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Leadership Styles and Their Impact on Employee Retention in Fast-Growing Startups

IKE CHRISTOPHER O PhD

CASTLE PARK UNIVERSITY MISSOURI USA
Ichristopher75@yahoo.com

ABSTRACT

In the contemporary business landscape, fast-growing startups face unique challenges in maintaining a stable workforce due to high levels of uncertainty, rapid organizational changes, and limited resources. This study examined the impact of leadership styles transformational, transactional, and participative on employee retention within fast-growing startup organizations. Anchored in Transformational Leadership Theory, Social Exchange Theory, and Psychological Safety Theory, the study adopted a quantitative research design, surveying 250 employees from selected technology, e-commerce, and innovation-driven startups in Lagos, Nigeria. Data were analyzed using multiple regression and mediation analysis with SPSS 27.0 to determine the direct and indirect relationships between leadership styles, psychological safety, job satisfaction, and employee retention. The findings revealed that leadership styles collectively exerted a statistically significant influence on employee retention ($F(3, 246) = 128.51$, $p < 0.001$), explaining approximately 61.1% of the variance in retention levels. Among the three leadership styles, transformational and participative leadership had the strongest positive effects on employee retention, emphasizing the importance of vision sharing, empowerment, and inclusion in sustaining workforce commitment. Transactional leadership, though significant, demonstrated a comparatively weaker impact, highlighting the limited role of extrinsic motivation in long-term retention outcomes. Moreover, psychological safety and job satisfaction were found to mediate the leadership–retention relationship, underscoring the role of supportive and trust-based environments in reducing turnover intentions. The study concludes that effective leadership is not solely defined by managerial control but by relational, motivational, and participatory engagement that aligns employee values with organizational goals. The research contributes to the growing body of literature on human resource sustainability in entrepreneurial ecosystems and offers practical insights for founders, investors, and policymakers seeking to strengthen leadership capacity and retention strategies in fast-scaling ventures.

Keywords: Leadership Styles; Employee Retention; Transformational Leadership; Psychological Safety; Fast-Growing Startups

INTRODUCTION

Fast-growing startups are often characterized by rapid change, high uncertainty, and intense resource constraints, making the retention of skilled employees a considerable strategic challenge. As Okafor and Oyetunde (2023) observe, "startups face a dual dilemma of scaling operations and sustaining human capital amid volatile environments where structures and incentives evolve unpredictably" (p. 118). Similarly, Adeleke (2022) noted that "the dynamism of startup ecosystems places leadership decisions at the heart of organizational continuity and employee engagement." Leadership style thus becomes especially crucial under these conditions: founders and early leaders not only set vision and direction but also shape culture, norms, and the degree of psychological safety that employees feel. Mensah and Boateng (2024) affirm that "employees' sense of belonging and trust in leadership significantly predict their intention to remain in turbulent or growing firms." Globally, transformational leadership, participative leadership, and leader–member exchange have been linked to higher retention rates since these styles promote personal recognition, empowerment, and alignment with organizational mission. Ibrahim and Yusuf (2023) emphasize that "transformational and participative leaders foster a culture of psychological safety and inclusion, which enhances employees' emotional attachment and reduces turnover intentions." Likewise, Chen, Lin, and Huang (2022) found that "leader–member exchange quality mediates the relationship between leadership behavior and employee retention, as strong interpersonal bonds encourage mutual loyalty." These findings demonstrate that leadership is a critical determinant of whether employees choose to stay or leave, especially in environments demanding flexibility and creativity.

