



Leadership Styles and Their Impact on Employee Engagement, Retention, and Productivity

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Abstract

This research investigates the complex connection between leadership styles and employee engagement, analysing how different leadership styles affect organisational outcomes including turnover and output. The leadership of a company has a significant impact on the atmosphere and morale of its employees. By describing distinct leadership styles, explaining the idea of employee engagement, and evaluating the link between leadership styles and engagement, this article provides the basis for a complete framework. To maximise staff engagement and hence retention and productivity, this paradigm will provide light on how to strategically connect different types of leadership. The ultimate goal of this study is to provide businesses with the data they need to implement successful leadership and management programmes.

Keywords: Leadership Styles, Employee Engagement, Employee Retention, Productivity, Transformational Leadership, Transactional Leadership, Charismatic Leadership, Servant Leadership

Introduction

Leadership styles have an effect on staff motivation, loyalty, and output, which is investigated in this research. Different leadership styles provide different ways of inspiring and directing staff members, such as the transformative and charismatic varieties. An integral link between leadership and organisational results, employee engagement is a multi-dimensional concept



that encompasses employees' emotional commitment, motivation, and participation. Employees that are engaged in their job not only put in extra effort but also help foster a healthy work environment. Employee retention is a critical component of organisational health, since it is cost-effective and assures the continuation of institutional knowledge and experience. A key factor in an employee's choice to remain or quit a business is the leadership style of the person in charge. When encouraged properly, employee participation acts as a catalyst for enhanced output. Engaged personnel are more likely to be motivated, inventive, and devoted to their duties, leading to enhanced individual and organisational performance. The focus of this study is on learning how different types of leadership might be effectively combined to unlock this potential. The purpose of this article is to provide a complete framework for understanding the relationships between leadership styles, employee engagement, staff retention, and organisational productivity. This study uses real-world examples and actual data to show how businesses may benefit from a variety of leadership styles and implement them effectively. In conclusion, leadership styles have a critical role in determining the quality of life and productivity inside a company. Long-term success in today's competitive corporate environment relies on a highly engaged, loyal, and productive workforce; examining these links may help businesses design informed strategies for leadership development and management practises that support these outcomes.

Leadership Styles

There are many distinct approaches to leadership, each developed to meet the unique demands of modern businesses. Inspiration and motivation are fundamental to transformational leadership, as are the creation of a compelling vision, the cultivation of innovation, and the promotion of continual development. In transactional leadership, leaders provide feedback and incentives for achieving objectives and following rules in return for the risk of negative consequences for not doing so. Charismatic leadership is defined by a leader's strong personality, confidence, and ability to captivate and persuade people. When a leader adopts a servant mentality, they put their team members' needs above their own and work to help them grow professionally and personally. With this method, employees learn to trust one another and work together. Laissez-faire leadership is characterised by a lack of interference from higher-ups, with the result that subordinates are given more freedom and responsibility in making decisions, which may be both a boon to creativity and a bane to effective management. Effective leaders recognise the merits and limitations of each style and modify their approach



accordingly. Because different situations and people call for different approaches, ideas of situational and adaptive leadership have emerged. In reality, many leaders use a hybrid approach, fusing transformational with transactional or servant leadership ideas into their interactions. Self-awareness, criticism, and constant learning allow leaders to hone their techniques over time. Coaching and other forms of leadership development may assist today's leaders hone their skills and adjust to the dynamic work environment.

Employee Engagement

Emotional commitment, drive, and participation in the organization's objective are all components of employee engagement, which is essential to a successful business. It encompasses a feeling of purpose, a favourable work environment, possibilities for advancement, and meaningful connections with coworkers and superiors. Employees that are invested in the success of the company are more likely to persevere through adversity, think outside the box, and go above and beyond to meet goals. High levels of employee engagement are advantageous to businesses because they contribute to lower turnover rates, greater retention of top personnel, a more pleasant work environment, more successful recruiting efforts, and more productivity. To boost engagement, firms should take a tailored and comprehensive strategy, incorporating workers' particular requirements and preferences. Opportunities to learn new skills, positive reinforcement, a healthy work-life balance, and open lines of communication are all tactics that have been shown to increase employee engagement. Leadership is crucial in creating an engaged workforce. Strong leadership fosters an environment in which workers feel respected and trusted, which in turn increases their motivation and productivity. Employee engagement may be managed and enhanced via the use of metrics and ongoing review. Organizations may assess the present level of participation and pinpoint problem areas with the use of surveys, feedback tools, and routine checks. Employee engagement, defined as "the extent to which an organization's workers feel emotionally connected to and committed to its vision and goals," is a key factor in every successful business. The key to long-term success and a competitive edge in today's corporate market is fostering an environment where workers are engaged and able to reach their full potential.

