

The Journal of Values-Based Leadership

Manuscript 1496

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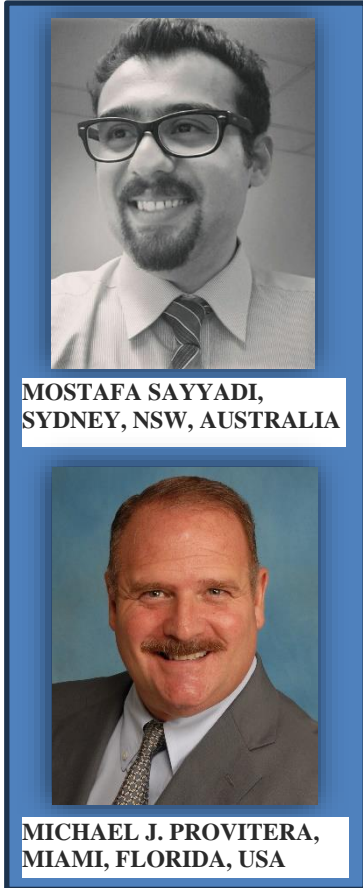
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The Art of Transformational Leadership: A Key to a High-Performance Company

Abstract

The purpose of this research is to explore how transformational leadership impacts organizational performance. We posit that transformational leadership is a significant indicator of organizational performance. This article suggests that executives who act as transformational leaders affect organizational outcomes. In particular, this article raises a vital question as to how managers can successfully contribute to performance at the organizational level. It highlights the potential consequences of applying transformational leadership.

Transformational Leadership and Company Performance: Building on Previous Studies

Four dimensions have been determined for transformational leadership, including idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass, 1999). Transformational leaders can positively enhance collaboration through idealized influence that develops relationships with subordinates throughout the organization. Collaboration is highly facilitated by diminishing isolation and providing opportunities for further dialogue (Darling, 1990). It can build a climate of openness for employees to link their individual-interests to collective-interests (Bass & Steidlmeier, 1999). A transformational leader also shows concern through individualized consideration by focusing on identifying employees' individual needs within companies. It can be argued that this concern for employees' individual needs can, in turn, contribute to their organizational commitment and inspire them to put extra effort into their jobs which

leads to improved quality of products, customer satisfaction and eventually promotes the degree of return on assets, sales, and investment. Transformational leadership also highlights the vital importance of employee attitudes in accomplishing the commercial objectives. In this way, the inspirational motivation aspect of transformational leadership can inspire human capital through setting highly desired expectations (Bass & Avolio, 1997). It can be seen that a higher level of expectation can motivate human assets to enhance their productivity by decreasing organizational costs. Several researchers such as Meindl and Ehrlich (1987), Garvin (1988), Hancott (2005), Zhu, Chew and Spangler (2005), García-Morales, Matías-Reche and Hurtado-Torres (2008), Bertsch (2009), Flemming (2009) and Patiar and Mia (2009) and Cho (2011) show that the transformational leadership enhances various financial and non-financial indicators of organizational performance. These financial and non-financial indicators include improving the price of stock, improving response to environmental changes, improving the quality of products, customer satisfaction and developing opportunities for learning and growth. Therefore, it can be argued that performance at the organizational level is a product of transformational leadership.

Findings of an Industry Research Study in the MENA Region

This article summarizes findings of an industry research within medium-sized organizations. In a random sample, the population of this industry research is comprised of this type of organizations across the Middle East and North Africa (MENA) region. They represent a wide variety of industries including manufacturing and service providers as well as public and private organizations.

This industry research aimed to expand the extant literature by conducting an empirical study of business professionals to develop a research framework that expands the current literature in the area of transformational leadership. The researchers constrained this industry research to one geographical area (i.e., the MENA region). The random sampling technique was representative of a set of data that provided a clear picture of the current situation of medium-sized organizations operating in the MENA region.

This industry research was designed to ask participants to provide their perceptions on two latent variables (i.e., transformational leadership and organizational performance). The researchers collected data from both leaders and followers. Previous studies indicate that followers and line managers may have a wider perspective of organizational processes (MacNeil, 2003). Apart from the critical role of senior leaders as strategic decision makers, middle managers may also have a wider perspective of the effectiveness of organizational processes (Girard, 2006; Jain & Jeppesen, 2013). Senior leaders, middle managers, line managers and employees, therefore, are qualified to provide their perceptions on the research variables of this research.

The research design included an online survey sent to informants which was conducted to acquire empirical data on a large scale. The researchers followed the work of Deshpande (1982), who argued that a survey method measures organizational characteristics by examining informant's perceptions. Company size was also a crucial criterion for this industry research and the researchers used a random sample which they felt was sufficient to represent the selected population. Accordingly, medium-sized organizations have been defined as the companies with 100 or more employees and that was a criterion the

researchers based this industry research. The companies were not limited to a specific industry and, therefore, are broadly representative of businesses perspectives. The participants were selected randomly in this industry research and were solicited from a large pool of both followers and leaders in medium-sized companies.

