

## Artículo de investigación

**The influence of transformational leadership on organizational and leadership effectiveness: An empirical case Study of Pakistan**

Влияние трансформационного лидерства на организационную и лидерскую эффективность:  
эмпирический пример Пакистана  
La influencia del liderazgo transformacional en la eficacia de la organización y el liderazgo: un estudio de caso empírico de Pakistán

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**Abstract**

Modern dynamic era and today's cognizant society compels the new leaders to face real challenges for leaders around the globe; based on the strong ties of knowledge integration companies focus on nurturing innovation for survival and strive for improvements to compete and sustain in the market. However, organizations sometimes fail to achieve viable competitive advantage due to their limited understanding of the relationships amid these premeditated variables. This study investigates the impact of transformational leadership on organizational performance; employing organizational innovation as the mediating role. The study explores that the relationship between "transformational leadership" and "organizational performance" is convincing. "Convenience sampling techniques" are employed to gather information i.e. data is collected by using questionnaire employed to evaluate transformational leaders. Questionnaires consist of 25 question items have been distributed among multiple tier leaders working in MIA Group and is subsequently analyzed by using SPSS. The current research will assist the managers/leading role professionals to develop a required leadership style in one's organizations. Most of the organizations require an environment where employees are encouraged by motivated leaders and become more effective and creative in leading successful organizations. Further, it provides persuasive evidence for the significance

**Аннотация**

Современная динамичная эпоха и современное сознательное общество заставляют новых лидеров сталкиваться с реальными проблемами для лидеров во всем мире; Основываясь на прочных связях в области интеграции знаний, компании сосредоточены на развитии инноваций для выживания и стремятся к улучшениям, чтобы конкурировать и поддерживать на рынке. Однако организациям иногда не удается добиться жизнеспособного конкурентного преимущества из-за их ограниченного понимания взаимоотношений среди этих преднамеренных переменных. Это исследование исследует влияние трансформационного лидерства на организационные показатели; использование организационных инноваций в качестве посреднической роли. В исследовании исследуется, что связь между «трансформационным лидерством» и «эффективностью организации» является убедительной. «Удобные методы выборки» используются для сбора информации, то есть данные собираются с использованием вопросника, используемого для оценки лидеров трансформации. Анкеты состоят из 25 вопросов, которые были распределены среди лидеров нескольких уровней, работающих в MIA Group, и впоследствии анализируются с использованием SPSS. Текущее исследование поможет менеджерам

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of continuing the efforts to understand the nature of the leadership behaviors-effectiveness connection.

**Key Words:** Leadership, Transformational Leadership, Organization, Organizational Performance, Innovation, Leadership Style.

/ ведущим специалистам по ролям выработать необходимый стиль руководства в своих организациях. Большинству организаций требуется среда, в которой мотивированные лидеры поощряют сотрудников и становятся более эффективными и креативными в ведущих успешных организациях. Кроме того, он предоставляет убедительные доказательства значимости продолжения усилий по пониманию природы связи между поведением и эффективностью руководства.

**Ключевые слова:** Лидерство, трансформационное лидерство, организация, организационные результаты, инновации, стиль лидерства.

