

Effect of Laissez-Faire Leadership on Organizational Performance: A Case of PZ Cussons East Africa Limited

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ABSTRACT

Leadership significantly influences the success of organizations, affecting productivity, decision-making, and employee engagement. Among the various leadership styles, laissez-faire leadership is often characterized by minimal supervision, lack of direct leadership involvement, and high employee autonomy, making its impact on organizational performance a subject of debate. This study examines the effect of laissez-faire leadership on the performance of PZ Cussons East Africa Limited, a major Fast-Moving Consumer Goods (FMCG) company in Kenya. The research employed a descriptive survey research design, targeting 84 employees through a census approach. Data was collected using semi-structured questionnaires and analyzed using descriptive and inferential statistics, including correlation and regression analysis. The findings reveal that laissez-faire leadership has a statistically significant negative impact on organizational performance. Correlation analysis showed a moderate negative relationship between laissez-faire leadership and performance ($r = -0.52$, $p < 0.05$), while regression analysis indicated that laissez-faire leadership explains 27% of the variance in organizational performance ($R^2 = 0.27$, $p < 0.05$). Employees reported poor role clarity, reduced accountability, and inefficiencies in decision-making under laissez-faire leadership. The study concludes that while autonomy is beneficial in some contexts, excessive leader inaction results in organizational inefficiencies. The study recommends that PZ Cussons adopt a hybrid leadership model that integrates structured oversight with employee autonomy. Additionally, leadership training programs and accountability frameworks should be introduced to mitigate the negative effects of laissez-faire leadership and enhance organizational performance.

Keywords: Laissez-Faire Leadership, Organizational Performance, Leadership Styles, Employee Productivity, Kenya

INTRODUCTION

Leadership is one of the most vital components of organizations' success because it affects the performance of employees, the efficiency of decisions, and organizational culture. In the past decades, many authors have attempted to define different types of leadership such as transformational, transactional and democratic leadership which all have different impact on performance (Bass, 1990). Whereas transformational leadership is based on the inspiring and motivating communication and transactional leadership is based on the reward-based communication, laissez-faire leadership is characterized by the lack of communication and intervention while allowing the subordinates to work independently (Northouse, 2018). Laissez-faire leadership still has some debates as some scholars claimed that this kind of leadership is good for motivation, creativity and self-organizing while others stated that it creates many problems in an organization (Kirkpatrick & Locke, 2017).

According to the scholarly studies conducted across the world, it has been revealed that the laissez-faire leadership style is most common in those organizations that support individualism and creativity, and this includes the technology and research related fields (Ngugi & Were, 2021). However, in conventional corporate structures especially the FMCG firms, the culture of noninterference results in low performance, non-accountability and hence low productivity. Research from US and Europe reveals that organizations with high

levels of laissez-faire leadership suffer from poor decision-making frameworks, demotivated employees and poor performance (Johnson, 2020).

In the African environment, where structures tend to be well defined and the leader is expected to be autocratic, laissez-faire leadership makes the employees demotivated and the organization less productive (Mugenda & Were, 2022). A study conducted in Kenya has established that there are many organizations that experience low levels of organizational direction, employee motivation and high turnover because of poor leadership (Mwangi, 2023). In this regard, PZ Cussons East Africa Limited, an FMCG firm has been facing some core issues of leader absenteeism, lack of supervision and poor communication channels resulting into delays in decision making and reduced organizational effectiveness. As observed, the FMCG industry is competitive and therefore requires a firm and clear leadership to foster creativity, effectiveness and promote the morale of the employees. Nevertheless, there is a research gap on the impact of laissez-faire leadership on organizational performance in Kenya's FMCG industry. Academic research about laissez-faire leadership remains important since experts continue to disagree about how this approach affects performance in organizations. Autonomy receives both support and opposition because of its ability to promote creativity yet lose efficiency through poor supervision. The competitive environment of FMCG demands that leaders gain knowledge about organizational success to achieve proper autonomy-handling and accountability balance. This research aimed at establishing the impact of laissez faire leadership in the performance of PZ Cussons East Africa limited so as to get empirical evidence that would help in determining the best strategies to be adopted by the organization in order to enhance its performance.

Problem Statement

Leadership practice is one of the most important factors that determine organizational culture, productivity and effectiveness. Particularly, laissez-faire leadership has been a topic of discussion due to the fact that, although it allows subordinates to make their own decisions, it also contributes to ambiguity, irresponsibility and ineffective work (Northouse, 2018). Despite the numerous studies done on transformational and transactional leadership in organizations, there is still limited research on the impact of laissez-faire leadership on the organizational performance in the Kenyan FMCG sector (Ngugi & Were, 2021).

