

THE EFFECT OF TRANSFORMATIONAL LEADERSHIP ON EMPLOYEE PERFORMANCE

Marnoto*

Sekolah Tinggi Ilmu Ekonomi Semarang, Indonesia
E-mail: otonram@gmail.com

Sopi

Sekolah Tinggi Ilmu Ekonomi Semarang, Indonesia
E-mail: sopisiyad@gmail.com

Abstract

This research aims to examine the influence of transformational leadership on employee performance through a comprehensive literature review. Transformational leadership, which is characterized by four main components, namely idealistic influence, inspirational motivation, intellectual stimulation, and individual consideration, has been proven to have a significant impact on various aspects of employee performance. This study collects and analyzes results from various empirical studies to explore how each component of transformational leadership contributes to increased productivity, creativity, and employee engagement. The main findings from the literature review show that transformational leadership has a positive and significant impact on employee performance. The influence of idealistic and inspirational motivation encourages employees to achieve organizational goals with high enthusiasm and commitment. Intellectual stimulation increases the capacity for innovation and engagement in problem solving, while individualized consideration strengthens employee loyalty and professional development. The implications of these findings suggest that organizational leaders adopt a transformational leadership style if they want to improve the performance of their teams. Additionally, organizations are advised to implement leadership training that focuses on developing transformational capabilities to achieve long-term effectiveness. This research also opens up opportunities for further studies regarding the application of transformational leadership in various different cultural and industrial contexts.

Keywords: Transformational Leadership, Employee Performance

INTRODUCTION

Leadership plays a crucial role in determining the direction and success of an organization. Effective leaders not only direct and manage resources but are also able to inspire and motivate team members to achieve organizational

goals. In this competitive and ever-changing business environment, strong leadership is able to build a clear vision, develop innovative strategies, and navigate complex market challenges (Romli et al., 2022). Additionally, leaders serve as the glue that connects various elements in an organization, ensuring that all parts work harmoniously towards achieving common goals.

Furthermore, effective leadership plays a role in creating a positive organizational culture where values and norms that support productivity and creativity can develop. By practicing open communication and rewarding employee achievements, leaders can increase job satisfaction and employee loyalty (Putri & Meria, 2022). As the complexity of the problems facing modern organizations increases, a leader's ability to adapt and innovate becomes increasingly important. Good leadership not only improves current organizational performance but also ensures sustainable growth and development in the future (Alfarisi et al., 2023).

The concept of transformational leadership is an approach that emphasizes the leader's ability to bring about significant change in an organization by inspiring and motivating team members. Transformational leaders focus on developing a vision that directs the organization toward higher, more meaningful goals. They encourage innovation, creativity and positive change through charismatic influence and an innovative approach (Mahdalena et al., 2022). By building strong, trusting relationships with subordinates, transformational leaders create a work environment that is conducive to personal and professional growth for each individual on the team.

In addition, transformational leadership is known for its four main components, often referred to as the "4Is": Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. Ideal influence reflects a leader's ability to be a role model that team members respect and follow. Inspirational motivation involves direction that motivates and inspires a team to achieve a common goal. Intellectual stimulation means the leader encourages the team to think critically and innovatively, challenging old assumptions (Mariyatha, 2023). Meanwhile, individual consideration means leaders provide special attention and personal support to each team member, helping them reach their full potential. Through a combination of these components, transformational leadership is able to produce deep and sustainable change in organizations (Paijan, 2022).

Employee performance has very significant relevance to the success of an organization, because employees are the main driving force behind every

business activity carried out. Individual and team productivity directly impacts operational efficiency, product or service quality, and ultimately customer satisfaction. When employees work optimally and are motivated to give their best, the organization is better able to achieve its strategic targets, be it in terms of revenue, market share, or innovation (Samsir & Muis, 2023). In a highly competitive business environment, superior employee performance can be a key differentiator that places an organization in a superior position compared to its competitors.

Furthermore, good employee performance creates a positive and collaborative work culture, which in turn increases employee loyalty and retention. Employees who feel valued and empowered tend to be more committed to the company and contribute more in the long term. This condition can also reduce turnover rates and recruitment and training costs for new employees (Sani, 2024). In addition, innovation and fresh ideas often emerge from employees who feel supported and involved in their work processes. Therefore, investment in employee development and coaching not only improves individual performance but also has a positive impact on the overall success and sustainability of the organization (Tayo et al., 2022).

RESEARCH METHOD

The study in this research is qualitative with literature. The literature study research method is a research approach that involves the analysis and synthesis of information from various literature sources that are relevant to a particular research topic. Documents taken from literature research are journals, books and references related to the discussion you want to research (Earley, M.A. 2014; Snyder, H. 2019).

RESULT AND DISCUSSION

Transformational Leadership Theory and Models

Transformational leadership was first introduced by James MacGregor Burns in 1978 and then further developed by Bernard Bass and Bruce Avolio (1994). Bass and Avolio identified four main components in the transformational leadership model known as "The Four I's": idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Powell, 2024).