## Resumen

La era dinámica moderna y la sociedad consciente de hoy obliga a los nuevos líderes a enfrentar desafíos reales para los líderes de todo el mundo; basadas en los fuertes lazos de integración de conocimiento, las empresas se centran en fomentar la innovación para la supervivencia y se esfuerzan por mejorar para competir y mantenerse en el mercado. Sin embargo, las organizaciones a veces no logran una ventaja competitiva viable debido a su comprensión limitada de las relaciones en medio de estas variables premeditadas. Este estudio investiga el impacto del liderazgo transformacional en el desempeño organizacional; Empleando la innovación organizativa como el papel mediador. El estudio explora que la relación entre "liderazgo transformacional" y "desempeño organizacional" es convincente. Las "técnicas de muestreo de conveniencia" se emplean para recopilar información, es decir, los datos se recopilan mediante el cuestionario empleado para evaluar a los líderes transformacionales. Los cuestionarios consisten en 25 preguntas que se han distribuido entre líderes de múltiples niveles que trabajan en el Grupo MIA y se analizan posteriormente mediante el uso de SPSS. La investigación actual ayudará a los gerentes / profesionales de rol líder a desarrollar un estilo de liderazgo requerido en las organizaciones de uno. La mayoría de las organizaciones requieren un entorno donde los empleados estén motivados por líderes motivados y sean más efectivos y creativos para liderar organizaciones exitosas. Además, proporciona evidencia persuasiva de la importancia de continuar los esfuerzos para comprender la naturaleza de la conexión entre el comportamiento y la eficacia del liderazgo.

**Palabras clave:** Liderazgo, liderazgo transformacional, organización, desempeño organizacional, innovación, estilo de liderazgo.

## Introduction

Organizational performance and styles of leadership are themes of benefits among researchers and scholars that play remarkable effect concerning reasonable advantage for "organizational performance" (Carter & Greer, 2013; Dionne et al, 2004; García-Morales et al, 2012; Gilley et al, 2009; Ogbonna & Harris, 2000; Tohidi & Jabbari, 2012; Muyambiri & Chabaefe, 2018; Coelho et al, 2018). Practitioners have been emphasizing queries about whether organizational performance and styles of leadership foster the pace of excellent job performance plus previous job performance is motivated by "organizational performance"

and "leadership". Therefore, separating the connection of innovation, leadership and organizational performance has coerced practitioners to pursue additional investigation on this area. Numerous researches are conveyed that the "linear relationship" for organizational performance along with leadership, but the outcomes remain unconvincing (Balkin et al, 2000; Greve, 2003; Saurykova et al, 2018).

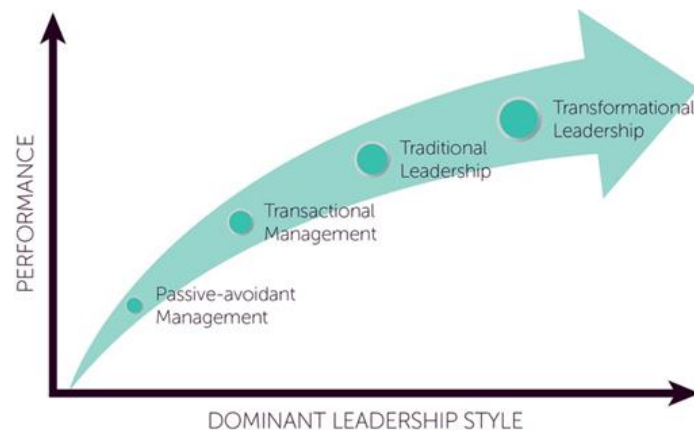
In current years, scholars have called devotion to prominence of "organizational resources" such as "leadership capabilities" essential for "organizational performance". Though results

for specific style on “organizational performance” have not been explored well, it is advised additional examination need to be conveyed to inspect association of leadership on ‘organizational performance’ (Tarabishy et al, 2009).

Organizations are gradually contributing to open markets; the business environment is continuously varying. Potential opportunities in open markets require more competency on behalf of leaders in organizations functioning environment. The researchers showed that achieve world-class efficiency and a high level of effectiveness, the leaders functioning within companies can play a vital role (Davidovitz et al, 2007; Porter, 2006; Wu et al, 2010; Ahmadi et al, 2018). Moreover, strong competitiveness of today’s environment is demanding additional pressure on organizations to develop a global

vision through the hiring of effective and capable leaders.