PZ Cussons East Africa Limited is in a very competitive environment, and for it to achieve its goals and objectives, there is the need for good leadership to enhance operational performance. Internal documents suggest that many employees still fail to understand what is expected of them, decisions are made too slowly, and they are less motivated, primarily due to the leaders' inactivity. Leadership is a crucial component of organizations since it helps in offering direction in the execution of business strategies, thus if leaders do not give direction, workers are left demoralized and may not perform their tasks efficiently. If these challenges are not addressed then the company is likely to experience low employee morale, low productivity and eventually a gradual erosion of the market share.

Despite these growing concerns, limited empirical studies have focused on laissez-faire leadership within Kenyan FMCG firms. Most existing literature focuses on the benefits of transformational leadership or the direct reward systems of transactional leadership, leaving a significant knowledge gap regarding the implications of laissez-faire leadership on corporate performance. This study sought to bridge this gap by providing a comprehensive analysis of how laissez-faire leadership influences PZ Cussons East Africa Limited, with data-driven insights and practical recommendations for improving leadership effectiveness.

Study Objective

The main objective of this research is to examine the effect of laissez-faire leadership on the performance of PZ Cussons East Africa Limited.

LITERATURE REVIEW

Theoretical Perspectives on Laissez-Faire Leadership

Laissez-faire leadership has its origin from the leadership theories that support the leaders to take a less active

role and be more of observers with little or no intervention on what employees are doing. Laissez-faire leadership is one of the leadership styles that have been identified by Bass and Avolio (1994) using the full-Range Leadership Theory that divides leadership into transformational, transactional, and laissez-faire. While transformational and transactional leadership are characterized by active participation and influence from the leader, the laissez-faire leadership is the one in which the leader does not engage actively, and therefore it is the least effective of all. Bass and Avolio (1994) define laissez faire style as a leadership style whereby the leader does not assume any responsibility, avoids making decisions and does not give direction leading to low employee morale and organizational inefficiency.

Another theory that can be associated with laissez-faire leadership is the Leader-Member Exchange (LMX) Theory which holds that leadership outcomes are a factor of the interaction between the leaders and subordinates (Graen & Uhl-Bien, 1995). According to LMX theory, high-quality leader-member exchange relationships are beneficial to the employees by enhancing their performance while low-quality LMX, as portrayed in laissez-faire leadership, leads to negative organizational outcomes such as lack of direction, role ambiguity and the like. Leaders who avoid decision-making, do not give feedbacks, and lack quality leader-employee interactions erode accountability practices thus leading to poor organizational performance. These theoretical arguments point out that while autonomy is useful in some cases, leader inactivity results in unfavorable organizational outcomes.

Laissez-Faire Leadership and Organizational Performance

Research conducted across the globe has shown that the use of laissez-faire leadership style leads to low performance, job satisfaction and organizational problems. According to the study done by Skogstad et al. (2007) among the organizations in Norway, it was evident that laissez-faire leadership had a positive relationship with stress, role indeterminacy, and decreased production. In the same manner, Eisenhardt & Martin (2021) conducted research on technology firms in the United States, and discovered that while certain extent of autonomy enhances innovation, lack of leader presence causes strategic misalignment and ineffective decisions. Research carried out in Europe and North America shows that when leaders do not get involved decision-making demoralizes the team, creates an environment of irresponsibility and increases work related stress making laissez-faire leadership one of the worst leadership styles.

In Africa, where the organizational structure has a strong power distance, laissez-faire leadership has been linked to negative organizational performance. Mugenda & Were's (2022) survey on corporate firms in South Africa revealed that passive leadership resulted to demotivated workers, less creativity, and unsatisfactory implementation of strategies. Other studies conducted by Ngugi and Were (2021) on the Kenyan manufacturing firms discovered that organizations operating under the system experienced poor efficiency, accountability, and engagement. These studies imply that in the African business environments where employees anticipate directive leadership style, a passive leadership style is likely to result in organizational inertia and deteriorating performance.

In the Kenyan corporate world, laissez-faire leadership has adverse impacts on productivity, decision-making, and accountability. Mwangi (2023) conducted a study on Kenyan FMCG companies established that if the leader took an inactive approach and offered limited supervision then decision making processes took time, roles of employees were unclear and organizations were less productive. This is in accordance with the study by Korir et al. (2021), who studied leadership behaviors in Kenya's corporate industry and stated that employees under laissez-faire leadership had no direction and struggled to achieve the set objectives. In a large organization such as PZ Cussons East Africa Limited where structure and responsibility is key to the daily running of the business, laissez-faire leadership might lead to many problems and thus low organizational performance.