Leadership style refers to the characteristic methods and behaviors by which leaders influence, motivate, guide, and manage followers. According to Nnaji and Eze (2025), "leadership style encompasses both the cognitive orientation of the leader and the relational dynamics with subordinates, shaping performance and retention outcomes." Adebayo and Okon (2022) define it as "the pattern of interaction between leader and subordinates that determines how tasks are executed and people are motivated." Commonly studied leadership styles include transformational, transactional, laissez-faire, autocratic, participative, and servant leadership. Transformational leaders inspire through vision, intellectual stimulation, and individualized consideration, encouraging followers to exceed expectations (Bass & Riggio, 2021). Transactional leaders, on the other hand, rely on clearly defined structures, rewards, and penalties (Kumar & Singh, 2023). Other styles such as autocratic and laissez-faire leadership represent directive and hands-off approaches respectively, with mixed outcomes depending on context (Olanrewaju & Afolabi, 2024). Employee retention means the ability of an organization to keep its employees over time, especially key, skilled, or high-potential personnel. Okonkwo and Ugochukwu (2023) defined it as "a strategic effort by organizations to sustain their human capital by minimizing voluntary turnover and enhancing employee satisfaction." Retention is influenced by job satisfaction, organizational commitment, perceived fairness, growth opportunities, recognition, leadership support, and alignment with values (Akinwale, 2021). In the startup context, retention often hinges not only on monetary rewards but also on non-monetary aspects such as purpose, autonomy, recognition, and growth. Li and Park (2022) observed that "millennial and Gen-Z employees in startups are motivated by learning opportunities, empowerment, and mission alignment more than by pay structures."

Startups differ from established firms in that they often have uncertain resource flows, evolving organizational structures, and rapidly changing procedures. Eneh and Adetunji (2024) argue that "the volatility of startup operations requires adaptive and emotionally intelligent leadership capable of navigating ambiguity." Similarly, Moses and Daramola (2023) stated that "leaders in startups must blend flexibility with vision clarity to maintain employee morale and commitment under fluid conditions." Consequently, the leadership styles effective in mature organizations may perform differently in startup environments, demanding more agile and participative leadership behavior. This leads to a conceptual model proposing that Leadership Style (Transformational, Transactional, Participative, etc.) influences employee retention through mediating variables such as job satisfaction, leader–member exchange, and organizational culture or psychological safety. As Zhang and Kim (2025) describe, "a leader's ability to foster supportive culture and high-quality relationships indirectly drives retention through enhanced satisfaction and commitment." Thus, the relationship between leadership style and retention in startups can be summarized as Leadership Style → Job Satisfaction / Leader–Member Exchange / Organizational Culture → Employee Retention This framework underscores leadership as a primary mechanism for stabilizing human capital in the inherently unstable terrain of fast-growing startups.

Empirical studies across various sectors continue to affirm that transformational leadership plays a significant role in improving employee retention, particularly through its influence on job satisfaction, engagement, and organizational commitment. According to Adeleke and Ojo (2022), "transformational leaders motivate employees by creating an inspiring vision and demonstrating care for their individual growth, which enhances their desire to stay with the organization" (p. 47). Similarly, Ibrahim and Yusuf (2023) found that transformational leadership "enhances job satisfaction and organizational commitment," which directly translates to reduced turnover intentions (p. 82). This leadership style fosters trust and psychological safety—two vital elements in environments characterized by uncertainty and resource limitations such as startups. Mensah and Boateng (2024) observed that "a transformational style of leadership can address individuals' negative experiences and strengthen their emotional bond with the organization" (p. 53). In fast-growing startups, where rapid changes and unclear structures are common, transformational leaders' ability to articulate a clear vision and show individualized consideration becomes crucial for retaining top talent. As Okafor and Oyetunde (2023) noted, "employees in startups remain loyal not only because of pay but because their leaders make them feel integral to the organization's mission" (p. 120).

While transformational leadership has consistently shown positive long-term effects on employee retention, transactional leadership has presented mixed empirical outcomes. Recent quantitative studies (e.g., Kumar & Singh, 2023) indicate that transactional leadership can support short-term retention by clarifying expectations and linking performance to tangible rewards. According to these authors, "employees who understand the reward system and performance metrics tend to show temporary commitment, especially in structured environments" (p. 248). However, Nnaji and Eze (2025) argued that "transactional leadership may not sustain intrinsic motivation or loyalty in knowledge-driven or innovative workplaces" (p. 97). In fast-growing startups, where employees often seek meaning and autonomy rather than routine compliance, transactional leadership may maintain discipline but fail to build long-term engagement or creativity. Participative or democratic leadership has emerged as another influential style in enhancing employee retention. Olanrewaju and Afolabi (2024) found that "participative leaders foster a culture of inclusion and shared ownership that makes employees feel valued and less inclined to leave" (p. 226). Empirical findings from Li and Park (2022) further revealed that employees in participative environments "develop stronger psychological ownership and perceive their organization as supportive," leading to improved retention rates (p. 156). For startups, where flexibility and innovation are essential, participative leadership aligns with employees' desire for autonomy and active involvement in decision-making processes. Eneh and Adetunji (2024) supported this view, noting that "participative leadership improves creative engagement and reduces voluntary turnover in dynamic business settings" (p. 312).

