Abstract: Transformational leadership is indeed a dream and has been considered one of the most studied leadership styles related to employee performance. However, the consistency and significant effect of transformational leadership on employee performance are still debatable. Therefore, this study aims to provide new insights in uncovering the black box related to the relationship between these two variables. Using a literature review from various previous studies in the last five years (2017–2021), the result of this study justifies that transformational leadership, in various organizational settings and sizes, has a significant effect on employee performance.

Keywords: Transformational Leadership, Employee Performance

1. Introduction

In a dynamic and competitive business era, employee performance is very important in organizations, both profit-oriented and social-oriented. The presence and effectiveness of employee performance are able to bring the organizations to achieve rapid growth and competitive advantage. Therefore, many scientists, researchers, and practitioners have tried to determine the main predictors of employee performance.

In the literature of previous studies, among the various variables studied and investigated is transformational leadership which parades a major role in influencing employee performance (Astuty & Udin, 2020; Bui, Martínez, & Matute, 2019; Donkor, Dongmei, & Sekyere, 2021; Lauritzen, Gron, & Kjeldsen, 2021; Park, Han, Kim, & Kim, 2021). Transformational leadership is able to influence the attitudes, behavior, and emotions of employees to perform better in the organization (Avolio et al., 2004).

Transformational leadership, currently, has become a dream and has been considered one of the most widely accepted leadership styles in the literature of leadership (Judge & Piccolo, 2004), especially in improving employee performance. Transformational leadership is a style of leadership that changes the morals, hopes, ideals, as well as values of employees to prioritize common interests over personal interests as well as motivates them to perform better in the organization beyond what is expected (Pieterse, van Knippenberg, Schippers, et al. & Stam, 2010; Udin, 2021b). Transformational leadership plays an important role in producing effective change (Akmal & Danupranata, 2015; Bush, 2017; Kim, 2014) because transformational leaders are able to change organizations through the elaboration of a very clear vision for the future and are able to encourage and empower employees to achieve the vision.

Further and extended research, however, is necessary to confirm the limitations of transformational leadership in improving employee performance (Holten, Bollingtoft, Carneiro, & Borg, 2017; Kwan, 2019; Pan & Lin, 2015). There is even a conflicting paradox regarding transformational leadership and employee performance (Chen, Ning, Yang, Feng, & Yang, 2018). Because several recent studies such as Jaiswal and Dhar (2015), Eliyana, Ma'arif, and Muzakki (2019) found that transformational leadership could not improve employee performance. It is most likely that the effect of transformational leadership on employee performance is situational, which completely depends on the organizational setting (Bush, 2017) and the level of employee readiness to respond to the stimulus chronicled by the transformational leader. Therefore, this study aims to provide new insights in uncovering the black box regarding the link of transformational leadership and employee performance.
2. Review of Literature and Previous Findings

The concept of transformational leadership has received significant attention from many scientists, researchers, and organizational practitioners, both in the public and private sectors (Bellé, 2013; Dinh et al., 2014; Tahar & Abdillah, 2021; Udin, 2021a; Vogel & Masal, 2015). The theoretical concept of transformational leadership is generally based on Burns (1978), which was developed by Bass (1985). Although the concept of development from Bass (1985) received scathing criticism from Knippenberg and Sitkin (2013), the majority of researchers still use it as the main reference.

Bass (1985) states that transformational leadership is the capability of leaders to inspire, instill, and motivate employees to focus on pursuing organizational goals without neglecting their own interests. Transformational leaders also stimulate employees to grow and develop into superior individuals to always produce the best performance (Caillier, 2014).

According to Bass and Riggio (2006), Gottfredson and Aguinis (2017), transformational leadership has four main dimensions (or 4 I’s), namely inspirational motivation (i.e., the extent to which leaders clearly articulates the vision to inspire employees to achieve the expected goals), idealized influence (i.e., the extent to which employees believe and trust in their leaders and strive to pursue higher collective goals than their personal goals), intellectual stimulation (i.e., the extent to which the leader challenges the status quo and encourages employees to arise with the best new solutions in overcoming problems), and individual consideration (i.e., the extent to which the leader appears as a mentor in providing emotional support to employees).

Transformational leaders show individual consideration to be able to understand the aspirations, desires, ambitions, and needs of their employees (Walumbwa, Orwa, Wang, & Lawler, 2005). Also, transformational leaders use idealized influence and inspirational motivation to identify employees’ precise and specific goals (Chun, Yammarino, Dionne, Sosik, & Moon, 2009; Palupi, 2020) and strive to ensure that every employee is able to engage properly in the organization through intellectual stimulation (Liu, Siu, & Shi, 2010). When transformational leaders are able to apply these four dimensions appropriately, employees become very easily involved in achieving significant organizational results.

Jacobsen and Bøgh Andersen (2015) view transformational leadership as the behavior of leaders who seek to share, develop, and strive for the vision that has been set to encourage employees to achieve organizational goals. With the ability to articulate a clear vision to inspire employees to pursue organizational goals, transformational leaders fully facilitate and care about employee well-being in the workplace to enable them to perform better in producing positive organizational outcomes (Braun, Peus, Weisweiler, & Frey, 2013).

