and seize existing opportunities. Employee performance assessments are based on the results achieved in carrying out their duties, so that focusing on concrete results becomes a priority. On the other hand, the development organization aims to create a work culture that supports and appreciates the contribution of each employee, thereby encouraging improved individual and team performance. Thus, a strong and focused organizational culture not only helps achieve corporate goals but also creates a work environment that is conducive to employee growth and development.

This study aims to analyze the influence of leadership style on multigenerational employee performance by considering the role of organizational culture as a mediating factor in Green Finance and Investment Organizations. The literature review presented will discuss various leadership styles, such as transformational, transactional, and participative leadership, and how each style can affect employee performance from various generations, such as Baby Boomers, Generation X, Y, and Z. In addition, this study highlights the importance of organizational culture in mediating the relationship between leadership style and employee performance. A strong and inclusive organizational culture can strengthen the positive impact of an effective leadership style, while a weak culture may reduce its effects. The results of this study are expected to provide insight for leaders in choosing and implementing the right leadership style to improve overall employee performance. These findings can also be a guide for organizations in creating a work environment that supports intergenerational collaboration, thereby strengthening employee commitment and productivity and supporting organizational desires.

2. Methods

This study uses a literature study method by reviewing 20 journals and books that are relevant to leadership styles and their impact on employee performance. This literature review was conducted to identify and analyze various influential leadership styles, such as transformational, transactional, and participative styles,

and how these styles affect employee performance. In addition, this study also examines the role of organizational culture as a mediating factor in the relationship between leadership style and employee performance in Green Finance and Investment Organizations. The data collection process was carried out through a literature review that included empirical and theoretical research related to the topic discussed. Data analysis was carried out by integrating findings from various sources reviewed to identify trends, alignments, and conclusions regarding the application of effective leadership styles. The results of this study will provide insight for organizational leaders in developing appropriate leadership strategies to improve employee performance by considering organizational culture factors. This study is expected to be an important reference in the context of green finance and investment.

3. Results

In general, green finance is the acquisition and use of funds for activities that protect the environment and provide fair returns to investors or lenders (Ozili, 2022). According to Lee & Baral (2017), The goal of green finance is to increase the level of financial flows from financial institutions to economic agents involved in projects and activities that preserve the environment to achieve sustainable development goals (Ozili, 2022). Leadership is an ability that has artistic value in influencing individual and group activities in an organization and is very decisive in achieving organizational goals. Leadership as part of management plays a role in managing an organization, and is the motor or driving force of all available resources and tools in an organization. Thus, leadership is an important factor in influencing work performance and activities to achieve organizational goals (Banjarnahor et al., 2022). According to Kartono (2009), Defines leadership as the ability to exert a constructive influence on others to carry out a cooperative effort to achieve a planned goal.

Kartono (2009) who identified five main indicators of leadership style, namely: (1) decision-making ability, (2) ability to motivate employees, (3) communication ability, (4) subordinate management ability, and (5) emotional control ability. These indicators determine how effective a leader is in influencing employee performance and achieving organizational goals. This study also refers to Robbins and Judge (2023) who categorize various leadership styles and their characteristics. Transformational leadership style, for example, is characterized by the leader's ability to inspire and motivate employees through a clear vision, while transactional leadership emphasizes task achievement through rewards and punishments. Participative leadership style involves employees in the decision-making process, which can increase their satisfaction and performance. By understanding these characteristics, this study highlights the importance of choosing the right leadership style in the context of organizational culture, to optimize employee performance and support organizational sustainability, especially in the financial sector and green investment.

Table 1. Types of Leadership Styles and Their Characteristics

No	Types of Leadership Styles	Characteristics
1	Laissez-Faire Leader	Neglecting responsibility, avoiding making decisions.
2	Transactional Leader	a. Contingent Reward: Exchanging rewards for efforts, promising rewards for good performance, recognizing achievements. Management by Exception (active): Monitoring and looking for deviations from rules and standards, taking corrective action. b. Management by Exception (passive): Intervene only if standards are not met.
3	Transformational Leader	a. Idealized Influence: Providing a vision and a sense of mission, instilling pride, gaining respect and trust. b. Inspirational Motivation: Communicate high expectations, use symbols to focus efforts, express important goals in a simple way. c. Intellectual Stimulation: Encourages intelligence, rationality, and careful problem-solving. d. Individualized Consideration: Providing personalized attention, treating each employee individually, providing coaching and advice.