Leader Member Exchange (LMX) theory has also gained prominence as a key framework explaining retention outcomes. Chen, Lin, and Huang (2022) emphasized that "high-quality leader–member exchanges characterized by trust, respect, and mutual obligation predict lower turnover intentions and higher job embeddedness" (p. 693). Similarly, Zhang and Kim (2025) observed that the "dynamic nature of leader–member exchange significantly affects employees' well-being, satisfaction, and decision to stay" (p. 105). The LMX model posits that when leaders develop strong, individualized relationships with subordinates, employees reciprocate with higher commitment and loyalty. In startups, where close-knit relationships and team cohesion are critical, LMX becomes a vital predictor of employee stability and sustained motivation. Another emerging construct linked to retention is psychological safety, often facilitated by authentic and transformational leaders. Adebayo and Okon (2022) reported that "leaders who create an environment where employees feel safe to share ideas and admit mistakes build stronger emotional commitment" (p. 50). Similarly, Moses and Daramola (2023) found that "leaders' behaviors and psychological safety influence employees' decisions to leave or stay" (p. 71). This relationship is particularly relevant in startup contexts, where experimentation and learning from failure are integral to success. When leaders encourage risk-taking without fear of punishment, employees develop greater attachment to the organization and are more likely to remain through challenging phases. Recent empirical research also highlights that the unique context of startups moderates the relationship between leadership style and retention. Okonkwo and Ugochukwu (2023) noted that "leadership adaptability and cultural alignment are stronger predictors of retention in startups than in mature firms" (p. 101). In these rapidly evolving settings, leaders who blend transformational vision with participative inclusiveness tend to retain more employees. Eneh and Adetunji (2024) concluded that "no single leadership style guarantees retention in startups; rather, a hybrid of visionary and collaborative approaches yields the best outcomes" (p. 315). This suggests that retention strategies in fast-growing startups should be flexible, context-sensitive, and driven by leadership that integrates emotional intelligence, communication, and employee empowerment.

Transformational Leadership Theory (TLT), developed by James MacGregor Burns in 1978 and expanded by Bass and Riggio (2006), provides a foundational explanation for how leaders influence followers through vision, inspiration, and individualized support. Burns introduced the theory to distinguish leaders who seek to elevate followers' motivations from those who merely exchange rewards for performance. He posited that transformational leaders motivate followers to transcend personal interests for collective goals, thus generating moral and emotional commitment. In the context of employee retention, this theory is highly relevant as it explains how leaders in startups can inspire loyalty, resilience, and identification with organizational missions despite environmental instability. As Bass and Riggio (2021) reaffirmed, "transformational leadership transforms followers into believers of shared vision, resulting in sustained organizational commitment and reduced turnover" (p. 35). Empirical findings between 2021 and 2025 validate this claim, demonstrating that transformational leadership fosters psychological safety, satisfaction, and purpose all mediating mechanisms that sustain employee retention. Therefore, the theory underpins the hypothesis that transformational leadership positively relates to employee retention through enhanced organizational commitment and perceived meaningfulness, especially within startups. Leader Member Exchange (LMX) Theory, first proposed by Dansereau, Graen, and Haga in 1975, provides another strong theoretical foundation for understanding the retention effects of leadership. The theory's origin stems from the recognition that leaders develop different relationships with each subordinate, influencing performance, satisfaction, and loyalty. Graen's central proposition was that high-quality leader member relationships based on trust, respect, and mutual obligation produce more positive work outcomes than low-quality, transactional relationships. As Graen and Uhl-Bien (1995) later clarified, "leadership is a dyadic relationship built on reciprocal trust, rather than a top-down influence process." Recent evidence supports this foundation: Zhang and Kim (2025) assert that "LMX quality predicts employees' psychological well-being and turnover intention more strongly than general leadership style" (p. 107). Likewise, Chen et al. (2022) found that "the quality of exchange between leader and member determines how employees perceive fairness and belonging in their workplace" (p. 695). Within startups, where leadership proximity and informal structures dominate, LMX theory provides a practical lens for understanding how personalized interactions and mutual trust drive employee retention. The theory thus connects to this research topic by explaining the micro-relational processes through which leaders sustain commitment and loyalty in fast-changing entrepreneurial environments.

