

NEXUS BETWEEN TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL PERFORMANCE: SYSTEMATIC REVIEW

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ABSTRACT

This research examines the relationship between transformational leadership and employee performance through an extensive literature review from 2019 to 2023. Grounded in James Macgregor Burns' transformational leadership theory, the study examines the multifaceted dimensions of leadership and evaluates organizational performance metrics. Distinctive features of the transformational leadership style, defined by idealized influence, inspiring motivation, intellectual stimulation, and personalized consideration, are scrutinized in light of their impact on employee outcomes.

Transformational leadership emerges as a focal point, with the study highlighting its positive effect on organizational outcomes, including culture and vision. Case studies across diverse geographical locations, such as Pakistan, Nigeria, Jordan, and others, consistently reveal a strong correlation between transformational leadership and organizational success.

Key Words: Leadership, leadership style, transformational leadership, organizational performance.

INTRODUCTION

In the modern world of managing organizations, how leaders lead is crucial in determining the fate of businesses and institutions. Among the various leadership styles, transformational leadership has risen as a potent and influential approach that has changed how leaders engage with their teams and influence organizations' outcomes. This paper embarks on a journey to explore the intricate and constantly evolving connection between transformational leadership and how well organizations perform. Transformational leaders are known for their unique ability to encourage and energize their followers to achieve their highest potential. They create an atmosphere of innovation, cooperation, and ongoing improvement. This leadership style has gained significant attention from researchers, practitioners, and scholars in organizational studies. It is renowned for its potential to enhance individual performance and boost organizations' overall performance and success.

Leadership is a complex and evolving concept rooted in inspiring and guiding individuals or groups toward shared goals. Numerous studies affirm the intertwined nature of leadership and organizational performance Akinniyi *et al.*, (2021). Leadership goes beyond simple management; it entails inspiring and guiding a team toward shared objectives. The managerial approach to

leadership directly shapes employee performance and the organization's overall success. An investigation into the effect of leadership on the performance of the Coca-Cola Company in Abuja, Nigeria, by Ibrahim and Daniel (2019) revealed that the style of leadership a manager adopts directly affects the organizational performance of employees. This study emphasized that an organization's ability to achieve its goals hinges entirely on the chosen leadership style. A capable leader can inspire employees, elevate productivity, and guide the organization toward realizing its goals and objectives, Epperson, (2018). The right leadership style significantly impacts organizational performance, influencing employee motivation, engagement, and productivity (Nandasinghe, 2020). According to Baker (2023), leadership is a multifaceted concept that does not adhere to a one-size-fits-all approach. Numerous leadership styles exist, each with its unique strengths and weaknesses. Transformational leadership is a particularly effective approach for creating lasting change among these diverse styles. Various leadership styles can be applied in the workplace. According to Idiko and Obah (2023), organizational and employee performance is significantly shaped by the leadership style adopted, making it a key determinant of success. This paper is focused on transformational leadership versus organizational performance.

Transformational Leadership

According to Arif and Akram (2018), while various leadership styles are documented in the literature, transformational leadership stands out as one of the most frequently employed approaches within organizations, significantly contributing to organizational performance. According to Qalati *et al.*, (2022), The introduction of transformational leadership is credited to James MacGregor Burns, and it occurred in 1978, as he aimed to delve into the qualities of "world-class leaders." Subsequently, Bass further refined this concept in his works from 1985 to 1997, along with his collaboration with Stogdill in 1990. Burns' definition of transformational leadership centred on leaders' capacity to inspire their followers to pursue organizational objectives rather than personal interests, as discussed in (Qalati *et al.*, 2022 as cited in Kuhnert & Lewis, 1987). (Kalsoom *et al.*, 2018) alluded that transformational leaders motivate their followers by instilling confidence and advocating the adoption of new strategies.

Ogbonna's (2013) assertion is that a transformational leader is an individual who encourages and motivates their followers to attain exceptional results through inspiration and empowerment. Transformational leaders encourage and propel their teams to do excellent work that benefits the organization. This leadership style is identifiable through four key components: idealized influence, inspiring motivation, intellectual stimulation, and individualized consideration (Givens, 2008); enabling leaders to lead by example (idealized influence), motivates and inspires (inspirational motivation), encourages creativity and innovation (intellectual stimulation), and pay attention to the unique needs of each team member (individualized consideration).

Organizational Performance

Organizational performance evaluates how well an organization accomplishes its daily tasks and meets predetermined objectives (Bhasin, 2020). According to Demeke and Tao, (2020), it serves as an assessment of the degree to which an organization accomplishes its stated goals and objectives. The widespread acknowledgement is that effective organizations necessitate competent leadership, and the performance of an organization will decline proportionally with the disregard of effective leadership (Ibrahim & Daniel, 2019).