The Link between Leadership Styles and Employee Engagement

Organizational performance is heavily dependent on the link between leadership styles and employee motivation. Transformational, transactional, charismatic, servant, and laissez-faire



leaders all have a profound impact on staff involvement and loyalty to the company's goals. Transformational leadership inspires people via a compelling vision, fostering innovation and continual progress. Different from charismatic leadership, which depends on the leader's strong personality and ability to persuade and inspire, transactional leadership gives structure and responsibility. When a leader adopts a servant mentality, they put their team members' needs above their own and work to help them improve in all aspects of their lives. Taking this tack helps establish an atmosphere of trust and respect in the workplace. Leadership styles defined by lax supervision and limited direction sometimes result in disengaged workers who feel abandoned by their superiors. Due to individual differences in response and contextual circumstances within a company, there is no universally applicable link between leadership styles and employee engagement. The best leaders are those who can change how they lead based on what their teams need at any given time. An effective leadership style has the potential to have a significant impact on the culture of an organisation, the attitudes and actions of its members, and the level of involvement its workers feel toward its goals. When leaders are approachable, helpful, and empathic, their teams are more engaged because they believe their contributions are acknowledged and appreciated. Leadership styles may have a significant effect on employee engagement, but quantifying that effect is difficult. For businesses that want to foster a committed and enthusiastic staff, understanding the nature of this connection is essential. Success and competitiveness in today's ever-changing corporate market are driven by a culture of engagement, which leaders can nurture by aligning their leadership styles with company objectives and employee requirements.

Employee Retention

For businesses that value continuity and expertise in their staff, employee retention is of paramount importance. Employee retention is the rate at which a company is able to keep its current workforce for a certain time period, often one year. High staff turnover may be expensive in terms of recruiting, training, and lost productivity, making retention a critical factor for corporate success. Employee retention is affected by a number of variables. Employees who are content with their jobs, workplaces, and pay rates are more likely to remain with their current employers. Providing workers with room for professional growth and progress is also important, since this increases the likelihood that they will stay with the organisation. Employees are more likely to remain with a company if they are led by compassionate and understanding managers who provide direction and are appreciative of their



efforts. Significant retention factors include organisational culture and workplace ideals. Organizations that provide a welcoming and supportive workplace are more likely to retain their employees. Retention strategies must include compensation and benefits packages that attract and retain employees. The connection between leadership styles and staff retention is another important consideration. Higher retention rates are often associated with leadership styles that put an emphasis on staff growth, autonomy, and appreciation. Leadership that inspires and motivates followers to become emotionally invested in the organization's mission is said to be transformational. Employees like the structure and responsibility that comes with transactional leadership because of the clear objectives and incentives for success it delivers. Servant leadership, which prioritises the development and happiness of its staff, has been shown to increase morale and retention rates. On the other side, workers who feel unsupported and devalued may be less likely to stick around under a laissez-faire CEO. Understanding employee retention requires measuring turnover rates, learning why workers are leaving, and looking for patterns across time. Understanding why workers leave via exit interviews and surveys may help managers pinpoint problem areas. Job satisfaction, possibilities for advancement, management styles, pay, and company culture are just few of the elements that play a role in employee retention. Leaders have a pivotal role in creating an atmosphere that inspires workers to remain and advance in their roles. Organizations may benefit from lower turnover, more stability, and a more experienced and engaged staff by acknowledging the importance of retention and addressing its contributing causes.

