

LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE IN MULTINATIONAL CORPORATIONS

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Abstract

Multinational companies face complex challenges in managing human resources who come from various cultural backgrounds, values and work systems. One important factor that influences the success of management is leadership style. This research aims to comprehensively examine the relationship between leadership style and employee performance in multinational companies through a literature review approach. The research method used is qualitative research by reviewing reputable national and international journals, textbooks and scientific publications related to leadership and employee performance. The study results show that various leadership styles, such as transformational, transactional, authentic, situational and cross-cultural leadership, have a significant influence on employee performance. The effectiveness of leadership style is greatly influenced by the cultural context, organizational system, and the role of mediating variables such as job satisfaction and organizational commitment. This study concludes that implementing a leadership style that is adaptive and sensitive to cultural differences can improve employee performance in a sustainable manner in multinational companies. It is hoped that the findings of this research can provide theoretical contributions in the development of global leadership studies as well as practical implications for the management of multinational companies.

Keywords: Leadership Style, Employee Performance, Multinational Companies

INTRODUCTION

Multinational companies (MNCs) play a highly strategic role in the global economy because they contribute significantly to foreign investment, job creation, and the transfer of technology and knowledge. The presence of multinational companies enables economic integration between countries thru cross-border production, distribution, and marketing activities (Idris et al., 2022). In the context of globalization, MNCs have become key players

connecting global markets with local markets. The development of MNCs is also driving increasingly fierce business competition at the international level (Marniansih & Munir, 2021). This condition demands that multinational companies have excellent and sustainable organizational performance. One of the determining factors for that success is effective human resource management.

Human resource management in multinational companies is more complex than in domestic companies. This is due to differences in the cultural backgrounds, values, languages, and work norms of employees from various countries (Mansyur et al., 2024). Additionally, multinational companies must adapt their HR policies to the varying labor regulations in each country of operation. Differences in work systems, working hours, and communication styles also pose a challenge in employee management. If not managed well, this complexity can lead to conflict and decrease employee performance (Al Marshoudi & Jamaluddin, 2023). Therefore, multinational companies require an adaptive and inclusive managerial approach.

In the face of such complexity, the role of the leader becomes crucial in guiding and managing employees. The leadership style implemented by the leader can influence employees' attitudes, motivation, and work behavior. Leaders who are able to understand individual and cultural differences tend to be more effective in creating a harmonious work environment. Conversely, an inappropriate leadership style can lead to job dissatisfaction and decreased productivity (Bilola, 2023). Effective leadership also plays a role in building employee trust and commitment to the organization. Thus, leadership style becomes an important factor in achieving employee performance.

Employee performance is one of the key indicators of a multinational company's success in achieving its organizational goals. High performance reflects employees' ability to complete tasks effectively and efficiently according to established standards. In the context of multinational companies, employee performance is not only measured by work results, but also by the ability to adapt to a multicultural work environment. Cross-cultural teamwork and effective communication are essential components of employee performance (Bhavani, 2023). Therefore, multinational companies need to create conditions that support improved employee performance. One way to do this is by implementing the appropriate leadership style.

Leadership styles in multinational companies have different characteristics compared to domestic companies. Leaders in multinational companies are required to have cultural sensitivity and the ability to lead

diverse teams. Effective leadership styles in one country are not necessarily effective in another (Arisman, 2022). Therefore, leaders need to adapt their leadership approach to the local cultural and social context. Cross-cultural leadership is becoming an essential competency in the global business environment. This difference indicates that the study of leadership styles in multinational companies has its own complexities.

Various previous studies have shown that leadership style has a significant influence on employee performance. However, the results of that research still show varied findings depending on the organizational and cultural context. Some studies emphasize the effectiveness of transformational leadership in improving employee performance (Mobarak Karim et al., 2023; Rifhiyah, 2022). Meanwhile, other research highlights the importance of situational and transactional leadership in specific contexts (Ramaditya, 2021). The differences in the results of this study indicate a research gap that needs further investigation. Especially in the context of multinational companies with high cultural diversity.