Measuring organizational performance involves comparing the actual results or outputs with the intended ones, enabling organizations to ascertain the degree to which they attain their goals. There are two ways of measuring organizational performance: subjective and objective. Subjective measures include sales growth, market share, employee satisfaction, customer satisfaction, product development, competitive advantage, and customer retention. Objective measures entail using financial data like profit, revenue, return on investment, equity return, asset return, stock price, liquidity and operational efficiency (Sofi & Devanadhen, 2015).

Transformational leadership versus organizational performance

Studies have consistently indicated that transformational leadership positively influences organizational outcomes, culture, and vision (Givens, 2008). Furthermore, it has been found to positively affect the personal outcomes of followers, such as empowerment, job satisfaction, commitment, trust, and motivation. By comprehending the impact of transformational leadership on these outcomes, transformational leaders can strategically shape employee behaviour to yield positive effects on the organization.

Transformational leadership is often employed when an organization needs revitalization, is undergoing significant change, or requires a new direction (Benmira & Agboola, 2021). It is particularly crucial in today's rapidly evolving technological industry, where innovation and agility are critical for an organization's success. Notable examples of transformational leaders include Jeff Bezos, Steve Jobs, and Bill Gates (Benmira & Agboola, 2021). Transformational leaders inspire and energize their followers by nurturing commitment and supporting personal growth (Odumeru & Ogbonna, 2013). They concentrate on cultivating a positive work atmosphere and are renowned for their ability to encourage and inspire team members.

Manzoor *et al.*, (2019) investigated how transformational leadership influences job performance and investigated the involvement of corporate social responsibility (CSR) as a mediating factor. Primary data were gathered from employees working in (SMEs) in Pakistan, with 300 questionnaires distributed and 130 received. Regression analysis scrutinized whether CSR mediated the relationship between transformational leadership and job performance. The study

emphasizes the role of transformational leadership in fostering job satisfaction and commitment, leading to improved performance. Transformational leadership is positively linked with CSR. CSR is a positive mediator between transformational leadership and job performance. The limitation of the study includes the following: the study focuses on SMEs in Pakistan, limiting the generalizability of the findings to other organizational contexts. The study is geographically confined to Pakistan, and future research should consider diverse geographical locations to enhance the external validity of the results. Extending the research to various organizational settings, including large enterprises and industries, would contribute to a more comprehensive understanding of leadership dynamics. The research gap identified in the paper focuses on assessing how transformational leadership impacts job performance within SMEs in Pakistan and introduces the concept of Corporate Social Responsibility (CSR) as a mediating factor in this relationship. Despite the valuable insights presented in the paper, it must thoroughly investigate the specific processes by which transformational leadership influences CSR practices and how CSR influences job performance. Future research could dig deeper into these areas to better understand what is happening.

Saad and Abbas (2019) explored how transformational leadership influenced organizational performance in Pakistan, highlighting the mediating role of organizational innovation. The study shows a strong connection between transformational leadership and an organization's performance. The study highlights the importance of leaders adopting an appropriate leadership style to impact organizational outcomes positively. The research gap identified in this paper focuses on the relationship between transformational leadership, organizational performance, and organizational innovation within the confines of a single organization in Pakistan, the MIA Group. At the same time, the paper proves a favourable connection between transformational leadership and the involvement of organizational innovation, highlighted alongside its impact on organizational performance. To bolster the credibility of its findings, future research should consider multiple organizations and industries to assess whether these relationships hold across diverse contexts. While the study focuses on the manufacturing industry, future research could compare findings across different sectors to determine if the relationships observed are consistent or vary depending on the industry.

Alsayed *et al.*, (2020) examined how transformational leadership affected organizational performance at the University of Jordan. Employing a quantitative approach and analyzing data from 280 administrative employees using SPSS software, the study concluded that transformational leadership exhibited a notably positive influence on organizational performance based on assessments from respondents. The paper "The Influence of Transformational Leadership on Organizational Performance: A Case Study of the University of Jordan" highlights a research gap primarily tied to the scarcity of studies conducted in Jordan, particularly within the public sector, that specifically investigate the correlation between transformational leadership and how well the organization performs. This suggests the necessity for additional research in this particular

context to gain a deeper insight into how transformational leadership shapes organizational performance in Jordan, particularly within public institutions. Furthermore, although this study concentrated on the University of Jordan, it would be valuable to extend similar research to other organizations and sectors within Jordan. This extension could help assess whether the conclusions drawn from this study hold across diverse contexts, thus offering a more thorough insight into how transformational leadership functions in different settings within the country.