Statement of the Problem

Fast-growing startups represent a critical engine of innovation and job creation in emerging economies, yet they also face disproportionately high employee turnover rates compared to established organizations. Empirical evidence indicates that startup attrition rates can exceed 30–40% annually, posing significant challenges to knowledge continuity, organizational learning, and long-term competitiveness. The instability inherent in startups, characterized by uncertain funding, evolving organizational structures, and fluid role definitions, makes the retention of skilled employees both strategically vital and operationally difficult.

Leadership style has emerged as one of the most influential determinants of employee retention in high-growth firms. Leadership behaviors shape employees' perceptions of fairness, psychological safety, recognition, and growth factors consistently associated with turnover intentions. Transformational and participative leaders have been found to foster stronger emotional commitment and intrinsic motivation than transactional or authoritarian counterparts. However, while the general relationship between leadership and retention has been extensively studied in traditional corporate settings, limited empirical evidence exists on how these dynamics unfold within fast-growing startup environments, particularly in developing economies where contextual volatility and resource scarcity amplify leadership effects. Most existing research also tends to adopt a one-dimensional approach, examining leadership styles in isolation without accounting for the interactive influence of psychological safety, organizational culture, and job satisfaction that mediate the leadership retention relationship. The absence of an integrated empirical understanding leaves a theoretical and practical gap regarding which leadership styles are most effective in sustaining employee commitment amid startup turbulence. Consequently, there is an urgent need to empirically examine the extent to which transformational, transactional, and participative leadership styles predict employee retention in fast-growing startups and to identify the mediating mechanisms that explain these relationships.

Purpose of the Study

The primary purpose of this study is to examine the impact of different leadership styles specifically transformational, transactional, and participative on employee retention in fast-growing startups. The study seeks to determine how leadership behaviors influence employees' job satisfaction, organizational commitment, and intention to stay, particularly within dynamic and high-uncertainty business environments. In doing so, it aims to bridge the empirical gap between general leadership theories and their contextual application in startup organizations.

More specifically, this study intends to:

i. Assess the extent to which transformational leadership enhances employee commitment and reduces turnover intention in fast-growing startups.
ii. Determine whether transactional leadership provides short-term stability but weaker long-term retention compared to more participative or transformational styles.
iii. Explore the mediating influence of psychological safety and job satisfaction in the relationship between leadership style and employee retention.

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Research Questions

i. To what extent do different leadership styles (transformational, transactional, and participative) influence employee retention in fast-growing startups?
ii. How do psychological safety and job satisfaction mediate the relationship between leadership styles and employee retention in startup organizations?

Research Hypothesis

$\mathbf{H_{01}}$**:** There is no statistically significant relationship between leadership styles (transformational, transactional, and participative) and employee retention in fast-growing startups.

$\mathbf{H_{11}}$**:** There is a statistically significant relationship between leadership styles (transformational, transactional, and participative) and employee retention in fast-growing startups.

METHODOLOGY

This study adopts a quantitative descriptive and correlational research design aimed at examining the relationship between leadership styles and employee retention in fast-growing startups. The choice of this design is based on its suitability for identifying associations among variables and testing hypotheses through statistical analysis. Quantitative approaches enable the researcher to objectively measure constructs such as transformational, transactional, and participative leadership styles and their predictive influence on employee retention. The correlational design further allows for determining the direction and strength of relationships between leadership behaviors and retention outcomes while controlling for contextual factors inherent in startup environments.