Based on the description, a comprehensive literature review is needed regarding the relationship between leadership style and employee performance in multinational companies. The literature review can provide a comprehensive overview of existing concepts, theories, and empirical findings. Additionally, this review can identify patterns of relationships and factors influencing leadership effectiveness. The results of the literature review are expected to serve as a basis for the development of further research. This study also has practical contributions for the leaders of multinational companies. Therefore, this research is relevant to be studied in depth from both academic and practical perspectives.

RESEARCH METHOD

This research uses a qualitative approach with the literature review method to analyze the relationship between leadership style and employee performance in multinational companies. This approach was chosen because it allows researchers to systematically examine and synthesize various concepts, theories, and empirical findings from previous studies. Research data is sourced from reputable national and international journals, management and leadership textbooks, as well as relevant proceedings and research reports. Literature was collected through searches of scientific databases such as Google Scholar, Scopus, and Web of Science. Source selection was done selectively, considering topic relevance, source credibility, and year of publication. Thus,

the data used is expected to be able to represent the latest developments in the study of leadership and employee performance.

Data collection techniques were carried out thru the process of identifying, selecting, and classifying literature relevant to the research focus. The selected literature was then analyzed using content analysis techniques to identify themes, concepts, and patterns of relationships between variables. Next, a synthesis of previous research findings was conducted to gain a comprehensive understanding of the influence of leadership style on employee performance. The analysis also includes comparing research findings across different country and cultural contexts to capture leadership characteristics in multinational companies. This approach allows researchers to identify similarities, differences, and existing research gaps. The analysis results are expected to provide a strong conceptual basis for the development of further research (Earley, M.A. 2014; Snyder, H. 2019).

RESULT AND DISCUSSION

Concepts and Types of Leadership Styles in Multinational Companies

Leadership style can be defined as the pattern of behavior and strategies used by a leader to influence, direct, and control employees in order to achieve organizational goals. This style reflects how leaders communicate, make decisions, and build working relationships. In modern organizations, leadership focuses not only on formal authority but also on the ability to influence emotionally and socially. Effective leadership styles can create a conducive and productive work environment. In multinational companies, leadership styles are becoming increasingly important because they involve employees from diverse cultural backgrounds (Okeah, 2024). Therefore, understanding the concept of leadership styles is a fundamental basis for managing global human resources.

Transformational leadership is a leadership style that emphasizes a leader's ability to inspire and motivate employees. Transformational leaders encourage employees to go beyond their personal interests for the sake of the organization. This leadership style focuses on vision, values, and positive change within the organization. In the context of multinational companies, transformational leadership is effective in uniting employees from diverse cultures (Ebuzoeme & Ologunde, 2024). Transformational leaders are able to build employee commitment and loyalty globally. This impacts both individual and organizational performance.

Beside transformational leadership, transactional leadership is also widely applied in multinational companies. Transactional leadership emphasizes the exchange relationship between leaders and employees through a system of rewards and sanctions. Leaders set clear work goals and provide rewards based on performance achievement (Mircea et al., 2024). This leadership style is effective in work environments that demand adherence to procedures and global standards. In multinational companies, transactional leadership helps maintain consistency in performance across work units. However, this style is relatively less conducive to employee creativity and innovation.

Authentic leadership emphasizes the honesty, integrity, and self-awareness of leaders in fulfilling their roles. Authentic leaders act in accordance with the moral values and ethical principles they believe in. This leadership style builds transparent and trusting relationships between leaders and employees. In multinational companies, authentic leadership is crucial for building trust amidst cultural diversity (Setyawan et al., 2023). Authentic leaders are able to create a sense of psychological safety for employees. This condition encourages employees to work more openly and optimally.

Situational leadership emphasizes the leader's flexibility in adapting their leadership style to the conditions and needs of the employees. Situational leaders do not rigidly adhere to a single leadership style. Instead, they adjust their approach based on the competence and readiness level of their employees. In multinational companies, this approach is relevant due to cultural differences and varying work systems. Situational leadership allows leaders to respond effectively to organizational dynamics (Khan, 2023). Thus, this style supports improved employee performance in various national contexts.