Khan *et al.*, (2020) investigated the relationship between transformational leadership and various employee outcomes, such as work performance, work burnout, and social loafing, emphasizing the mediating function of intrinsic motivation. It sought to uncover how transformational leadership, characterized by leaders who inspire and motivate their staff, influences employee work performance, working burnout, and social loafing. Additionally, the research explored whether intrinsic motivation plays a role in explaining how transformational leadership affects employee outcomes. The study's results highlight the positive influence of transformational leadership on employee work performance, the reduction of working burnout, and the alleviation of social loafing behaviour. Furthermore, the study underscores the significance of intrinsic motivation as a mediator in these relationships. Employees who find motivation in internal factors such as interest and work satisfaction are likelier to excel in their roles and experience reduced burnout when led by transformational leaders. While the study aimed to investigate the impact of transformational leadership on various employee outcomes, it primarily focused on intrinsic motivation's mediating role in these relationships. Prior research had established the impact of transformational leadership on these outcomes, but the role of intrinsic motivation in explaining this influence was an unexplored area. Furthermore, this study was done in a specific place and industry (telecom sector in Lahore, Pakistan), so the results might differ in other places or industries.

Ifeanyi *et al.*, (2021) investigated the influence of transformational leadership on the success of tertiary institutions in Anambra State, Southeast Nigeria. Employing a cross-sectional research approach, data was gathered from 154 staff members through structured questionnaires. The study found that transformational leadership, encompassing idealized influence, inspiring motivation, intellectual stimulation, and personalized consideration, emerges as a pivotal success factor in instigating positive transformations in employees and overall university management. The study highlights the imperative role of effective leadership in confronting the challenges confronted by tertiary institutions. In this research area, a potential research gap needs further exploration. We have learned that when leaders use transformational leadership style," it can make organizations in colleges and universities in Anambra State, Southeast Nigeria, more successful. However, we need to learn all the details about how this works. Researchers should identify and understand the mediating factors that clarify how dimensions of transformational leadership, such as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, impact organizational success. For instance, exploring whether employee motivation is mediating

in this connection would be valuable. We want to know what happens between when leaders use transformational leadership and when organizations become successful. Does it have to do with how motivated the employees are? Are there certain things employees think or do that make the difference? We can also compare different types of colleges and universities or look at places in different parts of Nigeria. This can help us see if this leadership style affects different situations.

Leite and Rua (2022) investigated the connections among transformational leadership, entrepreneurial orientation, and firm performance within Portuguese SMEs in the textile and clothing sector. Employing a quantitative survey-based method, the research utilizes a questionnaire distributed to executive directors, with data analysis conducted through the structural equation model (SEM). The research suggests that transformational leadership yields a favourable outcome impact on entrepreneurial orientation. When leaders inspire and motivate their employees, it encourages them to think creatively and take risks. However, it is essential to note that this transformational leadership does not have a direct effect on firm performance. The research demonstrates that entrepreneurial orientation, which involves elements like innovation, proactivity, and risk-taking, has a beneficial influence on firm performance. Put differently, companies generally achieve better results when they focus on being innovative, proactive, and willing to take risks. The study uncovers that entrepreneurial orientation acts as a mediator. This means that while transformational leadership does not directly impact firm performance, it can indirectly influence it by first affecting entrepreneurial orientation. In essence, if leaders encourage employees to think and act entrepreneurially, it can ultimately lead to improved firm performance. A significant research gap lies in gaining a deeper insight into why transformational leadership does not directly impact firm performance in this setting despite its positive effects on entrepreneurial orientation. Subsequent research could examine the mechanisms or circumstances that enable transformational leadership to directly impact firm performance within SMEs operating in the textile and clothing industry. Researchers should explore potential moderating factors that have the potential to affect the connection between transformational leadership, entrepreneurial orientation, and firm performance in this sector. For instance, factors such as company size, market conditions, and competitive dynamics might have a role in determining the robustness of these associations.

Nasir *et al.*, (2022) investigated the connections among transformational leadership, organizational innovation, work stressors, creativity, and employee performance within small and medium enterprises (SMEs) in Pakistan. Utilizing Structural Equation Modeling (SEM) on data gathered from 424 SME employees, the investigation reveals that challenge stressors, transformational leadership, and employee creativity positively and significantly influence employee performance. However, organizational innovation needs to demonstrate a noteworthy impact on employee performance. The study underscores a need for more understanding regarding factors influencing employee performance in SMEs in Pakistan, highlighting a research gap that necessitates more in-depth exploration in this specific context.

