



THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL PERFORMANCE IN ORGANIZATIONS SITUATED IN DEVELOPING COUNTRIES: A REVIEW OF LITERATURE

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Abstract

The objective of this study was to establish the relationship between transformational leadership and organizational performance in organizations situated in developing countries. The specific objectives of the study were: to determine the relationship between leadership style and organizational performance; to investigate the relationship between inspiration and organizational performance; to establish how employee motivation affects organizational performance; to assess how change and innovation affects organizational performance and to ascertain relationship between intellectual stimulation and organizational performance. The methodology of the study was aligned to Grant and Booth (2009) whereby secondary data is recognized as a sufficient for data collection. Hence the methodology heavily relied on secondary data as its main source of information. The study findings have contributed to the body of knowledge in establishing the relationship between transformational leadership and organizational performance in developing countries. The study concluded that organizations should create an environment where leaders are able to motivate and encourage employees to exercise innovativeness and creativity through transformational leadership style. Managers should also undergo training on effective leadership styles that can inspire employees in high performance thus enhancing organizational effectiveness and efficiency. Leaders and policymakers should also design relevant policies and innovative strategies that are necessary in enhancing organizational performance through transformational leadership.

Keywords: Transformational Leadership, Organizational Performance, Organizational Success, Leadership Styles, Developing Countries



INTRODUCTION

Managers have a singular duty and responsibility to achieve the goals of organizations through their subordinates. They are therefore expected to come up with innovative strategies to enhance performance in organizations. Transformational leadership style is one of the possible strategies that could be adopted by managers in order to enhance performance in organizations. Employees also known as human resources, play an important role in enhancing the performance of organizations, hence being considered an organization's most valued asset. Managers therefore are expected to effectively manage employees using the most appropriate leadership styles that will ensure that organizations achieve effectiveness and efficiency. A study by Ammar et al. (2018) revealed that the last few decades of this twenty-first century have witnessed an acceleration of both development and resultant change as a result of an explosion of knowledge and a revolution in information availability and ease of communication, coupled with increased demands on leaders and the subsequent impact on the success of their organizations

Effective leadership is one of the most essential tools for an organization to sustain its business in the face of problems caused by the global economic environment. Successful managers can influence their employees and motivate them for strengthening organizational performance. The effective leadership style is a unique way of integrating employees with the organization to achieve its vision or goals (Karacsony, 2021). According to Arif and Akram (2018), although there are several leadership styles, transformational leadership is one of the mostly used leadership style in organizations and plays an important role in organizational performance.

Ammar et al., (2018) defines transformational leadership as the art of influencing and guiding followers to achieve common goals that contribute to organizational success. It is characterized by high levels of motivation and morale among leaders and followers. The positive outcomes of transformational leadership are largely attributed to the personality of the leaders, the clarity of their vision, their ability to change the expectations of their followers and the drive to motivate followers to achieve common goals. Marshall (2011) defines transformational leadership as a leadership style in which the leader identifies the necessary change, creates a vision to guide the change, and executes the change. Simola, Barling & Turner (2012) view transformational leadership as a type of leadership in which interactions between interested parties are arranged around a unified goal in a way that changes, drives and empowers followers' ethical actions and aspirations. According to Peter & James (2013), transformational leadership is a leadership style that requires positive change in the future and produces the change needed through organizational planning and structure. Adnan et al.,

(2020) defines transformational leadership as a theory of leadership in which managers encourage, inspire and intellectually stimulate their followers to innovate valuable and positive change which help boost and shape the future competition of an organization. Individuals are key assets in the organization that transformational leaders should concern because they are considered as one of the intangible assets that can provide an organization with long-term performance. Transformational leadership seeks to maintain sentimental connection with followers and build unique values. Such a leadership style carries the significance of contributing a shared mission and inspiring meaning, moral and sense of purpose into followers. Transformational leadership is considered as significant driver of innovative culture used to develop ideas oriented to achieve a high potential effectiveness. The application of this leadership style seeks to urge workers to exert effort beyond capabilities in order to attain firm goals. According to Effiyanti et al., (2021), transformational leadership is a type of leadership which focuses on achieving changes in values, beliefs, attitudes, behaviors, emotional, and the needs of subordinates for better change in future. The transformational style is suitable for reformation purposes, because the leaders serve as an initiator for restructuring, integrated with the organizations' creativity, innovation, flexibility, and responsiveness. This research study therefore defines transformational leadership as a strategy for achieving organizational effectiveness and efficiency through a leader's innovativeness and creativeness. Organizational Performance is the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results (Mahapatro, 2010). This research study therefore defines organizational performance as the ability of an organization to achieve effectiveness and efficiency.