Transformational leadership is considered one such area that proves to play a crucial role and is a strategic requirement for the success of business in national and international markets (Ackoff, 1999; Bass & Avolio, 1994; Bono & Judge, 2004; Judge & Piccol, 2004; Zikai, 2018; Rais Rohani & Bastanfard, 2016). A large number of leadership philosophies exist and it can be confusing to know which the most effective style is. However, an overwhelming amount of research demonstrates that transformational leadership consistently achieves highly effective leadership outcomes (Figure 1). There is a continuum of performance delivered from transactional managers to transformational leaders.

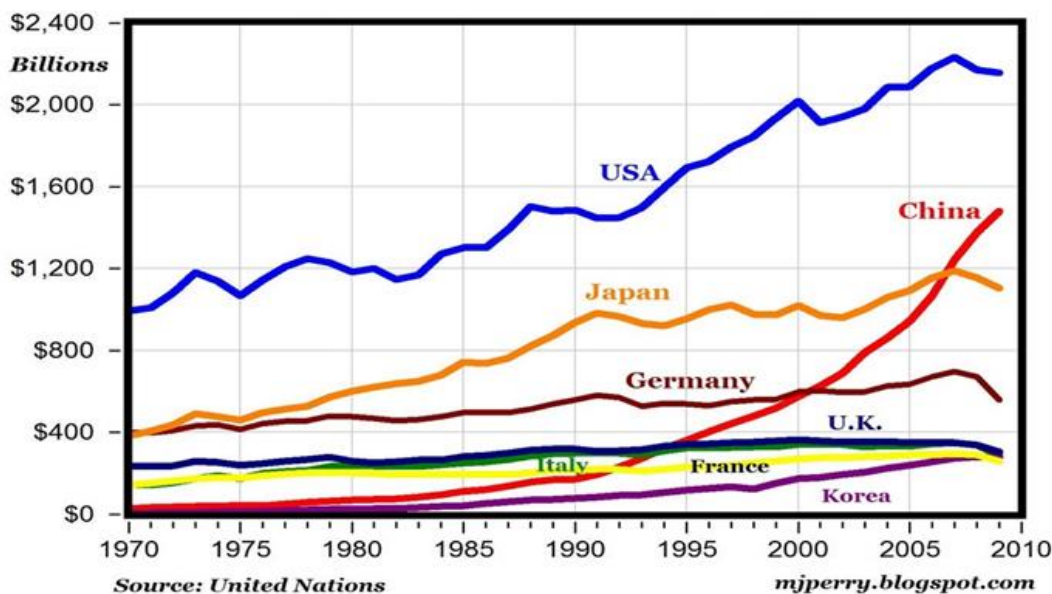


**Figure 1.** Most effective leadership philosophies

Transformational leadership motivates people to achieve remarkable or unexpected results. It gives workers independence over specific jobs, as well as the right to make decisions once they have been trained (Aarons, 2014; Bass, 1990; Doody & Doody, 2014; Paarlberg & Lavigna, 2010; Thamrin, 2013; Muhammad, 2018). In this research, the role of leadership is reviewed with reference to the corporate region and institutes necessity to explore “transformational leadership”, as a perfect leading procedure in empowering organizations to achieve maintainable effectiveness as they function in marketplaces.

Transformation of the world economy in the 21st century is moving greatly the global markets and therefore Pakistan is not an exemption.