The research of Sulistiyan, Udin, and Rahardja (2018) in the SME sector proves that transformational leadership significantly affects employee performance. The same is also evident in Suhana, Udin, Suharnomo, and Mas’ud (2019) findings in the education sector. Transformational leadership facilitates and helps employees to develop unique competencies and work together to promote innovative work behaviors.

Donkor et al. (2021), in their study of 330 employees working in the state-owned enterprise sector in Ghana, found transformational leadership has a powerful consequence on employee performance. In addition, transformational leadership can motivate and encourage employees to appear more creative and innovative to encourage organizational growth. Furthermore, transformational leadership inspires employees always to be loyal and committed to their work and work harder without having the slightest desire to leave the job and the organization. This certainly has implications for improving employee performance. Several previous studies are in line with and strengthen these findings are conducted by (Ariyabuddhiphongs & Kahn, 2017; Baig et al., 2021; Buil et al., 2019; Han, Oh, & Kang, 2020; Jaroliya & Gyanchandani, 2021; Kammerhoff, Lauenstein, & Schütz, 2019; Khan, Rehmat, Butt, Farooqi, & Asim, 2020; Kusumah, Haryadi, Indrayanto, & Setiawan, 2021; Mahdikhani & Yazdani, 2019; Maheshwari, 2021; Matsunaga, 2021; Prabhu, Ramaprasad, Prasad, & Modem, 2021; Tabassi, Roufechaei, Bakar, & Yusof, 2017; Ugwu, 2018).

Behind all the pleasures and positive contributions of transformational leadership to employee performance, something is surprising, namely the findings of Eliyana et al. (2019), that transformational leadership is not able to improve employee performance. This is also evident in the study conducted by Lutfi and Siswanto.
Indeed, Chen et al. (2018) have confirmed the paradox of positive and negative relationships between transformational leadership and employee performance. Even in the theme of Thompson, Buch, Thompson, and Glaso (2021) concluded that transformational leadership (i.e., intellectual stimulation, idealized influence, individualized consideration, and inspirational motivation) has a partial effect on employee performance.

3. Research Methods

This study uses a literature review that examines previous studies on the relationship between transformational leadership and employee performance in the last five years (2017 – 2021). Fully research data was obtained by accessing five large database sites providing free and paid articles, namely from https://www.sciencedirect.com, https://www.emerald.com, https://www.tandfonline.com, https://journals.sagepub.com, and https://fbj.springeropen.com.

Various articles accessed from these five large database sites were collected as needed and then carefully sorted to produce authentic data. The articles are verified and reviewed in the next stage to produce a valid and useful discussion for this research.

4. Discussion and Conclusion

After analyzing dozens of previous studies related to the relationship between transformational leadership and employee performance, the results of this study prove that transformational leaders are able to enlighten employees' minds so that they think holistically about achieving organizational goals. In fact, through the inspirational motivation of the leader, employees are willing to abandon their personal goals in favor of pursuing organizational goals. Transformational leaders increase employees' intrinsic motivation and commitment to perform more meaningfully in the organization and are more willing to show positive contributions both physically, cognitively, and emotionally in the workplace (Lai, Tang, Lu, Lee, & Lin, 2020).

When employees feel tired and frustrated at work, transformational leaders become the main helper who fully provides emotional attention and support and cares about the welfare of employees. Individualized consideration of transformational leaders can increase feelings of psychological well-being and happiness in employees and encourage them to perform better in completing assigned tasks (Liaw, Chi, & Chuang, 2010). Transformational leaders with Individual considerations act as good mentors for employees, who are always ready to tune in to their complaints and needs as well as encourage them to get out of various problems faced in the workplace and organization.

Transformational leaders motivate employees by initiating ideas and higher moral values so that they perform better, even if necessary, beyond organizational expectations (Bromley & Kirschner-Bromley, 2007; Yukl, 2004). Transformational leaders appear as role models that have high exemplary qualities, who are able to encourage employee commitment to pursue higher goals in the organization. Transformational leaders do this by growing employees' beliefs, persistence and confidence about their collective ability to perform better in completing challenging jobs and creating a comfortable and friendly work environment (Korek, Felfe, & Zaepnick-Rothe, 2010).

Although there are conflicting paradoxes regarding the relationship between transformational leadership and employee performance, as confirmed by Chen et al. (2018), the result of this study corroborates that transformational leadership, in various settings and organizational sizes, has a significant effect on employee performance. Further, transformational leadership is able to move employees to achieve the organization's vision by clearly defining the vision with confidence and encouraging as well as inspiring employees to be involved beyond their own self-interest.

Because this research is focused on and limited to identifying a direct relationship between transformational leadership and employee performance, future research needs to explore the relationship between these two variables by considering the mediator (i.e., work engagement, relationship quality, self-efficacy, organizational identification) and moderator (i.e., proactive personality, mission valence, change frequency, climate for innovation, perceived meaningfulness at work) effects.
References