The Multifactor Leadership Questionnaire (MLQ) was adopted to measure four aspects of transformational leadership, including idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. This questionnaire was designed and validated by Bass and Avolio (2004). The sample items included:

- In our company, leaders enable others to think about old problems in new ways.
- In our company, leaders help others to develop.

Also, the measurement items for organizational performance relied upon financial and non-financial performance. The sample items included:

- Our company has been excellent in meeting its goals over the past five years.
- Our company has been able to acquire the financial resources it needs over the past five years.

Of the surveys sent out to the participants, a total of 643 questionnaires were returned. Among these returned responses, 21 surveys were not useable or were considered incomplete and tabled as unusable for this industry research. This resulted in 622 responses from 457 medium-sized organizations. The sample characteristics have been presented in the following tables:

Table 1: Average Age

	Frequency	Percent
Age range 20 and 25 years old	76	12.21
Age range 26 and 30 years old	92	14.79
Age range 31 and 35 years old	131	21.06
Age range 36 and 40 years old	123	19.77
Age range 41 and 45 years old	136	21.86
Older than 45 years old	64	10.28

*N=622

Table 2: Job Rank

Job Rank	Frequency	Percent
Employees	248	39.87
Managers	374	60.12

*N=622

Table 3: Gender

Job Rank	Frequency	Percent
Female	191	30.71
Male	431	69.29

*N=622

Table 4: Years of Service

Years of Service	Frequency	Percent
Less than 1 year	103	16.55
Between 1 and 10 years	247	39.71
Between 11 and 20 years	149	23.95
More than 20 years	123	19.77

*N=622

Table 5: Organization Size

Organization Size	Frequency	Percent
Between 100 and 200 employees	211	46.17
Between 201 and 300 employees	78	17.06
More than 300 employees	168	36.76

*N=457

Table 6: Organization Type

Organization Type	Frequency	Percent
Public	124	27.13
Private	333	72.86

*N=457

After conducting data analysis, the results suggested an acceptable degree of reliability for the two constructs of this industry research. In terms of the construct of transformational leadership, Cronbach's α for idealized influence was .79, for inspirational motivation was .81, for intellectual stimulation was .90, and for individual consideration was .92. In terms of the construct of organizational performance, Cronbach's α for financial performance was .78, and for non-financial performance was .84. Consistent with predictions, results also showed that transformational leadership had a sizable and positive impact on organizational performance in medium-sized companies in the MENA region. Results of this industry research supported this theoretical linkage ($\beta = .41, p < .001$).

How Can Executives Use These Findings?

This study suggests new insights to identify transformational leadership as a primary driver, which influences organizational performance. More broadly, it can be argued that when performance becomes increasingly valuable, transformational leadership manifests as a catalyst to increase firm performance. It follows that improving organizational requires the development of transformational leadership within organizations. Thus, we suggest that a firm's ability to enhance organizational performance can be highly affected by the transformational leadership form adopted by managers within organizations. In particular, this research points out the vital importance of transformational leadership in developing higher performing companies.

How Can Scholars Use These Findings?

This research provides evidence of the sizeable impacts of transformational leadership on organizational performance. It extends these lines of study by uncovering the argument that

managers who embrace transformational leadership style have a positively impact on organizational performance. These findings also fill a gap in the literature by portraying a more detailed picture of the effects of this leadership style on organizational outcomes.

Future Research Directions

This industry research provided not only an expansion of the literature on transformational leadership and organizational performance but also developed recommendations for future research. Our recommendations, based on this research, will set the stage for future studies to develop a more comprehensive understanding of these relationships – through measuring these linkages within specific industries. In taking a much global perspective, future scholars are also encouraged to extend the results of this study by using more objective measurements to examine the research variables. For example, Allen and Kilmann (2001) suggest that researchers also use absolute financial numbers to measure firms' performance in terms of profits and sales. Bischoff, Vladova, and Jeschke (2011) also suggest that the intangible asset monitor method should be used to measure company performance through evaluating various indicators such as turnover rate, the proportion of support staff and value added per employee and expert. Linking organizational resources that may have relevance could also spur new insights. For example, future research should explore how organizational climate is influenced by transformational leadership to improve organizational performance.

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Mostafa Sayyadi is an associate fellow at Australian Institute of Management. He works with senior business leaders to effectively develop innovation in companies, and helps companies – from start-ups to the Fortune 100 – succeed by improving the effectiveness of their leaders. In recognition of his work with Australian Institute of Management and Australian Human Resources Institute, Mostafa has been awarded the titles, “Associate Fellow of the Australian Institute of Management” and “Senior Professional in Human Resources.” He can be reached at mostafasayyadi1@gmail.com.

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