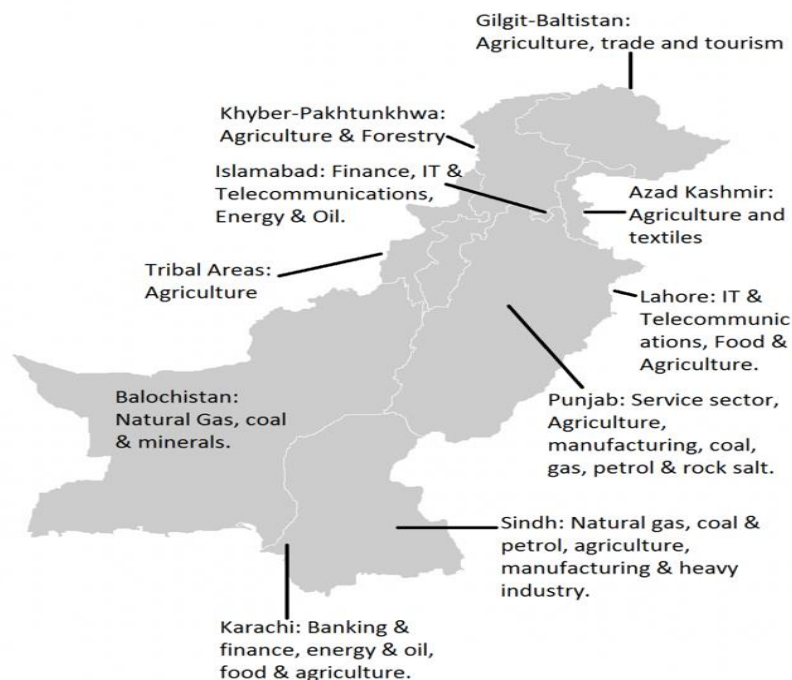
Moreover, vast opportunities generating new challenges for the industry as well. It is needed from the managers to assess the prospects in current “performance management systems” toward encountering tasks. It is apparent in an existing commercial framework that worldwide growth and changes in technology, intense competition and globalization has burdened enormously on the management of SME’s to remain competitive (Baumeister, 2002; Ganzarain & Errasti, 2016; Lindgren, 2012; Rangone, 1999; Van Dut, 2015; Hamdan, 2018). Manufacturing industry and its importance have been widely recognized worldwide because it contributes vastly in economic growth, wealth generation and employment as researched by “Devaraj et al. 2007, Jardim-Goncalves et al., 2012”, Figure 2.



**Figure 2.** Manufacturing output of top 8 countries (includes Mining and Utilities) Real 2005 U.S \$, 1970 to 2009

The research emphasis to develop a pathway for “Pakistan’s manufacturing and import industry” that will allow improving work plus a better

connection could develop among the various elements of performance.



**Figure 3.** Pakistan’s main industries by region (Commons, 2012)

Figure 3 shows Pakistan’s main industries by region and their details. This study narrates “MIA Group” in Pakistan that is engaged in the Air Condition’s import and manufacturing as an organization and leadership styles. Since the

managers develop the value of work as they assign the team members challenging roles in order to train them as their own superiors in designated roles. This allocation of tasks plus power aids the innovative course for realizing

anticipated performance results. This research will not only investigate the character but also examine the impact of the superior or Managers styles within an organization that helps to improve the performance.

Innovation is one of the most important factors between transformational leadership and employee relationship so it mediates this relationship. This investigation also constitutes a research problem which ultimately developed into our hypothesis. It is supposed to have a positive relationship with both of these. Therefore the current study will examine its role. When workers feel that work conditions are challenging instead of stereotype, they would surely outperform, therefore the empirical research is lacking in exploring this relationship so, in order to fill the gap, the mediating role of innovation is explored in relationship between leadership and employees.

This study encompasses the benefits and explores the transformational leadership as most of the firms are still following the traditional transactional leadership which belief in exchange of rewards instead of motivating employees. The current study will shed light on its benefits on manufacturing firms in Pakistan and its effective adaptation especially for top level and middle management.

## Literature Review

Past foundations of leadership have been reviewed, and established (Avolio & Gardner, 2005; Gardner et al, 2011; Heifetz & Laurie, 1997; Novicevic et al, 2007) that “leadership is one of the most observed and least understood phenomena on earth”. All of the leadership aspects cannot be encompassed as there is no comprehensive definition for that. Present descriptions on the notion of leadership are rather diverse, as these definitions present various perspectives about leadership (Figure 4).

Leadership is defined, as “influenced interactions with groups of followers to implement changes and achieve the determined goals” (Cameron, 2012; Carroll & Levy, 2008; Day et al, 2014; Elmore, 2000; Gastil, 1994; Horney et al, 2010; Van Assche, 2011; York-Barr & Duke, 2007; Youssef & Luthans, 2012). Thus, the leadership concept produces change through relationship-practices and taking process-oriented in search of achieving goals.