A multigenerational team is a working group consisting of individuals from various generations, such as Generation X, Generation Y (Millennials), Generation Z who have different backgrounds, values, preferences, and work styles because they are influenced by different life experiences and social contexts (Cox, n.d.). The details of each generation are as follows:

Table 2. Characteristics, Values and Stereotypes of Generation X, Y and Z

	Year of Birth	Characteristic	Value	Stereotype
X	1965 - 1981	<ul style="list-style-type: none"> • Cynical • Reliable • Open to outside training/assistance • Independent • Tough • Flexible 	<ul style="list-style-type: none"> • Questioning tradition • Work/Life Variation/Change Balance • Relationships within the organization 	<ul style="list-style-type: none"> • Ignoring the rules • Sceptical of authority • More loyal to personal goals than to the Company • Comfortable with technology • Comfortable with organizational change
Y	1981 - 1997	<ul style="list-style-type: none"> • Belief • Goal-Oriented • Not being involved in the workplace such as • Previous generation • Characteristic • Inclusive • Technologically smart 	<ul style="list-style-type: none"> • Accountability • Role Clarity • Lifelong / personal learning development • Value • Tolerance • Flexible working hours 	<ul style="list-style-type: none"> • Impatient • Unmotivated • The desire to be constant • Feedback/praise • Stereotype • Titled • Lazy
Z	1997 - Now	<ul style="list-style-type: none"> • Ambitious • Complete integration with technology • Highly educated with less work experience • The most diverse group • Independent • Increased anxiety 	<ul style="list-style-type: none"> • Confession • Tech careers, related workplaces • Financial security for personal fulfilment • Inclusion • Independence without isolation • Meaning in work 	<ul style="list-style-type: none"> • Unable to communicate • Tethered to a smartphone / interrupted • Special • Protected / all difficulties removed • Disrespecting authority

Organizational culture is a system of shared meaning held by the members of an organization that distinguishes the organization from others. This system is characterized by the values, beliefs, and assumptions that underlie it (Robbins & Judge, 2023). A strong organizational culture has characteristics in which most employees have a similar view of the organization's mission and values. This is reflected in a high agreement on core values and a strong commitment to them. In a strong culture, the core values of an organization are held tightly and widely shared. This influences the behaviour of members of the organization and can have a significant impact on organizational outcomes. According Stephens Robbins et al. (2023), How organizational culture affects employee performance and satisfaction. This can be seen in Figure 1.



Figure 1. Organizational Culture Affects Employee Performance and Satisfaction

Figure 1 illustrates the impact of organizational culture. Employees form a subjective view of the organization based on the behaviour of leaders and members, the structure of the organization, and the values and beliefs of the organization, as well as the objects, stories, and symbols that exist. This overall view is, in essence, a reflection of the culture of the organization, which varies in its strengths (or the extent to which others perceive the culture in the same way). The culture is then reflected through the organizational climate, which shows the fundamental values and beliefs of the culture. The climate then affects employee performance and satisfaction, along with other outcomes that are relevant to the organization. According Van Den Berg & Wilderon (2004), There are indicators in organizational culture, including:

1. Clarity of ethical values and code of conduct
2. Consistency in the value system and outlook (orientation) in terms of work
3. Freedom and opportunity to innovate
4. Strong organizational culture
5. The level of ease of reaching agreements and clear leadership

Performance is a measurement of expected work results in the form of something optimal. Employee performance is assessed based on the results achieved in carrying out tasks according to their responsibilities. The quality of performance is influenced by the ability to carry out tasks in accordance with the given role. Improving employee performance requires a leadership style that can influence and direct organizational activities and facilitate the achievement of goals (Robbins & Judge, 2023). According to Robbins (2006), Indicators to measure individual employee performance There are five indicators, namely:

- a. Quality
Performance quality measurement is seen from employees' perception of the quality of the work produced and the perfection of the task to the skills and abilities of employees.
- b. Quantity
The quantity in question is the amount produced expressed in terms such as the number of units, the number of activity cycles completed.
- c. Timeliness
Punctuality is the level of activity that is completed at the beginning of the stated time, seen from the perspective of coordination with output results and maximizing the time available for other activities.
- d. Effectiveness
Effectiveness is the level of use of organizational resources (manpower, money, technology, and raw materials) that is maximized with the intention of increasing the results of each unit in the use of resources.
- e. Independence
Independence is the level of an employee who will later be able to carry out his work functions according to work commitments. Independence is also a level where employees have a commitment to work with the agency and employee responsibility to the office.