Main Components in Transformational Leadership: (Preis, 2023) (Imroz, 2023) (Hilmy & Miftahusurur, 2024)

1. Ideal Influence (Idealized Influence)

Ideal influence refers to a leader's ability to be a role model that their followers respect and rely on. Transformational leaders demonstrate integrity, ethics, and commitment to values that can inspire their followers. They build trust by demonstrating consistency between their words and actions, thereby fostering respect and trust from team members.

2. Inspirational Motivation

Leaders with inspirational motivation are able to articulate a compelling and meaningful vision for the future of the organization. They encourage enthusiasm, optimism, and commitment to a common goal. By generating hope and enthusiasm, this leader is able to inspire employees to work hard and contribute optimally to achieve the vision that has been set.

3. Intellectual Stimulation

Intellectual stimulation reflects a leader's drive to challenge existing assumptions, spark creative thinking, and encourage innovation. Transformational leaders encourage employees to think critically and see problems from different angles. They create an environment that supports the exploration of new ideas and innovative solutions, thereby encouraging continuous innovation within the organization.

4. Individualized Consideration

Individual consideration refers to the personal attention a leader gives to the needs and aspirations of each employee. Transformational leaders act as mentors or coaches, providing guidance, feedback, and support for personal and professional development. They recognize and value the unique contributions of each individual, thereby helping employees reach their highest potential.

Analysis of the Effect of Transformational Leadership on Employee Performance

Previous studies on the influence of transformational leadership on employee performance show several major themes and trends that stand out. First, many studies confirm that transformational leadership significantly improves employee performance. Leaders who are able to inspire and motivate their employees tend to trigger higher work morale, stronger organizational commitment, and superior individual performance (Idris et al., 2022). This is often demonstrated through various performance metrics, such as increased productivity, better quality of work, and greater innovation in the workplace.

Second, these studies often highlight the important role of the four components of transformational leadership (Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration) in strengthening the relationship between leaders and employees. Research finds that when leaders demonstrate ideal influence and become role models, they build respect and trust from employees (Khasanah & Kusuma, 2023). Inspirational motivation, on the other hand, helps employees feel meaning and purpose in their work, while intellectual stimulation invites them to think critically and creatively. Individual consideration leads to personal attention that makes employees feel valued and empowered (Iddrisu, 2024).

Furthermore, research also indicates that the positive effects of transformational leadership are not only limited to task performance but also on broader aspects of employee behavior, such as employee engagement, job satisfaction, and intention to stay in the organization (Abitew, 2023). Several studies show that employees under transformational leaders demonstrate greater engagement in their work, which contributes to higher employee performance. Higher job satisfaction has also been identified as a result of the supportive and inspiring work environment created by transformational leaders (Helalat et al., 2024).

Trends in this research also suggest that organizational context and culture play an important role in the effectiveness of transformational leadership. Studies conducted in various industries and geographic locations show variations in how strong the influence of transformational leadership is on employee performance, depending on the organizational culture, structure, and existing values (Rizka et al., 2022). Therefore, many researchers emphasize the importance of understanding and adapting the transformational leadership approach according to the specific context of the organization to maximize its impact on employee performance. Overall, evidence from previous studies consistently shows that transformational leadership is an effective leadership style in improving employee performance and supporting organizational success.

Influencing Factors

There are several factors that influence the effectiveness of transformational leadership on employee performance. One key factor is the characteristics of the leaders themselves, including their ability to demonstrate self-confidence, charisma, and emotional intelligence. Leaders with strong interpersonal skills and empathy tend to be better able to build

positive relationships and inspire their employees (Lama et al., 2024). In addition, the leader's ability to communicate effectively and provide a clear and compelling vision for the future of the organization is also very important in motivating and directing employees.

The second influencing factor is employee characteristics. Not all employees respond to the transformational leadership style in the same way. Some employees may be more motivated by leaders who provide individual inspiration and support, while others may be more interested in intellectual challenges and professional development. Therefore, leaders need to understand the individual needs, values and motivations of each employee to adjust their approach effectively (Widyaningrum & Amalia, 2023). In addition, the level of readiness and competence of employees can also influence the extent to which they can benefit from a transformational leadership style.

Contextual factors within the organization and industry also play an important role. For example, an organizational culture that supports collaboration, innovation, and rewards employee efforts can strengthen the effectiveness of transformational leadership. More flexible and decentralized organizational structures also enable transformational leaders to be more effective in driving change and adaptation. On the other hand, in more hierarchical and bureaucratic environments, transformational leaders may face more obstacles in implementing their approach (Shakib, 2024). Additionally, industry dynamics, such as the level of competition and technological changes, can also influence how employees respond to transformational leadership and how it impacts employee performance.