Figure 4. virtues of a good leadership

Literature discloses numerous styles of leadership, “transformational leadership” (TL) plays an important role in organizational performance and is one of the most used styles in

organizations. As concluded (Bass, 2002) “transformational leadership” is considered the best methods among others to improve the worker’s individual and collective performance.



“Bass (2002)” also recommended “four dimensions of transformational leadership” style which comprises of “idealized influence, inspirational motivation, intellectual stimulation” and “individualized consideration”. A leader should pay exceptional attention to the requirements of each worker which is vital for their achievements and growth (Bass, 1990, 2002; Bass & Avolio, 1994). Literature highlighted that “transformational leaders” inspire employees enactment by evolving strong connection with subordinates (Wang et al, 2014; Wang et al, 2011; Wang et al, 2005; Wang & Rode, 2010).

Transformational Leadership develop a strong bond among the superiors and employees so that work is more assured to be performed beyond expectations. therefore, superiors and follower’s performance have a positive effect between them. “Gumusluoglu and Ilsev (2009)” proposed “transformational leadership” is connected to inventive skills in addition to a leadership style that motivates subordinates to think more then their self-interest by shifting their ideas, interests, self-esteem and values. This encourages the workers to improve performance than expected originally. Research evidenced indirectly the reports and proposing that bosses claiming concrete values and employ in knowledgeable incentive that gives significance to their association and their subordinates work (Kark et al, 2003).

Literature discovered that a participatory or collaborative leadership style (transformational) encourages organizational innovation more than a transactional style (Kim & Kim, 2017; Xenikou & Simosi, 2006). Research studies conducted by

“Gumusluoglu and Ilsev (2009), Ilsever and Ilsever (2016), and Lale and Arzu (2009)” stated that “transformational leadership” and “organizational innovation” have a positive and observed a close linkage with each other within the many organizations. They argued that organizations will attain competitive advantage with better innovation and will improve performance through obtaining the skills and earn long-run aggressive benefits without complications.

Recent studies concluded that the supervisors needs to emphasize on paying consideration to the improvement of performance .(Hamidifar & Ebrahimi, 2016; Kelidbari et al, 2016; Mehrabani & Mohamad, 2015; Shadi Ebrahimi & Noor Azmi, 2015). Orabi (2016) derived that “transformational leadership” has positive influence on “organizational performance”.

On basis of above discussion, the following hypothesis are developed:

H1: “Organizational performance” has a positive influence on “transformational leadership”.

H2: “Transformational leadership” and “organizational innovation” has positive relationship between them.

H3: Organizational innovation plays role of mediator in the relationship of “Transformational Leadership” and “organizational performance”.

Given below is the theoretical framework displaying the independent and dependent variables.



**Figure 5.** Transactional & Transformational Leadership Styles Needed for Organization Success

## Methodology

A “cause and effect” link of “transformational leadership” plus “organizational performance” is explored in this explanatory study. “Organizational innovation” is the mediating factor between the “transformational leadership” and “organizational performance”. For the investigation purpose, MIA group is selected from the manufacturing sector of Pakistan. Workers of manufacturing industry located in Pakistan are assumed as population, hence the investigation aims to observe the role of organizational innovation in organizational performance and effects of transformational leadership in Pakistan’s background.

In order to collect data, “Non-probability, convenience sampling technique” has been employed. Internet calculator is used to measure the sample size. “Confidence interval” was maintained at 1. The sample of 96 is attained. 200 survey forms contained of 19 items have been circulated for personnel of “MIA Group”, 150 were resumed and were selected for data analysis thus constituted 90% response rate.