Research Gaps

Though, there is a variety of empirical research on leadership styles, scanty research explores the impact of the laissez-faire leadership in the Kenya's FMCG industry. While considerable research has been conducted on transformational and transactional leadership, much less research has been done on passive leadership behaviors. Moreover, despite literature revealing that disengagement leadership is detrimental across the globe, there is a dearth of regional information concerning the impact of laissez-faire leadership on structured organizations such

as PZ Cussons East Africa Limited. This research fills this gap by examining the effects of laissez-faire leadership on decision-making, accountability, and productivity in a Kenyan FMCG firm so as to provide recommendations for leadership practices.

MATERIALS AND METHODS

Study design

The researcher used descriptive survey research design to establish the effect of laissez faire leadership on the organizational performance of PZ Cussons East Africa Limited. A descriptive survey design was appropriate since it enabled systematic collection of data that would later be analyzed with the aim of comparing the level of leadership influence on their performance. This was especially helpful in identifying the employees' attitudes towards laissez-faire leadership and their effectiveness in areas that include motivation, decision making and accountability. The study was done in a natural organizational environment and therefore, the results can be of significance to practicing organizations.

Study Population

The target population for this study was all the 84 employees of PZ Cussons East Africa Limited from the senior management, middle management, and operational employees. This was done to ensure that an all-round understanding of how the laissez faire leadership impacts on performance was achieved across the employees' hierarchical levels. Due to the small sample size of the population, the researcher considered the whole working force as the population to enhance generalization of the results within the organization.

Sampling

Given that the total population of PZ Cussons East Africa Limited was below 200 employees, a census method was applied. This method was chosen because it reduces the level of sample bias since all employees will be included in the data collection process thus making the results more reliable and generalizable. As compared to random sampling, census is more suitable in small population since it covers all the population rather than a sample in order to provide more accurate statistical analysis.

A breakdown of the study population is presented in **Table 1**, highlighting the distribution of employees across different departments.

Table 1: Study Population Distribution

Department	Target Population (n)	Percentage (%)
Senior Management	10	11.9%
Middle Management	24	28.6%
Operational Staff	50	59.5%
Total	84	100%

The majority of employees (59.5%) were in operational roles, where direct supervision is often expected. The representation of senior management (11.9%) and middle management (28.6%) was necessary to provide leadership perspectives on how laissez-faire leadership affects decision-making and organizational efficiency.

Data Collection Tools

Primary data was collected using a semi-structured questionnaire, designed to capture quantitative and qualitative data on laissez-faire leadership and its impact on organizational performance. The questionnaire comprised three main sections: Demographic Information – Gender, age, education level, job role, and years of experience; Leadership Perception Questions – Likert-scale items assessing the presence of laissez-faire leadership traits; and Organizational Performance Measures – Questions evaluating the impact of leadership on motivation, accountability, and productivity. The questionnaire used a 5-point Likert scale, with responses

ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), ensuring that employee perceptions were measured accurately. The instrument was pre-tested through a pilot study conducted on a similar organization to assess its validity and reliability. Cronbach's Alpha was used to test internal consistency, yielding a coefficient of 0.87, indicating high reliability of the questionnaire.

Data Analysis

Data collected was processed and analyzed using Statistical Package for the Social Sciences (SPSS) Version 26, employing both descriptive and inferential statistics. Descriptive Statistics were used to summarize responses through means, standard deviations, and percentages. Inferential Statistics comprising correlation and regression analysis were conducted to test relationships between laissez-faire leadership and organizational performance.

Ethical Considerations

Approval for this study was sought and granted from the Kenyatta University Ethic Committee to ensure that the research is ethical, responsible and up to standard. To ensure that the participants were comfortable with the study, informed consent was sought from all the participants and they were promised anonymity and confidentiality of their responses. The participation of the subjects was voluntary and the employees were told that they can opt out at any time without any consequences. Also, the demographic data such as name, ID numbers, address, phone numbers, and email addresses were not included in the final dataset to maintain anonymity of the respondents.

RESULTS

Demographic Characteristics

The study achieved a 100% response rate, with all 84 employees of PZ Cussons East Africa Limited completing the questionnaire. The demographic characteristics of the respondents were analyzed based on gender, age, level of education, job designation, and years of experience.