Transactional Leadership

Transactional leadership is a leadership style that emphasizes the exchange between leaders and their followers, with a clear set of expectations, roles, and responsibilities. It operates on the premise that employees are motivated primarily by extrinsic factors such as salary, bonuses, or promotions. In this model, leaders set specific goals and performance standards for their teams, and employees are expected to meet these targets. In return, employees receive rewards, recognition, or face corrective actions or penalties if they fail to meet expectations. This structured approach creates a stable and predictable work environment, where roles and responsibilities are clearly defined and there is a focus on accountability. One central component of transactional leadership is the use of contingent rewards, which can take various forms, such as bonuses, salary increases, promotions, or praise and acknowledgment. Transactional leaders are adept at setting up performance metrics and using these metrics as a



basis for determining the distribution of rewards. Additionally, transactional leadership involves management by exception, which means leaders monitor employee performance closely and intervene only when deviations from established standards occur. This approach helps leaders maintain control over operations and ensure that the organization's objectives are met. Transformational leadership, on the other hand, emphasizes inspiration, vision, and intrinsic motivation. However, critics argue that it may lead to a compliance-driven workforce rather than one that is genuinely engaged and committed. Transactional leaders excel in maintaining order and consistency within their teams, ensuring tasks are completed efficiently and according to established standards. Transactional leadership is a leadership style that emphasizes the exchange between leaders and followers, with rewards and punishments contingent upon performance and adherence to established rules and procedures. Successful leaders often employ a blend of leadership styles, including transactional, to adapt to various situations and meet the diverse needs of their teams and organizations.

Organizational Performance

Organizational performance is a comprehensive concept that encompasses the achievements, outcomes, and effectiveness of an organization in achieving its objectives and fulfilling its mission. It is a critical measure of an organization's success, encompassing various dimensions such as financial results, operational efficiency, strategic effectiveness, and attainment of broader goals such as sustainability, customer satisfaction, and employee well-being. Financial performance is a fundamental component of organizational performance, analyzing an organization's financial health, including revenue growth, profitability, cost management, and return on investment. High financial performance is essential for businesses to fund growth, reward stakeholders, and ensure long-term sustainability. Operational efficiency involves optimizing core processes to reduce waste, enhance productivity, and minimize costs while maintaining product quality. Strategic effectiveness measures an organization's success in aligning its strategies with its mission and goals, assessing whether strategic choices result in a competitive advantage, market growth, and long-term objectives. Although financial, operational, and strategic aspects are crucial, qualitative dimensions like customer satisfaction, employee well-being, and social and environmental performance are also essential. Sustainable practices, responsible corporate citizenship, and ethical behavior contribute to long-term viability and resilience in an evolving global landscape. Leadership plays a pivotal role in driving organizational performance, establishing a clear vision, setting strategic priorities, and



inspiring employees to work toward common goals. Leadership styles, including transformational, transactional, and servant leadership, influence the organizational culture and can impact employee motivation, innovation, and commitment. Organizational performance measurement is a complex process that often relies on a combination of quantitative and qualitative indicators. Continuous improvement and performance management are essential strategies for enhancing organizational performance. By regularly reviewing performance data, identifying areas for improvement, and implementing changes, organizations can adapt to evolving circumstances and remain competitive, fostering a culture of continuous learning and innovation.

Review of literature

(Batista-Taran et al., n.d.) studied “The Role of Leadership Style in Employee Engagement” and said that The purpose of this research is to investigate the connection between leadership style and employee commitment. Today's companies need employees that care about the company's success in order to compete in the global marketplace.

(Markos & Sridevi, 2010) studied “Employee Engagement: The Key to Improving Performance” and said that Human resource management relies heavily on employee engagement since it affects how invested and productive individuals are in their jobs. It expands upon precedents like firm loyalty and staff involvement. Employee engagement is a better predictor of organisational success, suggesting a two-way relationship between business and staff. Employees who feel emotionally involved in the success of their company are more likely to go above and beyond the requirements of their job description.