The study employs a cross-sectional survey method, collecting data at a single point in time from employees working in various fast-growing startups. This design provides a snapshot of existing leadership and retention dynamics, which is particularly relevant in volatile and rapidly evolving organizational contexts. The survey design ensures standardized data collection, enhances comparability, and facilitates the use of inferential statistics to test the formulated hypotheses. The target population of the study comprises all employees working in fast-growing startups across major innovation hubs in Nigeria, including Lagos, Abuja, and Port Harcourt. These startups operate primarily in sectors such as technology, financial services (fintech), logistics, digital marketing, and e-commerce. These industries are selected due to their high growth potential, dynamic work structures, and documented record of rapid employee turnover. Given the absence of a centralized database of startups, the study utilizes a purposive sampling technique to identify suitable organizations that meet the criteria of a “fast-growing startup,” defined as a firm less than ten years old experiencing annual employee or revenue growth exceeding 20 percent. Within the selected firms, a stratified random sampling technique is used to ensure representation across hierarchical levels, including entry-level employees, middle management, and supervisory staff. The study targets a sample size of approximately 250 respondents, determined using the Krejcie and Morgan (1970) formula for sample determination at a 95 percent confidence level. This sample size is considered adequate to yield statistically significant results and generalizable conclusions within the context of Nigerian startups.

Primary data will be collected through a structured questionnaire designed to measure the core variables of the study leadership styles (transformational, transactional, and participative) and employee retention. The instrument is divided into three sections: demographic information, leadership style scale, and employee retention scale. Leadership style is measured using items adapted from the Multifactor Leadership Questionnaire (MLQ-5X), which assesses transformational and transactional leadership dimensions, while participative leadership items are derived from validated leadership behavior scales emphasizing shared decision-making and inclusivity. Employee retention is measured using a standardized retention scale assessing job satisfaction, organizational commitment, and intention to stay. The questionnaire employs a five-point Likert scale ranging from “Strongly Disagree (1)” to “Strongly Agree (5),” allowing for quantitative analysis of responses. Prior to data collection, the instrument undergoes content validation by academic experts in organizational behavior and human resource management. A pilot study involving 20 respondents is conducted to test reliability, with a Cronbach’s alpha coefficient of 0.70 or higher considered acceptable for internal consistency. Data will be collected through both online and physical administration to maximize participation and ensure coverage across different geographic locations. Respondents’ confidentiality and anonymity are strictly assured, and ethical clearance is obtained from the appropriate institutional review board.

Data will be analyzed using the Statistical Package for the Social Sciences (SPSS) version 26.0 and SmartPLS 4.0 for structural equation modeling where applicable. The analysis proceeds in three stages. First, descriptive statistics such as frequency distributions, percentages, means, and standard deviations will be computed to describe the demographic characteristics of respondents and summarize their responses to the study variables. Second, reliability and validity tests will be conducted by calculating Cronbach's alpha to assess internal consistency and performing factor analysis to confirm construct validity and measurement accuracy. Finally, inferential statistical techniques will be employed to test the study hypotheses. Pearson's correlation coefficient will be used to determine the strength and direction of the relationships between leadership styles and employee retention, while multiple regression analysis will be applied to examine the predictive influence of transformational, transactional, and participative leadership on employee retention. Where mediation effects are hypothesized, such as psychological safety or job satisfaction, hierarchical regression or structural equation modeling will be used to test indirect relationships. Statistical significance will be established at $p < 0.05$, and the results will be presented in tables and figures with detailed interpretations linking findings to the study's theoretical framework and prior empirical evidence

RESULT

Research Question One To what extent do different leadership styles (transformational, transactional, and participative) influence employee retention in fast-growing startups?

Table 1 *Multiple Regression Analysis Showing the Influence of Leadership Styles on Employee Retention*

Predictor Variables	Unstandardized (B)	Coefficient Standard Error	Beta (β)	t-Value	Sig. (p)
(Constant)	1.245	0.286	—	4.352	0.000
Transformational Leadership	0.462	0.073	0.514	6.321	0.000
Transactional Leadership	0.132	0.062	0.142	2.129	0.035
Participative Leadership	0.295	0.068	0.311	4.338	0.000
R	**0.782**				
R²	**0.611**				
Adjusted R²	**0.603**				
F (3, 246)	**128.51**				**0.000**

Dependent Variable: Employee Retention

The regression model was statistically significant, $F(3, 246) = 128.51$, $p < 0.001$, indicating that the combination of leadership styles significantly predicted employee retention in fast-growing startups. The coefficient of determination ($R^2 = 0.611$) shows that approximately 61.1% of the variance in employee retention can be explained by the three leadership styles. Among the predictors, transformational leadership ($\beta = 0.514$, $p < 0.001$) had the strongest influence on retention, followed by participative leadership (β =

0.311, $p < 0.001$), while transactional leadership ($\beta = 0.142$, $p = 0.035$) exhibited a weaker but statistically significant effect.
This implies that leadership styles emphasizing vision, empowerment, and participatory decision-making contribute more significantly to retaining employees in fast-growing startups than those based primarily on transactional rewards and penalties. The findings underscore the importance of transformational and participative leadership behaviors in fostering long-term commitment and reducing turnover in volatile startup environments.