This research paper therefore investigated the relationship between transformational leadership and organizational performance in developing countries. Section one discusses the background to the study, section two focuses on literature review, section three highlights the research methodology, section four discusses the analysis and findings of the research study, section five gives conclusions and lastly section six discusses the recommendations and suggestions for further research studies.

Statement of the Problem

Leadership is one of the factors associated with organizational effectiveness and efficiency. Transformational leaders motivate their employees to achieve effectiveness through charisma, intellectual stimulation, consideration and inspiration. Organizations in most developing countries are faced with performance challenges because of lack of, or insufficient knowledge and skills on transformational leadership. Hence, there are very few managers with

the necessary knowledge and skills on transformational leadership style and its benefits to organizations. In addition, there are limited policies that support transformational leadership in organizations based in developing countries, hence the need for further research studies. Some environments in developing countries are not conducive for transformational leadership style to thrive in organizations based in those particular environments. This research study therefore seeks to establish the relationship between transformational leadership and organizational performance in developing countries.

General Objective

To establish the relationship between transformational leadership and organizational performance in developing countries.

Specific Objectives

- 1 To determine the relationship between leadership style and organizational performance
- 2 To investigate the relationship between inspiration and organizational performance.
- 3 To establish how employee motivation affects organizational performance.
- 4 To assess how change and innovation affects organizational performance
- 5 To ascertain relationship between intellectual stimulation and organizational performance.

Research Questions

- 1 What is the relationship between leadership style and organizational performance?
- 2 What is the relationship between inspiration and organizational performance?
- 3 How does employee motivation affect organizational performance?
- 4 How does change and innovation affect organizational performance?
- 5 What is the relationship between intellectual stimulation and organizational performance?

LITERATURE REVIEW

Okoli et al., (2021) examined the extent to which transformational leadership dimensions affect organizational success in tertiary institutions in Anambra State Southeast Nigeria. The results showed that transformational leadership dimensions and organizational success in the selected tertiary institutions had a strong positive and significant correlation. The study concluded that leadership is a critical success factor that can bring about changes in employees

and universities as a whole. The study recommended that management at all levels in the universities should provide proper self-development plan and build teamwork to ensure continued optimism and enthusiasms within their employees.

Effiyanti et al., (2021) examined the relationship between transformational leadership and organizational performance with readiness to change and empower knowledge sharing quality as mediating variables. The findings of this study showed the need for transformational leaders as the research focused on understanding the differences in employee character. This is required to encourage better performance by empowering quality knowledge dissemination mechanisms, with continuous in-house training activities.

Chau, Le and Tran (2021) explored the mediating role of results-oriented culture in the relationship between transformational leadership and the performance of results-oriented culture in Vietnamese public service organizations. Their findings revealed that transformational leadership, result-oriented culture are positively associated with organizational performance, and that result-oriented culture is a mediating mechanism that explains how transformational leadership leads to higher performance in public service organizations. The research provided evidence that transformational leadership has a direct and indirect impact on organizational performance through results-oriented culture.

According to Karacsony (2021), Leadership is becoming increasingly popular all over the world. The organizations realize that the effectiveness and success of their activities depend on the strength of their leadership potential. Hence the terms 'leadership' as well as 'management' are used interchangeably, although there are major differences that separate them; leaders inspire their followers, while managers motivate their staff. The major difference between the two concepts is that: leaders are people who do the right thing while managers are people who do things right. In addition, leaders produce the potential for dramatic change, chaos, and even failure, while managers ensure standards, consistency, predictability, and order.

Adnan et al., (2020) investigated the effect of transformational leadership to organizational performance via the mediating role of quality innovation. The findings indicated that transformational leadership was significantly associated with both innovation and organizational performance. Furthermore, innovation has a positive effect on organizational performance. Consequently, the results underlined a significant mediation role of innovation in the relationship between transformational leadership and organizational performance.

Arif and Akram (2018) investigated the transformational leadership impact on organizational performance in organizations in Pakistan. Organizational Innovation was the mediating factor. The research revealed a strong relationship between transformational

leadership and organizational performance. It was also observed that Transformational Leadership increases the emotional connection or identification between the supervisor and the follower in such a way that the follower feels more confident to perform beyond expectations. Thus, leaders have positive effect on follower's performance. In addition, the leader's characteristics and leadership style are key determinants of innovative conduct in organizations. Transformational leadership also increases self-efficacy, raises intrinsic motivation, and contributes to employee's psychological empowerment. In manufacturing companies transformational leadership style is very effective because it guides the employees towards new product development, more profitability, and improved performance by using the exploratory leadership.

Ammar et al., (2018) investigated the effect of transformational leadership on organizational innovation in higher education in Yemen. The findings revealed that transformational leadership has a positive impact on organizational innovation.