Selected sampling subjects from MIA group were the unit of analysis. The data is collected for “hypothesis testing” and therefore study is “cross sectional”. An adapted questionnaire and items scale or instrument was used for the purpose of data collection. “Five point Likert” measure was employed to analyse the survey forms. Anticipated replies were categorized as “5 strongly disagree, 4 disagree, 3 neutral, 2 agree

and 1 strongly agree”. Information is composed via means of survey forms which comprises 6 demographics items plus 19 questions and is afterward studied by using SPSS.

## Results

Transformational leadership keeps on getting the attention of practitioners and academicians for quite sometimes in order to gain competitive advantage and achieve a good result, given top priority to it. Previous literature provided evidence about the leadership and organization connection. This current study aims to investigate the role of innovation as a mediator in among the transformational role of leader and bringing the organizational performance. Responses from employees from the manufacturing sector favour our assumptions about the positive relationship and supported by the studies of “Lim and Ployhart (2004), Schaubroeck, Lam and Cha (2007), Khan, Rehman and Yousuf (2009), Bono and Judge (2003), Walumbwa, Wang, Lawler and Shi (2004)”.

It is found out that 62% of respondents are male and rests were females. The academic level of participants displays “49% of participants are graduates, 17% are masters and only 31% have 12 years of education while 6% of respondents are from senior management, 76% from middle management and 18% are supervisors”. Respondents that have age ranges 18 years to 55 years. Their mean age is 32 years while they possess mean experience of 4 years.

**Table 1:** Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Transformational leadership	150	1.00	4.83	3.4629	.62075
Organizational innovation	150	1.00	4.50	2.4034	.45424
Organizational performance	150	1.33	5.00	3.2632	.77488

Above table demonstrates the Cronbach value’s range i-e 0.709 to 0.865. The answer displays entire measuring instruments have “Cronbach’s

Alpha” values greater than 0.6. It is bigger than the other supplementary work relating to similar area of exploration.

**Table 2.** Cronbach's Aloha Coefficient

Scale item	Cronbach's Aloha	No. of instruments
Transformational leadership	0.709	9
Organizational innovation	0.725	6
Organizational performance	0.865	4

"Correlation coefficient" on behalf of "transformational Leadership" along with "Organizational Innovation" is 0.811, displaying resilient relationship. "P-value" for this "correlation coefficient" stands .005, clearly

depicting implication for this relationship. The "correlation coefficient" for "transformational Leadership" and "Org. performance" stands 0.858, presenting a significant relation concerning both of them.

**Table 3.** Correlation Analysis

	TL	OI	OP
TL	1		
OI	.811* .005	1	
OP	.858* .005	.791* .002	1

\*. Correlation is significant at the 0.05 level (2-tailed).

To test first two hypothesis, regression analysis is performed. This test was performed to examine the effect of independent variables on a dependent variable. The investigation employs single "independent variable", single "dependent" and single "mediation variable".

This examination depicts the "fitness of model with the value of R square".

Regression analysis is used to test the Hypotheses. Table 4 presents the outcomes.

**Table 4.** Regression analysis of TL, OI with OP

No.	Test	B	T	R <sup>2</sup>	Adj R <sup>2</sup>	F Stat
1	OP → TL	.76	2.315***			
2	OI → TL	.40	6.709***	.555	.49	68.952***

Table 4 indicates the association concerning "transformational leadership" and "organizational performance". "Transformational leadership" has statistical and economically impact on "organizational

innovation". Thus, it is observed that at 5% significance level when 1-unit is increase in "transformational leadership", Change in "organizational performance" stands observed as 0.76.



Therefore, hypothesis 1 is accepted: Positive impact of "transformational leadership" is

observed over "organizational performance" at significance level of 5%. Hence when 0.40 units increase is observed in "organizational innovation" it means 1-unit increase in "Transformational leadership".

hypothesis 2 is also accepted as a positive relationship is observed amid "transformational leadership" and "organizational " at a significance level of 5%.