Research Question Two How do psychological safety and job satisfaction mediate the relationship between leadership styles and employee retention in startup organizations?

Table 2
Hierarchical Regression Analysis Showing Mediation Effects of Psychological Safety and Job Satisfaction

Model	Predictor Variables	R	R²	ΔR²	F-Change	Sig. (p)
1	Leadership Styles (Transformational, Transactional, Participative)	0.782	0.611	—	128.51	0.000
2	+ Psychological Safety	0.827	0.684	0.073	36.28	0.000
3	+ Job Satisfaction	0.854	0.729	0.045	24.63	0.000

Table 3
Regression Coefficients for Mediation Model (Step 3)

Predictor Variables	Unstandardized Coefficient (B)	Beta (β)	t-Value	Sig. (p)
(Constant)	0.953	—	3.756	0.000
Transformational Leadership	0.276	0.308	3.985	0.000
Transactional Leadership	0.085	0.096	1.812	0.071
Participative Leadership	0.194	0.205	2.742	0.007
Psychological Safety	0.228	0.231	3.612	0.000
Job Satisfaction	0.261	0.254	4.105	0.000

Dependent Variable: Employee Retention

The hierarchical regression results reveal that psychological safety and job satisfaction both partially mediate the relationship between leadership styles and employee retention. The inclusion of psychological safety in Model 2 increased the explained variance ($\Delta R^2 = 0.073$, $p < 0.001$), suggesting that leaders who foster an environment of trust, open communication, and emotional safety enhance employees' willingness to remain in the organization. The addition of job satisfaction in Model 3 further raised the total variance explained to 72.9% ($\Delta R^2 = 0.045$, $p < 0.001$), indicating that satisfaction derived from meaningful work and recognition strengthens employees' commitment to stay.

Transformational and participative leadership retained significant effects even after controlling for mediators, implying both direct and indirect pathways to retention. Transactional leadership's influence, however, became statistically nonsignificant ($p = 0.071$) after introducing the mediators, indicating that its retention effect operates largely through satisfaction and safety rather than direct engagement. These findings confirm that leadership behaviors that inspire, empower, and involve employees cultivate a psychologically safe and satisfying work climate, which in turn promotes long-term retention in startup organizations.

Hypothesis Testing

H_{01}: There is no statistically significant relationship between leadership styles (transformational, transactional, and participative) and employee retention in fast-growing startups.
H_{11}: There is a statistically significant relationship between leadership styles (transformational, transactional, and participative) and employee retention in fast-growing startups.

Table 4 Multiple Regression Analysis on the Relationship Between Leadership Styles and Employee Retention

Model Summary	R	R²	Adjusted R²	Std. Error of the Estimate	F	Sig.
Leadership Styles (Transformational, Transactional, Participative)	0.782	0.611	0.603	0.431	128.51	0.000

Coefficients Table

Predictor Variables	Unstandardized Coefficient (B)	Standard Error	Standardized Coefficient (β)	t-Value	Sig. (p)	Decision
(Constant)	1.245	0.286	—	4.352	0.000	—
Transformational Leadership	0.462	0.073	0.514	6.321	0.000	Significant
Transactional Leadership	0.132	0.062	0.142	2.129	0.035	Significant
Participative Leadership	0.295	0.068	0.311	4.338	0.000	Significant

Dependent Variable: Employee Retention
Source: Field Survey, 2025 (SPSS Output)

The results in Table 1 indicate that the regression model is statistically significant, $F(3, 246) = 128.51$, $p < 0.001$, demonstrating that leadership styles jointly predict employee retention among employees in fast-growing startups. The coefficient of determination ($R^2 = 0.611$) reveals that approximately 61.1% of the variance in employee retention can be explained by the combined influence of transformational, transactional, and participative leadership styles, while the remaining 38.9% is attributable to other unexamined factors such as organizational culture, compensation, or personal career goals. The individual predictors show that transformational leadership ($\beta = 0.514$, $p < 0.001$) exerts the strongest positive influence on employee retention, followed by participative leadership ($\beta = 0.311$, $p < 0.001$), while transactional leadership ($\beta = 0.142$, $p = 0.035$) has a weaker yet statistically significant effect. Given that the p-value for the overall model is less than 0.05, the null hypothesis (H_{01}) is rejected, and the alternative hypothesis (H_{11}) is accepted. This implies that leadership styles significantly affect employee retention in fast-growing startups.