Cross-cultural leadership is a leadership style that emphasizes the ability to manage cultural differences. Cross-cultural leaders are required to understand the different values, norms, and work customs across countries. This leadership style emphasizes empathy, tolerance, and effective communication. In multinational companies, cross-cultural leadership is becoming a key competency for global managers. Leaders with cross-cultural competence are able to minimize workplace conflict (El Achi, 2024). This contributes to the creation of harmonious teamwork.

The application of leadership styles in multinational companies faces various challenges. Cultural, linguistic, and work value differences can affect the effectiveness of certain leadership styles. A leadership style that is

successful in one country is not necessarily suitable for another. Therefore, leaders need to adapt to the local context without neglecting the company's global goals. Leadership adaptation is key to navigating the multinational work environment. With adaptive leadership, multinational companies can improve organizational performance and sustainability (Hekneby & Olsen, 2024).

Employee Performance in the Context of Multinational Companies

Employee performance is the level of individual work results achievement in accordance with the tasks and responsibilities assigned by the organization. Performance reflects an employee's ability to perform their job effectively and efficiently. In multinational companies, employee performance is a crucial indicator of organizational success amidst global competition. Performance is not only measured by the final work result, but also by the work process followed. Work behavior and professional attitude are also part of performance evaluation (Ukwuije et al., 2022). Therefore, understanding the concept of employee performance is fundamental to the management of global human resources.

Dimensions of work quality are one of the main aspects in evaluating employee performance. Work quality is related to the level of accuracy, precision, and the standards of work results achieved by employees. In a multinational company, the quality of work must meet the company's established global standards. Differences in educational background and work culture can influence perceptions of work quality (Idris et al., 2022). Therefore, companies need to establish clear and measurable work quality indicators. Good work quality contributes directly to a company's reputation and competitiveness.

Beside quality, the quantity of work is also an important dimension in employee performance evaluation. Work quantity relates to the amount of work that can be completed within a specific time period (Xuefeng, 2023). In multinational companies, the demands for work quantity are often high due to globally scaled operational targets. Employees are expected to be able to work productively without compromising the quality of their work. Unbalanced workload management can decrease employee performance. Therefore, companies need to set realistic and proportional work targets.

Punctuality is a performance dimension related to an employee's ability to complete work according to the predetermined schedule. In multinational companies, punctuality becomes extremely important because

it relates to cross-country coordination and time zones. Delays in one work unit can globally impact other work units. Punctuality also reflects an employee's discipline and responsibility. Differences in work culture can affect perceptions of time and work deadlines (Srce, n.d.). Therefore, multinational companies need to instill a work culture that values punctuality.

Teamwork is an increasingly important performance dimension in a multinational work environment. Employees are expected to be able to work cooperatively with colleagues from diverse cultural and national backgrounds. Effective teamwork can improve efficiency and the quality of work results. In multinational companies, cross-cultural teamwork often faces communication challenges and differences in work styles (Sofiyanti & Najmudin, 2023). The ability to build harmonious working relationships is a key factor in team success. With good teamwork, employee and organizational performance can be significantly improved.

Innovation and adaptability are also important dimensions of employee performance in multinational companies. Employees are required to be able to adapt to the dynamic changes in the global business environment. The ability to innovate helps companies face competition and technological changes. In a multinational environment, adaptability is necessary to adjust to different work systems and cultures. Innovative employees tend to be more responsive to organizational challenges (Mansyur et al., 2024). Therefore, innovation and adaptability are becoming increasingly relevant performance indicators.

Employee performance in multinational companies is influenced by various internal and external factors. Organizational culture plays a crucial role in shaping employees' work attitudes and behaviors. Global performance appraisal systems influence employee motivation and perceptions of fairness. A multicultural work environment can be both a source of strength and a challenge for employees (De Beule et al., 2024). Additionally, cross-cultural communication is crucial for the effectiveness of work and team coordination. By properly managing these factors, multinational companies can sustainably improve employee performance.

The Relationship Between Leadership Style and Employee Performance in Multinational Companies

Various empirical studies show that leadership style has a significant impact on employee performance. Previous research findings reveal that leaders who can apply the appropriate leadership style can increase employee productivity and work effectiveness. In the context of multinational

corporations, the relationship between leadership style and employee performance becomes more complex. This is due to differences in culture, work values, and organizational systems across countries. Cross-cultural research shows that certain leadership styles are more effective in specific cultural contexts (Fauzan & Andreas, 2024). Therefore, understanding the empirical findings is crucial in examining this relationship.