Aketch, Basheka & Bagire (2017) investigated the effect of transformational style on the performance of SMEs in Uganda. In particular the study sought to find out the contribution of each of the dimensions of transformational style of leadership that included charismatic, intellectual stimulation and individualized consideration aspect of leadership on the performance of SMEs. The findings revealed that transformational style of leadership did not significantly influence performance of SMEs in Uganda. The results imply that organizations need to focus more on cultivating charismatic style of leadership in order to improve their performance.

Abasilim (2014) investigated the relationship between transformational leadership style and organizational performance in the Nigerian work context. The study concluded that transformational leadership style has a significant positive relationship with organisational performance in Nigerian work context. The study recommended that organizations that want to improve or ensure optimal organisational performance must adopt leadership style that fits the settings in which the followers and leadership interact. In addition, training to enhance transformational leadership style should be encouraged in Nigerian work context.

RESEARCH METHODOLOGY

The methodology of the study was aligned to Grant and Booth (2009) whereby secondary data is considered a sufficient methodology for data collection. Therefore the methodology was restricted to the literature review from various research papers and articles, on the relationship between transformational leadership and organizational performance. This means that this research study relied on secondary data as its major source of information.

FINDINGS

The following analysis and findings are drawn from the literature that was reviewed:-

Table 1: Summary of the Analysis and Findings based on the Literature Review

No.	Author	Discussions
	Okoli et al., (2021)	<ul style="list-style-type: none"> • leadership is a critical success factor that can bring about changes in employees • management at should provide proper self-development plan and build teamwork to ensure continued optimism and enthusiasms within their employees.
1	Chau, Le and Tran (2021)	<ul style="list-style-type: none"> • transformational leadership has a direct and indirect impact on organizational performance through results-oriented culture.
2	Karacsony (2021)	<ul style="list-style-type: none"> • the effectiveness and success of the activities of organizations depend on the strength of their leadership potential.
3	Effiyanti et al., (2021)	<ul style="list-style-type: none"> • there is need for transformational leaders to encourage better performance by empowering quality knowledge dissemination mechanisms, with continuous in-house training activities.
4	Arif & Akram (2018)	<ul style="list-style-type: none"> • transformational Leadership increases the emotional connection or identification between the supervisor and the follower in such a way that the follower feels more confident to perform beyond expectations. • leaders have positive effect on follower's performance. • the leader's characteristics and leadership style are key determinants of innovative conduct in organizations. • transformational leadership also increases self-efficacy, raises intrinsic motivation, and contributes to employee's psychological empowerment. • in manufacturing companies transformational leadership style is very effective because it guides the employees towards new product development, more profitability, and improved performance by using the exploratory leadership.
5	Ammar et al., (2018)	<ul style="list-style-type: none"> • transformational leadership has a positive impact on organizational innovation. • the positive outcomes of transformational leadership are largely attributed to the personality of the leaders, the clarity of their vision, their ability to change the expectations of their followers and the drive to motivate followers to achieve common goals.
6	Aketch, Basheka & Bagire (2017)	<ul style="list-style-type: none"> • organizations need to focus more on cultivating charismatic style of leadership in order to improve their performance.
7	Abasilim, U.D., (2014)	<ul style="list-style-type: none"> • organizations that want to improve or ensure optimal organisational performance must adopt leadership style that fits the settings in which the followers and leadership interact. • training to enhance transformational leadership style should be encouraged in the Nigerian work context.

CONCLUSIONS

This study concludes that there is a strong relationship between transformational leadership and organizational performance. It is therefore important for organizations to create an environment where leaders are able to motivate and encourage employees to exercise innovativeness and creativity through transformational leadership style. In addition, managers need to undergo training on effective leadership styles that can inspire employees in high performance thus enhancing organizational effectiveness and efficiency. Hence, the findings of this study serve as a guide for leaders and policymakers to design relevant policies and innovative strategies that are necessary in enhancing organizational performance through transformational leadership. The research study has contributed to the body of knowledge by establishing a positive relationship between transformational leadership and organizational performance in developing countries.

SUGGESTIONS FOR FURTHER RESEARCH

This study investigated the relationship between transformational leadership and organizational performance in organizations situated in developing countries. However, like any other research study, it had its own limitations which should be addressed by future research studies. The findings of this research study heavily relied on secondary data as its major source of information. Therefore future research studies should consider primary data in order to reduce on the subjectivity and increase on the objectivity of the findings. The research also focused on the relationship between transformational leadership and organizational performance in organizations situated in developing countries hence ignoring the same concept in developed countries where transformational leadership is also a requirement. Therefore future research studies should focus on the relationship between transformational leadership and organizational performance in organizations based in both developed and developing countries. Future research studies should also narrow down to specific organizations in specific industries in order to find unique solutions to the leadership challenges affecting specific organizations.

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