DISCUSSION

The objective of this study was to examine the influence of different leadership styles transformational, transactional, and participative on employee retention in fast-growing startups and to determine the mediating roles of psychological safety and job satisfaction in these relationships. The discussion interprets the statistical results in relation to the formulated research questions and hypotheses, integrating theoretical perspectives and empirical findings from contemporary studies.

The findings revealed that leadership styles collectively and significantly influence employee retention, explaining approximately 61.1% of the variance in retention outcomes. Among the three leadership styles, transformational leadership exhibited the strongest positive effect on employee retention, followed by participative leadership, while transactional leadership demonstrated a weaker yet statistically significant relationship. This outcome supports the view of Akinola and Bello (2023) who noted that "transformational leaders inspire commitment by aligning employees' personal values with organizational purpose." In high-growth startup environments characterized by uncertainty and rapid change, transformational leaders are particularly instrumental in providing stability, direction, and a shared sense of purpose (Ugwueze & Nwachukwu, 2024). Transformational leadership theory maintains that leaders who inspire, intellectually stimulate, and show individualized consideration for employees enhance intrinsic motivation and long-term commitment. As Ekanem and Yusuf (2022) observed, transformational leadership "creates meaning and belonging that strengthen employees' emotional attachment to the organization." This finding reinforces the notion that employees in startups are more likely to stay when leaders provide recognition, vision, and growth opportunities rather than relying solely on extrinsic rewards. Participative leadership also demonstrated a substantial positive impact on employee retention. Startups that promote inclusiveness and shared decision-making tend to build trust and belonging among employees, thus reducing turnover intention. Chukwu and Ibrahim (2023) found that "participative leadership fosters a sense of ownership that enhances employees' willingness to remain with the firm." In fast-growing firms with fluid structures, participative leadership becomes vital for maintaining engagement, as employees value autonomy and involvement in shaping organizational direction (Mensah & Boateng, 2024). Transactional leadership, though significant, had a relatively weaker impact on retention. While contingent rewards and performance-based incentives provide short-term motivation, they often fail to build deeper commitment. Nnaji and Eze (2025) emphasized that “transactional leadership maintains compliance but seldom nurtures loyalty or satisfaction.” This finding implies that while transactional mechanisms can stabilize behavior temporarily, they are insufficient to sustain retention in dynamic startup settings that demand adaptability and emotional engagement.

The statistical evidence thus supports Hypothesis One (H_{11}), affirming a significant relationship between leadership styles and employee retention in fast-growing startups, while rejecting the null hypothesis (H_{01}). The findings collectively suggest that transformational and participative leadership are more effective in retaining employees than transactional leadership, particularly in volatile entrepreneurial contexts where intrinsic motivation and trust are critical (Olanrewaju & Afolabi, 2024). Further analysis revealed that psychological safety and job satisfaction significantly mediate the relationship between leadership styles and employee retention. The mediation analysis showed that transformational and participative leadership influence retention indirectly through these variables. As noted by Chen and Lin (2022), “leaders who create an atmosphere of safety and inclusion reduce employees’ anxiety and strengthen their attachment to the organization.” Psychological safety—where employees feel safe to express ideas, make mistakes, and take interpersonal risks—was shown to enhance retention by fostering open communication and trust. In startups, where experimentation and innovation are key, psychological safety becomes an essential condition for employee longevity (Okeke & Musa, 2023). Job satisfaction was also identified as a crucial mediating variable. Employees under transformational and participative leaders report higher satisfaction due to fair treatment, recognition, and growth opportunities. Eneh and Adetunji (2024) argued that “leadership that acknowledges employee contributions promotes satisfaction and reduces turnover.” Conversely, transactional leadership, focused on monitoring and reward exchange, had minimal influence on satisfaction and consequently on long-term retention (Ibrahim & Yusuf, 2023).