For testing 3<sup>rd</sup> hypothesis, SPSS 21 is used to assess the direct effect and indirect effect of "predictor variables" on "outcome variables,

**Table 5.** Direct and Indirect effect of Transformation Leadership on Organizational Performance

	<b>Coefficient</b>
<b>T_L</b>	Direct effect of X on Y 0.1939* (.0616)
<b>O_I</b>	Indirect effect of X on Y 0.0844* (.0608)
<b>Total effect</b>	0.1939 + 0.0844 = 0.2783
<b>Portion of mediating variable</b>	0.0844 / 0.2783 = 0.3032*

Above table narrates the direct effect and indirect effect of independent variable on dependent variable. That total effect described by the mediator is 0.3032\* or 30.32 %. therefore, Hypothesis 3 is accepted.

The results also sustained the belief suggesting that work conditions has indeed a significant effect upon "employee performance". The result also supports the previous researches that proved the effect of "work environment" and "employee performance" as explained by "Hansen & Wernerfelt, 1989, Ostroff & Bowen, 2000".

### Conclusions

Results of this investigation recommend that well prepared and trained supervisors will know in what manner to recognize plus encourage. The results establish the evidence to favor the hypothesized model and suggest the positive influence of "transformational leadership" on workers enactment through "organizational innovation" as mediating role. This research can be more enhanced by exploring other faces/dimensions of commitments. This investigation will invite other scholars to explore additional prospective implications of "transformational leadership" and also "organizational performance". Major limitations for generalizing the outcome is that the data selected for the study were based in Pakistan. The suggested model requires further testing. This would help to generalize it and would provide more support.

Future researchers are also invited to explore data other than the cross-sectional data as it is used here (for example longitudinal data). Therefore this could be investigated for a longer time period. Furthermore, result is limited to unidimensional analysis of variables so future

together with individuality in addition to diversity in an organization. The study suggests that supervisors needs to be observant about the behaviors of the superiors so they should respect other employees. It will affect workers that are involved in respective responsibilities toward generating various enactment outcomes. It also exposes the positive relationship so it could be used to enhance employee commitment. However, in order to generalize the result, the study should be conducted in various organizations and cities, since this study involves manufacturing industry only; the future researchers may investigate other sectors and comparison could be done among different sectors as well. Also, the sample size should also be increased to increase the generalizability of the study.

researchers can treat them as multidimensional by employing their facets instead of whole variables.

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**APPENDIX - A**

- Five levels are given against each statement.
- Tick ✓ the level according to your priority.
- Five levels are: SA (Strongly Agree), A (Agree), U (Undecided), D (Disagree), SD (Strongly Disagree).

Sr. #	Statement	SA	A	U	D	SD
1	Individual consideration is being given to project team members by leaders or managers					
2	To improve the “team spirit” and team attitude between project participants, the superiors of the organization clearly highlights the significance of the goal.					
3	The superior or manager, through work passion, motivates employees to work towards the same goal					
4	The superiors and/or manager inquire provocative queries for rest of the team to think.					
5	The superior always involves in discovering fresh methods to challenging problems.					
6	Fresh suggestions are introduced to the work place as an essential part of the performance targets.					
7	The work requirements also include probing for fresh techniques and technologies.					
8	The organization’s leaders/managers should always elevates the creative member with motivational spirit.					
9	Top management will honor the worker for the creative ideas.					
10	The business supports learning from mistakes and the new attempt.					
11	Leaders tolerate and respect the different opinions/ideas.					
12	Leaders appreciate/encourage employees to propose suggestions to improve organization.					
13	Top management would assist and support employees to achieve the creative ideas.					
14	Managers would like to share ideas, techniques and methods					
15	Top management and employees must discuss the creative ideas.					
16	All associates of the organization would encourage and champion ideas.					
17	Resources and funds necessary for executing fresh ideas are explored and secured by members.					
18	Strategies for realizing new ideas are adequately established by the members.					
19	All the employees of the organization are supposed to contribute with approaches.					