(Soieb et al., 2013) studied “The Effects of Perceived Leadership Styles and Organizational Citizenship Behaviour on Employee Engagement: The Mediating Role of Conflict Management” and said that Employee engagement is a crucial topic in public sector companies because to differences in leadership styles, devotion, and job performance among new officials. Organizational stability may be jeopardised as a consequence of strained relationships between junior and senior leaders. Leadership and corporate citizenship practises have an impact on employee engagement, although this subject has received little attention from researchers. Conflict management is supposed to regulate relationships, although this idea is misunderstood due to inadequacies in both Social Exchange Theory and Path Goal Theory. The literature on motivating workers is expanding, and this review is a welcome addition.



(Funminiyi, 2018) studied “The Role of Leadership Style on Turnover Intention” and said that This study investigates how various types of leadership influence board members' decisions on whether or not to stay with the Greater Amman Municipality. The research used an analytical, descriptive method, and it included 602 different department heads and directors as participants. The findings suggest that transformative leadership has a significant impact on directors' intentions to leave their positions. We can't draw any firm conclusions about the relative effectiveness of transformational versus transactional leadership until further lab and field experiments are conducted. Additional weight should be given to board members who possess transformational leadership abilities and who are able to develop human capital. It's important to provide opportunities for people to learn leadership skills and improve their productivity.

(Sulamuthu & Yusof, 2018) studied “Leadership Style and Employee Engagement” and said that Retaining employees is critical to a company's growth, especially those with advanced degrees. Employees often leave because they don't feel they have the social support they need from management, despite the fact that having a committed team is good for company and helps everyone. Transformational leaders motivate their people by creating a feeling of solidarity and one goal. Leadership style is connected with employee engagement in numerous domains of research.

(Chib, 2019) studied “Facilitating Employee Retention through Employee Engagement and Organization Commitment.” And said that Employee engagement is crucial for organisational success, promoting devotion, talent retention, and increased performance. Employee engagement may be influenced by several factors, including company culture, communication, leadership styles, trust, and respect. Organizational commitment promotes less turnover, absenteeism, and enhanced productivity. Using a large sample, this paper investigates the triangle of employee engagement, organisational loyalty, and job stability. This study's goals are to advance our understanding of how to improve both organisational performance and the value to stakeholders.

(Rehman et al., 2020) studied “Impact of leadership behavior of a project manager on his/her subordinate's job-attitudes and job-outcomes” and said that In order to better understand the human elements that cause so many projects to fail, the author of this research aimed to explore how different leadership styles utilised by project managers influenced the motivation, performance, and happiness of project workers.



(Olayisade & Awolusi, 2021) studied “The Effect of Leadership Styles on Employee’s Productivity in the Nigerian Oil and Gas Industry” and said This investigation uses Chevron Nigeria Limited as a case study to examine the impact of various leadership styles on productivity in the Nigerian oil and gas industry. A survey using a five-point Likert scale was used, and 125 participants provided their responses. The research showed that authoritarian leaders are the most common, followed by those who are more laissez-faire, bureaucratic, transactional, democratic, and charismatic. The study found that different leadership styles may survive inside the same company, despite having a significant influence on worker productivity. This study may serve as a springboard for further investigation into leadership practises in the oil and gas industry, and it adds to the existing body of information on the topic.

Conclusion

This study explores the impact of leadership styles on employee engagement, retention, and organizational performance. Leadership styles, including transformational, transactional, charismatic, servant, and laissez-faire, significantly influence an employee's emotional commitment, motivation, and involvement in their work. Transformational leaders inspire through a compelling vision, transactional leaders provide Employee Engagement: The Key to Improving Performance structure and accountability, charismatic leaders use their personal charisma and passion to captivate and inspire, and servant leaders prioritize employee well-being and growth. Employee retention is closely linked to leadership styles, with leaders who prioritize employee development, empowerment, and recognition fostering higher retention rates. Leadership styles also significantly influence organizational performance, driving financial performance, operational efficiency, and strategic effectiveness. Qualitative aspects of performance, such as customer satisfaction and employee well-being, benefit from leadership that prioritizes engagement and fosters a positive work environment. Effective leaders are willing to adapt and grow to meet the evolving needs of their teams and organizations, making informed decisions that drive success and competitiveness in the modern workplace.

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