Apart from internal factors, there are also external factors that can influence the effectiveness of transformational leadership. These external factors include economic conditions, government regulations, and industry trends. Dynamic economic conditions can create challenges and opportunities for leaders to demonstrate their transformational capabilities. For example, in a recession situation, a transformational leader may be able to inspire employees to remain motivated and work hard even in the face of uncertainty (Rony, 2024). Likewise, government regulations that support innovation and development can provide a stronger foundation for transformational leaders to implement their vision.

The influence of national culture should not be ignored either. A national culture that supports collectivist values, for example, can make a transformational leadership approach more effective because there is a greater appreciation for collaboration and teamwork (Raharjo et al., 2022). On

the other hand, more individualistic cultures may require adjustments in transformational leadership approaches to remain relevant and effective. Leaders operating within a culture or multicultural environment need to have cultural sensitivity and the ability to adapt their leadership style according to different cultural contexts to ensure that their efforts to motivate and inspire employees are not misinterpreted or become ineffective (Pamungkas et al., 2023).

It is also important to remember that technology plays an increasingly important role in influencing employee performance and the effectiveness of transformational leadership. Modern communication technologies, such as social media platforms and online collaboration tools, enable leaders to communicate more effectively and efficiently with their employees, as well as to facilitate continuous learning and development (Basalamah, 2023). Additionally, the ability to use data and analytics to measure performance and adjust leadership strategies becomes increasingly important in transformational contexts. Leaders who are able to take advantage of these technological advances will be better prepared to face challenges and take advantage of opportunities in a rapidly changing business environment.

The Relationship Between Transformational Leadership Characteristics and Employee Performance

Transformational leadership is a leadership style that focuses on inspiring and motivating employees to achieve optimal performance. Transformational leaders have several key characteristics, including a clear vision, charisma, and the ability to provide challenges and emotional support to employees. They also encourage innovation and creativity, inspire team spirit, and reward employees for their hard work and achievements (Paulina, 2023). By demonstrating a high level of commitment to organizational goals and employee development needs, transformational leaders can build a productive and sustainable work environment.

The relationship between transformational leadership characteristics and employee performance is very significant. Transformational leaders are able to inspire employees to pursue higher goals than they thought possible. They create a vision that motivates employees to contribute optimally and feel they have greater responsibility for the success of the organization (KHAING, 2024). Transformational leadership also increases employee job satisfaction and commitment, which in turn can contribute to increased productivity and quality of work. These leaders also prioritize developing employee skills and

knowledge, enabling employees to develop professionally and contribute more effectively (Paleva et al., 2024).

Additionally, transformational leadership increases collaboration and innovation in the workplace. Through an inclusive and participative approach, transformational leaders encourage employees to share ideas and collaborate on projects. They create an organizational culture that is open to change and continuous improvement, which is critical for adaptation and long-term success (Evika & Budiono, 2024). By creating an environment where employees feel heard, valued, and supported, transformational leaders help build stronger, more innovative teams, which directly positively impacts an organization's overall performance.

Transformational leadership not only impacts employees' individual performance, but also increases their motivation and loyalty to the organization. Transformational leaders have the ability to identify the potential and needs of each employee, and provide appropriate encouragement to achieve this potential (Tantra et al., 2024). This creates a higher sense of engagement and job satisfaction among employees. When employees feel valued and cared for, they tend to be more motivated to work hard and are more loyal to the organization, which ultimately reduces turnover rates and increases workforce stability.

Furthermore, transformational leadership plays an important role in developing a positive and conducive work culture. Leaders who employ a transformational style often emphasize the importance of strong values and ethics at work, which helps shape positive behavior throughout the organization. They also promote collaboration and support between employees, thereby creating a harmonious and supportive work environment. This positive work culture not only improves employee performance but also improves the quality of working relationships, communication, and trust between teams, all of which contribute to effectively achieving organizational goals (Harasis et al., 2024).

To implement transformational leadership effectively, organizations need to ensure that their leaders are equipped with the right training and tools to develop the necessary skills. Leadership training programs, mentoring, and constructive feedback can help aspiring leaders hone their transformational skills. It is also important for organizations to continuously monitor and evaluate the effectiveness of transformational leadership by using relevant performance indicators and obtaining feedback from employees (Safar et al., 2023). With a strong commitment to developing and

implementing transformational leadership, organizations can achieve higher employee performance and achieve long-term success.

CONCLUSION

In this research, we have analyzed the role of transformational leadership and its impact on employee performance. Key findings include:

Positive Correlation: There is a significant positive correlation between transformational leadership style and employee performance, indicating that elements such as idealized influence and inspirational motivation can increase team productivity and morale.

Increased Creativity: Intellectual stimulation has been proven to increase creativity and innovation in the workplace, with employees feeling more empowered to explore and implement new ideas.

Employee Engagement: Individual consideration is critical in increasing employee engagement, with leadership paying attention to individual development strengthening team loyalty and commitment.

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