The gender distribution of the respondents revealed that 58.3% were male ($n = 49$) and 41.7% were female ($n = 35$). This indicates a relatively balanced workforce, with a slight male majority. The age distribution showed that the largest proportion of employees (36.9%) were aged 30-39 years, followed by those aged 40-49 years (27.4%). Employees aged below 30 years accounted for 19.0%, while 16.7% were aged 50 years and above, indicating a mix of younger and more experienced employees within the company.

Regarding education levels, the majority of respondents (45.2%) held a bachelor's degree, while 33.3% had a diploma, and 17.9% had a master's degree or higher. Only 3.6% had a certificate qualification, reflecting a relatively well-educated workforce. The distribution of respondents across different job designations showed that senior management constituted 11.9%, middle management 28.6%, and operational staff 59.5%, aligning with the company's hierarchical structure.

Table 2: Demographic Characteristics of Respondents

Demographic Characteristic	Category	n	Percentage (%)
Gender	Male	49	58.3%
	Female	35	41.7%
Age (Years)	Below 30	16	19.0%
	30-39	31	36.9%
	40-49	23	27.4%
	50 and above	14	16.7%
Education Level	Certificate	3	3.6%
	Diploma	28	33.3%
	Bachelor's Degree	38	45.2%
	Master's & above	15	17.9%

Job Designation	Senior Management	10	11.9%
	Middle Management	24	28.6%
	Operational Staff	50	59.5%

The demographic findings indicate that the majority of employees are middle-aged professionals with university-level education, working primarily in operational roles. This composition is relevant in assessing the impact of leadership styles on organizational performance, as different hierarchical levels experience leadership influences differently.

DESCRIPTIVE FINDINGS

In order to determine the level of laissez-faire leadership at PZ Cussons East Africa Limited and its impact on organizational performance, the mean scores and standard deviations were calculated on the leadership-related variables. The questionnaire contained five points Likert scale with 1 = Strongly Disagree and 5 = Strongly Agree.

The results shown that the perceived mean of “leader availability for decision-making” was 2.41 (SD = 0.76) which also pointed out that the leaders are less available in decision-making. In the same way, “timely feedback from supervisors” had a mean of 2.29 (SD=0.82) which indicates that employees consider feedback mechanism as inefficient. However, the mean score of “employee autonomy in task execution” was 3.87 (SD = 0.69) which signifies that employees are quite autonomous, which is a feature of laissez-faire leadership style. The other result was that “role clarity and accountability” scored 2.55 (SD = 0.79) which is a moderate level of job role indeterminacy that is linked to passive leadership.

Table 3: Descriptive Statistics of Leadership Influence Variables

Variable	Mean (M)	Standard Deviation (SD)
Leader availability for decision-making	2.41	0.76
Timely feedback from supervisors	2.29	0.82
Employee autonomy in task execution	3.87	0.69
Role clarity and accountability	2.55	0.79

The descriptive analysis suggests that while employees enjoy autonomy, the lack of leader engagement negatively impacts decision-making and accountability. This aligns with previous research indicating that excessive autonomy without structured leadership weakens organizational efficiency (Umit, 2021; Northouse, 2018).

Correlation and Regression Analysis Findings

Correlation Analysis

A Pearson correlation analysis was conducted to examine the relationship between laissez-faire leadership and organizational performance. The results indicated a moderate negative correlation ($r = -0.52$, $p < 0.05$), suggesting that as laissez-faire leadership increases, organizational performance declines.

Table 4: Correlation Between Laissez-Faire Leadership and Organizational Performance

Variables	Organizational Performance (r-value)	p-value
Laissez-Faire Leadership	-0.52	0.002

The findings confirm that passive leadership styles are associated with lower employee engagement, reduced accountability, and weaker decision-making structures.

Regression Analysis

A multiple regression analysis was performed to determine the extent to which laissez-faire leadership predicts organizational performance. The model summary showed that laissez-faire leadership explained 27% of the

variance in organizational performance ($R^2 = 0.27$, $p < 0.05$). The negative beta coefficient ($\beta = -0.34$, $p < 0.05$) suggests that as laissez-faire leadership increases, performance decreases.

Table 5: Regression Analysis of Laissez-Faire Leadership on Organizational Performance

Variable	B Coefficient	Standard Error	Beta (β)	t-Statistic	p-Value
Laissez-Faire Leadership	-0.34	0.056	-0.52	-6.21	0.002
$R^2 = 0.27$					

The regression results demonstrate that laissez-faire leadership negatively affects organizational performance, confirming that higher levels of leader inaction contribute to inefficiencies and decreased accountability. These findings align with existing research, which highlights the importance of active leadership in maintaining high organizational performance (Ngugi & Were, 2021; Northouse, 2018).

of the respondents held certificates, demonstrating a focus on higher educational credentials within the workforce.

