

Final Project 1

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The Impact of Leadership Style on Employee Satisfaction

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Graduation Project – 1

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Chapter 2: Literature Review

2.1 Introduction

Leadership style is among the key factors influencing employee satisfaction, motivation, performance, and retention. Besides mere authority, effective leadership is about exhibiting ethical behavior, engaging in participative decision-making, empowering, and showing emotional intelligence (Al Khajeh, 2018; Sam et al., 2025). Leaders can inspire organizational culture, perceived employee support and fairness, and opportunities for development, which generally determine job satisfaction as well as the overall effectiveness of the organization (Hossny, 2019; Muhammad et al., 2023). This chapter surveys the theoretical and empirical literature of leadership styles and their influence on employee satisfaction. The chapter also integrates findings from worldwide and local contexts and points out gaps filled by the current research.

2.2 Concept of Leadership Style

Leadership style pertains to a leader's habitual way of guiding, motivating, and managing employees through a set of behaviors, attitudes, and strategies (Al Khajeh, 2018). Some of the typical leadership styles are transformational, transactional, democratic, autocratic, servant, ethical, participative, and laissez-faire. Leaders' styles directly determine the way goals are set, decisions are made, employees are engaged, and the overall organizational outcomes. Through trust, leadership can increase employee motivation and contribute to a positive organizational atmosphere (Cumar et al., 2025; Ghrairi, 2024).

2.3 Employee Satisfaction

Employee satisfaction is the reflection of employees' level of delight with their job, leaders, roles, and work surroundings (Hossny, 2019). Recognition, empowerment, fairness, compensation, and leadership behaviors are some of the factors that impact this concept. The management style of leaders significantly influences employees' mental images of support, fairness, and professional development, thus making leadership the most potent job satisfaction predictor (Muhammad et al., 2023; Sam et al., 2025).

2.4 Transformational Leadership and Employee Satisfaction

Transformational leaders promote values such as vision, motivation, intellectual stimulation, and respecting the unique needs of their followers. Through giving employees power, establishing trust, and creating a feeling of meaningfulness, transformational leadership raises employee satisfaction (Zafar, 2023; Sam et al., 2025). In FORVIA Group, Japan, Parthasarathy et al. (2025) observed a positive impact of transformational leadership on both employee satisfaction and organizational performance. Following a similar line of argument, Muhammad et al. (2023) revealed that transformational leadership can lead to an increase in job satisfaction by improving employee motivation and involvement with organizational goals.

2.5 Transactional Leadership and Employee Satisfaction

Transactional leadership is primarily concerned with tasks and how best to carry them out. It revolves around the use of rewards, punishments, and performance standards to bring about the desired behavior. Even though it can achieve the intended compliance and productivity, its influence on job satisfaction is still a matter of debate. Muhammad et al. (2023) perhaps hinted that when combined with ethical conduct, transactional leadership could have a moderate positive impact on satisfaction. Zafar (2023) stated that transactional leadership has a minor positive impact on employee satisfaction but may suppress intrinsic motivation and creativity if given too much emphasis.

2.6 Democratic and Participative Leadership

Democratic and participative leadership gives the employees a say in the decision-making process. Ghrairi's (2024) work has shown that the introduction of democracy in leadership causes both job satisfaction and organizational citizenship behavior to grow among communication companies in Tunisia. Cumar et al. (2025) revealed that participative leadership is conducive to the achievement of intrinsic job satisfaction among faculty members. These leadership styles, which valorize fairness, trust, psychological safety, and employee engagement, ultimately result in the increase of satisfaction (Ali et al., 2024).

2.7 Ethical and Servant Leadership

Ethical leadership emphasizes integrity and fairness, while servant leadership prioritizes employees' needs. Muhammad et al. (2023) and Sam et al. (2025) confirm these styles strongly enhance satisfaction, happiness, and well-being in service-oriented and knowledge-based organizations.

2.8 Autocratic and Laissez-Faire Leadership

Autocratic leadership centralizes authority, reducing autonomy and satisfaction (Hossny, 2019; Ali et al., 2024). Laissez-faire leadership, with minimal guidance, also lowers satisfaction due to ambiguity and lack of support (Sam et al., 2025).