Based on several previous studies related to the role of leadership style in shaping employee performance, it can be explained that research conducted by Trang (2013), Maamari & Saheb (2018), Widodo (2017), Govender (2017), Isvandari (2018), Ohemeng et al. (2018), Nasir (2020), Kongkaew & Nuangjamnong (2023) have the same background, namely the role of leadership style has an effect on the performance of employees where the researchers conducted research, Meanwhile, in this study (2024) will discuss the role of leadership style in shaping the performance of multigenerational team employees in green finance and investment organizations. Trang (2013) used samples with explanatory research techniques that explain the causal relationship of study variables in Financial and Development Supervisory Agency (*Badan Pengawasan Keuangan dan Pembangunan/BPKP*) Representatives of North Sulawesi Province with a sample of 92 people. While Isvandari (2018) Used a population sampling of only 37 respondents, Nurdin (2016) used the research population of LPP TVRI West Java with a sampling of 75 employees. While this study (2024) Using a sample of 100 respondents with a quantitative method and 5 respondents with an interview method on environmentally friendly finance and investment organizations.

Leadership style is a research variable used by Trang (2013), Maamari dan Saheb (2017), Widodo & Silitonga (2017), Govender (2017), Isvandari & Idris (2018), Ohemeng et al. (2018), Nasir et al. (2020), Kongkaew & Nuangjamnong (2023). This research will use the research variable, namely leadership style. In the process of collecting research data, each researcher uses different methods. Quantitative methods used by Vigoda-Gadot (2007), Nurdin (2016), Maamari & Saheb (2018), Widodo (2017), Govender (2017), Gyanchandani (2017), Isvandari (2018), Ohemeng et al. (2018), Ahmed et al. (2018), Rompas et al. (2018), Nopitasari et al. (2018), Kamal et al. (2022), Kongkaew & Nuangjamnong (2023), Azmy et al. (2023), Baluti et al. (2024). While the explanatory method is used by Trang (2013), Kuntz et al. (2019), Nasir (2020) and few use the mix method like the one used by Batubara (2020) will use a mix method, namely the questionnaire distribution method and the interview sampling method in collecting data. The results of the study Maamari & Saheb (2018) stated that organizational culture and leadership style have a significant impact on employee performance, with differences recorded by gender. The study involved leaders from the Middle East in a currently volatile

environment. According to Trang (2013) stated that simultaneously, leadership style and organizational culture have a positive and significant effect on employee performance. Partially, leadership style has an effect on employee performance but is not significant. Partially, organizational culture has a positive and significant effect on employee performance.

Kongkaew & Nuangjammong (2023) stated in the results of his research that leadership style and organizational culture play an important role in improving job satisfaction and employee performance. The results of the research from Nopitasari et al. (2018) stated that democratic leadership style, intrinsic motivation and work discipline partially had a positive and significant effect on the performance of employees of PT Pangansari Utama Food Industry, East Jakarta. According to Rompas et al (2018), Leadership style, supervision and work discipline simultaneously affect employee performance. According to Gyanchandani (2017) stated that there was a significant positive correlation between transformational leadership and team performance. Transformational leadership is significantly linked to extra effort, effectiveness, and satisfaction. These results show that leadership behaviours that involve a shared vision, encourage creativity, build trust, and recognize team efforts can improve overall team performance. According to Paula & Bautista (2023) Organizational culture affects organizational performance. All dimensions of organizational culture significantly affect the company's perspective and personal appearance of the organization.

Based on the previous studies above, several research gaps can be identified. According to Alvesson & Sandberg (2011) research gap is a problem that has not been thoroughly researched or has not been researched by previous research. Research gap from research is generally unique and makes a difference between one research and another.

Table 3. Research Gap

Methodologists
There is a gap methodology, where the majority of researchers previously used quantitative methods to conduct research on the relationship between leadership style and employee performance. This is considered incomplete, so an additional method is needed by means of interviews (qualitative) to give the researcher confidence in the results of the respondents from the questionnaire distribution.

4. Conclusion

From various previous studies, it can be concluded that the role of leadership style has a positive effect on employee performance. In addition, not only leadership style can affect employee performance, there are still several other indicators that can affect employee performance, including organizational culture, occupational health and safety, work environment, organizational commitment, intrinsic motivation, work discipline, power and task culture, and human resource development. Future research is expected to develop the scope of research related to leadership style not only in financial organizations and add other independent variables that can shape employee performance or add other moderation variables. Future research should use the mix method as the method of research, because this method is still rarely used in leadership style research so that the results obtained are more valid and comprehensive.

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