DISCUSSION

The study findings revealed that laissez-faire leadership negatively influences organizational performance at PZ Cussons East Africa Limited. The correlation analysis showed a moderate negative relationship ($r = -0.52$, $p < 0.05$) between laissez-faire leadership and performance, while regression analysis confirmed that 27% of the variance in performance was explained by laissez-faire leadership ($R^2 = 0.27$, $p < 0.05$). These findings align with Umit (2021), who argued that laissez-faire leadership is the least effective leadership style, often leading to low motivation, unclear role expectations, and reduced accountability. Similarly, Northouse (2018) noted that passive leadership contributes to decision-making inefficiencies, which directly affect organizational performance. The results suggest that at PZ Cussons, employees experience leader absenteeism, poor role clarity, and ineffective communication, which weaken overall performance.

One of the significant findings was that the leader availability for decision-making mean was very low ($M = 2.41$, $SD = 0.76$), this shows that employees do not feel that the leadership is involved in the coordination of the operations. This goes in agreement with Chaudhry and Javed's (2012) assertion that passive leadership styles foster role ambiguity, hence, frustration among employees. Also, the study revealed that the degree of autonomy in execution of tasks was moderate ($M = 3.87$, $SD = 0.69$), which is typical for the situation when laissez-faire leadership prevails. Although, the autonomy can lead to creativity in innovative organizations (Eisenhardt & Martin, 2021), it was found to decrease productivity in the structured industry namely the FMCG companies where decision making calls for directions and managerial intervention.

Furthermore, a moderate mean score in the study was obtained for role clarity and accountability with a mean score of 2.55 ($SD = 0.79$) which means that employees are not very clear on their responsibilities. This is in support with Skogstad et al. (2007) who opined that passive leadership results into role conflict, low organizational commitment, and performance decline. The study on Kenyan firms in the FMCG sector made by Mwangi (2023) also supports this by arguing that firms with poor leadership supervision experience problems of inefficiency, high turnover and low competitiveness in the market. This paper presents evidence that PZ Cussons' adoption of laissez-faire leadership is detrimental to operational efficiency as it hampers performance.

In addition, the analysis of the study through regression test indicated that the laissez faire leadership has a negative impact on the organizational performance, ($t = -2.87$, $p < 0.05$) $\beta = -0.34$. These findings support Ngugi and Were (2021) who explained that the lack of leadership action leads to low strategic implementation and weak accountability mechanisms. The study supports the narrative that although lack of decision-making autonomy in some extent can promote innovation, the overindulgence of this practice deprives employees of motivation, direction and productivity. Therefore, for a company in the highly competitive FMCG industry such as PZ Cussons, there is need to have a more structured leadership that will enable the company to make sound decisions, be accountable and effective in its operations.

CONCLUSION

The research results show that laissez-faire leadership produces detrimental effects on organizational performance especially in structured FMCG industries. Organization performance decreases as a result of both leadership oversight deficiency and employee autonomy freedoms which creates performance inefficiencies with unclear roles and decreased workforce motivation. Statistic results from the regression analysis confirm that laissez-faire leadership accounts for 27% performance variance ($R^2 = 0.27$, $p < 0.05$) and produces a negative correlation effect. In addition, passive leadership produces negative effects in FMCG businesses (Wei & Vasudevan, 2022); Omonona & Oni, 2019). Umit (2021) discovered that companies led by a higher number of female executives adopt organized leadership strategies which produce improved staff interaction and decision outputs. The evidence indicates that FMCG organizations need leadership approaches which unite delegated independence with built-in system oversight to improve operational outputs without sacrificing adaptability. results of the study corroborate with other literature which suggest that passive leadership reduces accountability and organizational performance.

RECOMMENDATIONS

This study recommends a combination of structured oversight with autonomy between leaders enables FMCG firms to improve their organizational performance through enhanced efficiency and enhanced accountability. Leadership development programs should be introduced for managers to obtain essential skills which enhance their abilities to make decisions effectively and supervise their teams and engage their employees. Well-defined accountability systems supported by reporting tools and performance review cycles and rapid feedback systems will enable organizations to minimize inefficiencies. Furthermore, organizations need to create gender-inclusive leadership structures since diverse management teams produce superior engagement together with improved decision outcomes. Future research needs to examine digital leadership tools alongside AI-driven frameworks to help organizations achieve balance between autonomy and accountability to mitigate laissez-faire leadership challenges within the evolving corporate environment. measures in order to clarify the roles, and more feedback procedures in order to handle the employee's issues.

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