2.9 Research Gaps

Key gaps include:

1. Limited comparative studies on multiple leadership styles within one organization (Ali et al., 2024; Muhammad et al., 2023).
2. Few studies in developing economies or private universities (Cumar et al., 2025; Sam et al., 2025).
1. Minimal integration of ethical and modern leadership practices.

Table 2.1: Literature Review on Leadership Styles and Employee Satisfaction

Author(s) / Year	Sample & Methodology	Leadership Style(s)	Key Findings / Outcomes
Muhammad & Zehri, 2023	106 higher education teachers, survey (Balochistan)	Transformational, Ethical, Servant, Transactional	Ethical leadership most strongly correlated with job satisfaction; transformational & servant positive but weaker.

Parthasarathy et al., 2025	FORVIA Group, Japan; mixed-method (questionnaires & performance tracking)	Transformational, Transactional, Participative	Transformational leadership significantly boosts employee performance & satisfaction; participative supports workplace engagement; transactional has slight benefits.
Ghrai, 2024	Tunisian telecom sector, quantitative survey	Democratic	Democratic leadership positively affects job satisfaction & organizational citizenship behavior; management control systems mediate the effect.
Sam et al., 2025	400 public sector employees, survey	Transformational, Authentic, Inspirational, Servant, Autocratic	Transformational, authentic, inspirational, and servant leadership increase workplace happiness; autocratic leadership reduces satisfaction.
Ali et al., 2024	Hormuud Telecom, Somalia; PLS regression, 150 employees	Autocratic, Democratic, Transformational	Democratic & transformational leadership enhance employee performance; autocratic style shows negligible effect.
Cumar et al., 2025	266 academic staff, 6 HEIs in Somaliland, survey	Achievement-oriented,	Supportive & achievement-oriented styles strongly predict job

		Supportive, Directive	satisfaction; directive leadership positive but less impactful.
Hossny, 2019	300 non-managerial employees, UAE hospitality industry, self-administered questionnaire	Transformational, Transactional, Laissez-faire, Autocratic	Transformational & transactional positively influence job satisfaction; autocratic negatively impacts satisfaction.
Al Khajeh, 2018	Organizational study, primary survey + secondary literature	Transformational, Transactional, Autocratic, Charismatic, Bureaucratic, Democratic	Transformational, autocratic, and democratic leadership positively affect organizational performance; charismatic & transactional styles show negative impacts.
Narmatha et al., 2024	200 employees across sectors, structured questionnaire	Transformational, Transactional, Laissez-faire	Transformational leadership significantly improves job satisfaction & performance; laissez-faire has negligible effect.
Zafar, 2023	300 corporate employees, quantitative survey	Transformational, Participative	Transformational & participative leadership improve job satisfaction & reduce turnover intentions; both highly significant.
Dong, 2014	Mixed-method; various industries, survey + interviews	Transformational, Transactional, Laissez-faire	Transformational leadership positively associated with productivity, satisfaction,

			& commitment; transactional moderately positive; laissez-faire negative.
Joon et al., 2025	304 employees, Malaysia oil & gas sector, PLS-SEM	Sustainable	Sustainable leadership & organizational culture significantly enhance employee engagement & performance; commitment alone not direct predictor.
Setiawan et al., 2021	Ministry of Education & Higher Education, Somaliland, survey	Autocratic, Transformational, Democratic, Transactional	Autocratic negatively affects performance & morale; transformational, democratic, & transactional positively impact employee achievement & engagement.
Setiawan et al., 2021	Education sector, comparative survey	Autocratic, Transformational, Democratic, Transactional	Democratic & transformational leadership enhance efficiency, morale, and engagement; autocratic reduces satisfaction & productivity.

This chapter reviewed theoretical and empirical literature on leadership styles and employee satisfaction. Evidence shows transformational, democratic, ethical, and servant leadership styles have consistently positive effects, while autocratic and laissez-faire leadership tend to reduce satisfaction. Research gaps identified provide a foundation for the conceptual framework and methodology of the current study.

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