Idiko and Obah (2023) explored the impact of transformational leadership on organizational performance within commercial banks in Yenagoa, Bayelsa State, Nigeria. The survey methodology involves randomly sampling 300 questionnaires distributed to staff, with 150 returned. Employing the Spearman rank-order correlation coefficient through SPSS IBM version 20, the study examines the positive relationship between idealized influence, inspirational motivation, intellectual stimulation, individualized consideration of transformational leadership, and organizational performance. The findings affirm a constructive link between transformational leadership and organizational success. The study reveals potential research gaps. These encompass the study's restriction to a specific region and industry, specifically the banking sector. It overlooks organizational diversity in size and sector, focusing predominantly on managerial viewpoints and neglecting employee perspectives. The study needs a thorough exploration of long-term impacts, external factors, causal relationships, and a comparative analysis of different leadership styles. Additionally, it heavily relies on quantitative data, overlooking qualitative insights. Addressing these gaps could enhance the study's depth and applicability.

Kwistianus *et al.*, (2023) explored the effects of transformational leadership on the reputation and financial performance of manufacturing companies publicly traded on the Indonesia Stock Exchange. Utilizing a quantitative methodology involving survey questionnaires and structural equation modelling, the investigation yields the following key outcomes: Transformational leadership does not exert a noteworthy direct influence on financial performance and, in certain instances, may even have adverse effects. A positive and substantial correlation is observed between transformational leadership and corporate reputation. A positive and meaningful association is established between corporate reputation and financial performance. The gaps and limitations arise from a relatively small sample size, with only 30 qualifying questionnaires. The study is confined to the manufacturing industry, which needs more diversity from other sectors.

Summary of Empirical Literature Review

No	Author	Key Findings
1	Manzoor <i>et al.</i> , (2019)	The study affirms a positive correlation between transformational leadership and employees' job performance.
2	Saad and Abbas (2019)	The study highlighted a significant and positive connection between leaders who exhibit transformational qualities and how well their organizations perform.
3	Alsayyed <i>et al.</i> , (2020)	Transformational leadership exhibited a notably positive influence on organizational performance based on assessments from respondents. The study aligns with prior research, affirming that transformational leadership contributes positively to employee performance.
4	Khan <i>et al.</i> , (2020)	The key findings were that transformational leadership positively correlates with work performance. Idealized influence, inspiring motivation, intellectual stimulation, and

		personalized consideration are key components of transformational leadership. Transformational leadership is associated with increased employee intrinsic motivation, leading to enhanced work performance.
5	Ifeanyi <i>et al.</i> , (2021)	The adoption of all facets of transformational leadership by university management is strongly advised, given their positive impact on organizational success; the following recommendations are proposed: Idealized Influence Enhancement: Continuous efforts should be made to improve idealized influence, valuing individual contributions, to sustain universities as learning organizations.
6	Leite and Rua (2022)	The key finding is that transformational leadership positively influences entrepreneurial orientation, fostering innovative approaches in firms. Entrepreneurial orientation functions as a catalyst, indirectly affecting firm performance when facilitated by transformational leadership.
7	Nasir <i>et al.</i> , (2022)	The study found that challenge stressors, transformational leadership, and employee creativity positively and significantly influence employee performance.
8	Idiko and Obah (2023)	The study affirms the positive association between transformational leadership and organizational performance in commercial banks.
9	Kwistianus <i>et al.</i> , (2023)	Their study on transformational leadership and financial performance: The mediating role of corporate reputation on firms among the manufacturing companies listed on the Indonesia Stock Exchange determined that transformational leadership did not exert a noteworthy direct influence on financial performance and, in some cases, could worsen it. Corporate reputation significantly mediated the relationship between transformational leadership and financial performance. A notable and meaningful correlation was identified between corporate reputation and financial performance.

RESEARCH METHODOLOGY

This study employs a literature review to investigate existing research conducted over the past five years (2019 – 2023) on the nexus between transformational leadership and organizational performance. Comprehensive research data was gathered by utilizing prominent database platforms. Articles sourced from these databases were systematically collected and organized to ensure the acquisition of authentic data. Subsequently, the compiled articles underwent verification and thorough review in the subsequent phase to generate a valid and beneficial discussion for this research.

Conclusion

This comprehensive literature review from 2019 to 2023 explores the intricate relationship between transformational leadership and employee performance. Grounded in James Macgregor Burns' theory, it delves into leadership's dynamic role in guiding individuals or groups toward shared goals and its critical impact on organizational success. Transformational leadership, characterized by idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, emerges as a positive influence on organizational outcomes. Case studies in diverse locations consistently reveal a constructive correlation with organizational success. Findings emphasize the link between transformational leadership and organizational performance across sectors like banks, SMEs, universities, and manufacturing. This leadership style fosters job satisfaction, commitment, and well-being, contributing to improved performance. The study identifies gaps, including contextual restrictions and a need for more diverse samples. Recommendations for future research include exploring different settings, using longitudinal designs, and comparing leadership styles. This research contributes valuable insights by emphasizing the significance of understanding and implementing transformational leadership in the contemporary workplace, reinforcing its role as a catalyst for success.

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