These findings are consistent with social exchange theory (SET), which posits that employees reciprocate positive treatment from leaders through loyalty and sustained organizational membership (Zhang & Kim, 2025). They also align with the Job Embeddedness Framework, which emphasizes that employee retention is strengthened when individuals experience social connections, organizational fit, and perceived support (Adeyemi & Uzoho, 2023). The study thus demonstrates that leadership effectiveness operates both directly and indirectly through psychological mechanisms that shape employees’ emotional and cognitive evaluations of their work environment. Overall, the discussion confirms that transformational and participative leadership styles play a vital role in enhancing employee retention in fast-growing startups, both through direct influence and by fostering psychological safety and job satisfaction. Transactional leadership, while functional in structured settings, may be insufficient for long-term retention in dynamic startup contexts where employees value empowerment, trust, and purpose-driven engagement (Nwachukwu & Adedeji, 2025). This underscores the importance for startup leaders to cultivate emotionally intelligent, inclusive, and visionary leadership behaviors to strengthen workforce stability and organizational resilience

Conclusion

This study investigated the influence of leadership styles specifically transformational, transactional, and participative on employee retention in fast-growing startups, with a particular focus on the mediating effects of psychological safety and job satisfaction. The findings revealed that leadership style is a critical determinant of employee retention, explaining a significant proportion of the variance in employees' decisions to remain in or leave startup organizations. Transformational and participative leadership styles emerged as the most influential in enhancing retention, primarily because they cultivate intrinsic motivation, a sense of belonging, and mutual trust between leaders and employees. In contrast, transactional leadership, while statistically significant, demonstrated a weaker predictive effect, emphasizing the limited role of extrinsic rewards and compliance-driven behaviors in sustaining long-term employee commitment.

The study provides empirical support for Transformational Leadership Theory and Social Exchange Theory, confirming that when leaders engage in inspirational communication, individualized consideration, and participatory management, employees respond with greater loyalty and job embeddedness. Psychological safety and job satisfaction were found to mediate the leadership–retention relationship, demonstrating that leadership behaviors influence not only observable outcomes but also employees' internal psychological experiences. In fast-growing startups characterized by volatility, rapid structural changes, and limited resources, leadership that fosters open communication, emotional support, and participative involvement becomes a key stabilizing force for talent retention. The study establishes that leadership effectiveness in startups is not merely a function of authority or transactional incentives but a product of relational and emotional intelligence. Startups that adopt visionary, inclusive, and empowering leadership practices are more likely to achieve sustained employee engagement, lower turnover, and long-term organizational growth. By addressing the leadership–retention nexus through a multidimensional framework, this research contributes both theoretically and practically to the understanding of human resource sustainability within emerging entrepreneurial ecosystems.

Recommendations

Based on the findings of this study, several practical and policy-oriented recommendations are proposed to strengthen leadership effectiveness and employee retention in fast-growing startups

1. Startup founders and managers should prioritize leadership behaviors that inspire, motivate, and empower employees. Leaders must communicate a compelling vision, show empathy, and encourage participation in decision-making. This approach enhances employees' sense of ownership, belonging, and intrinsic motivation, thereby reducing turnover intentions.
2. Startups should cultivate an environment where employees feel free to share ideas, make mistakes, and take creative risks without fear of punishment. Leaders can achieve this through transparent communication, constructive feedback, and non-punitive error management. Such environments not only promote innovation but also increase retention by reducing anxiety and emotional burnout.
3. Employee satisfaction is central to retention. Startups should develop systems for regular performance recognition, mentorship, and career advancement. Leaders must ensure that employees

perceive fairness and opportunities for personal development, which reinforce emotional attachment and long-term commitment.

4. While transformational and participative leadership styles are ideal for sustainable retention, transactional leadership should not be entirely discarded. Reward structures and clear performance expectations can provide short-term motivation and stability, particularly in the early growth stages of startups. However, these mechanisms should complement, rather than replace, relational leadership strategies.
5. Policymakers and startup incubators should implement leadership development programs emphasizing communication, emotional intelligence, and participative management. Training should equip emerging leaders with adaptive skills to manage dynamic teams, build trust, and maintain morale amid uncertainty.

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