Transformational leadership is one of the most widely studied leadership styles in previous research. This leadership style has proven capable of increasing employees' intrinsic motivation thru the vision and inspiration provided by the leader. Transformational leaders encourage employees to contribute more than the formal requirements of their jobs. In multinational companies, transformational leadership is effective in uniting employees from diverse cultural backgrounds. This style also increases employees' sense of belonging and commitment to the organization (Zhang et al., 2023). Thus, transformational leadership contributes positively to improved employee performance.

Beside transformational leadership, cross-cultural leadership also plays an important role in improving employee work effectiveness. Cross-cultural leaders are able to understand and appreciate the differences in employees' values, norms, and work habits. This ability helps leaders create effective communication and reduce workplace conflict. In multinational companies, work effectiveness heavily relies on the leader's ability to manage cultural diversity. Cross-cultural leadership enables the creation of harmonious teamwork. This condition has a positive impact on overall employee performance (Karim, 2024).

The relationship between leadership style and employee performance is often influenced by mediating variables, one of which is job satisfaction. Effective leadership can increase employee job satisfaction thru a supportive work environment. Employees who are satisfied with their jobs tend to perform better. In multinational companies, job satisfaction is also influenced by fair treatment and open communication. A participative and supportive leadership style can increase job satisfaction (Purwanto & Juliana, 2022). Thus, job satisfaction becomes an important mechanism in explaining the relationship between leadership and performance.

Beside job satisfaction, organizational commitment also acts as a mediating variable in the relationship between leadership style and employee performance. Leaders who can build trust and employee engagement will increase organizational commitment. Employees with a high level of

commitment tend to be more loyal and oriented toward achieving organizational goals. In multinational companies, organizational commitment becomes a challenge due to global labor mobility (Decker, 2022). Inclusive and inspiring leadership styles can strengthen employee commitment. This ultimately impacts improved employee performance.

National culture often acts as a moderating variable in the relationship between leadership style and employee performance. Differences in national culture can influence how employees respond to certain leadership styles. An effective leadership style in one culture is not necessarily effective in another. In multinational companies, leaders need to adapt their leadership style to the characteristics of the local culture. Incongruity in leadership style can decrease employee motivation and performance (Ajibade, 2023). Therefore, national culture becomes an important factor in determining leadership effectiveness.

Based on a synthesis of previous research findings, it can be concluded that the relationship between leadership style and employee performance is complex and contextual. Although many studies show a positive influence of leadership on performance, there are still differences in findings across countries and cultural contexts. Some studies have not comprehensively integrated the roles of mediating and moderating variables. Additionally, research on leadership in multinational companies is still dominated by quantitative approaches. These limitations indicate a research gap that needs further investigation. Future research is expected to develop more comprehensive and contextual models.

CONCLUSION

Based on the results of the literature review, it can be concluded that leadership style plays a very important role in influencing employee performance in multinational companies. Various leadership styles, such as transformational, transactional, authentic, situational, and cross-cultural leadership, have been shown to have different impacts on employee behavior, motivation, and performance. In the context of multinational corporations, the effectiveness of leadership styles is significantly influenced by cultural diversity, work values, and prevailing organizational systems. This study shows that adaptive leadership styles sensitive to cultural differences tend to be more effective in improving employee performance. Additionally, leadership that can build trust and effective communication contributes to creating a productive work environment. Thus, leadership style becomes a key factor in managing global human resources.

This literature review also reveals that the relationship between leadership style and employee performance is complex and contextual. The role of mediating variables such as job satisfaction and organizational commitment, as well as moderating variables such as national culture, strengthens or weakens the influence of leadership on performance. This finding indicates that there is no single superior leadership style for all multinational corporate contexts. Therefore, the leaders of multinational companies need to adopt a flexible and contextual leadership approach. The results of this study provide a theoretical contribution to the development of global leadership studies. Additionally, this study also provides practical implications for management in sustainably improving employee performance.

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