

Transformational Leadership Style and Its Relationship with Organisational Performance in Nigerian Work Context: A Review

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Abstract: *Transformational Leadership style has been a dominant construct in leadership research today and in fact has lead to a paradigm shift in leadership thinking. However, very little has been done on the relationship between transformational leadership style and organizational performance in Nigerian work context, making this the main motivator for this study. This paper relied on secondary data as its major source of information; this is to say that the primary method of study was an extensive review of available literature for description and analysis of the subject matter. The paper concluded that transformational leadership style has a significant positive relationship with organisational performance in Nigerian work context and therefore recommended that organizations who want to improve or ensure optimal organisational performance must adopt leadership style that fits the settings in which the followers and leadership interact and also training to enhance this leadership style (transformational) should be encouraged in Nigerian work context.*

Keywords: *Leadership, Leadership Style, Organisational Performance, Transformational Leadership Style*

I. Introduction

Leadership and its style has been identified as one of the numerous factors that can enhance or impede organisational performance, that is to say that the importance of leadership in achieving optimum organisational performance cannot be overemphasized. The word 'leadership' and 'leadership styles' has been used in various aspects of human endeavour with diverse definitions. According to Ogbeidi (2012), leadership is defined as a body of people who lead and direct the activities of a group towards shared goals. It refers to the ability to lead, direct and organise a group. While Cole (2002) sees leadership as a dynamic process at work in a group whereby one individual over a particular period of time, and in a particular organisational context influences the other group members to commit themselves freely to the achievement of group tasks or goals. Stogdill (1948) describes leadership style as a kind of method and capability employed by leaders aimed at realizing organizational targets and further affects all organizational activities. Sharing this view point, Fiedler (1969) opines that, leadership style refers to a kind of relationship that someone uses his rights and methods to make many people work together for a common task.

However, Transformational leadership style has emerged as the most popular approach to explain leaders' influence on organizational performance. To understand transformational leadership, we must differentiate it from transactional leadership. Transactional leadership is based on the exchange process where the leader administers rewards for desired behavior and sanctions/punishment for undesired behaviours. These rewards could be in form of increase in salary, promotion and more benefits while the sanctions/punishment ranges from pay cuts, demotions and terminations. Conversely, transformational leadership style goes beyond the fulfillment of contracts but extends to motivating employees/followers to do more than expected, which creates positive change in the employees or followers.

Though, several studies on transformational leadership style have shown consistent relationships with various performance indicators across different cultures (Rejas, Ponce, Almonte and Ponce 2006; Pradeep and Prabhu 2011; Paracha, Qamar, Mirza, Hassan and Waqas, 2012; Muterera, 2012). But when compared to other parts of the world, relatively few studies have considered it in Nigeria.

From this consideration, the objective of this paper is to examine the relationship between transformational leadership style and organisational performance in Nigerian work context. This paper is divided into three sections. Section one is the introductory part, which highlights the general overview of this paper, while section two reviews related literature thematically. Finally, section three concludes the study and proffers recommendations.

II. Literature Review

2.1 Transformational Leadership

The notion of transformational leadership has been around for many centuries and there are plethoras of practitioner-based books on this topic. In fact, transformational leadership has become the most frequently researched and supported theory over the past two decades because of its demonstrated influence on increasing followers' positive attitudes, behaviors, and levels of performance (Avolio, Walumbwa, and Weber, 2009; Judge and Bono, 2000). Transformational leadership has to do with leader's behavior that transform and inspire followers to perform beyond expectations while transcending self-interest for the good of the organization (Avolio, Walumbwa, and Weber, 2009). In a similar manner, Chelladurai (2001) sees transformational leadership as the process of influencing major changes in attitudes and assumptions of organisational members and building commitment for the organisation's mission and objectives. According to Bass (1985), transformational leadership style is a systematic way by which subordinates or followers praise and appreciate their leaders. Resultantly, this style enhances their motivational level, which leads to organizational performance. From the forging definitions, a transformational leader possesses certain qualities like raising follower's consciousness levels about the importance and value of designated outcomes and ways of achieving them. They also motivate followers to transcend their own immediate self-interest for the sake of the mission and vision of the organization (Ejere and Abasilim, 2013). Pounder (2008) also explained that the effect of transformational leadership on subordinates centers on three leadership outcomes:

- (a) The ability of the leader to generate extra effort on the part of those being led;
- (b) Subordinates' perception of leader effectiveness; and
- (c) Their satisfaction with the leader.

He went further to state that transformational leaders are able to exercise influence in two primary areas, which appeal to the mind and the heart that is deep thinking and empathy. Using these influences, a transformational leader is able to motivate followers to act on their own behalf and for the needs of others. In transformational leadership, the leader empathizes with the developmental needs of his/her followers. The goal of transformational leadership is to 'transform' people and organizations in a literal sense to change them in mind and heart: enlarge vision, insight, and understanding; clarify purposes; make behavior congruent with beliefs, principles, or values; and bring about changes that are permanent, self-perpetuating, and momentum building (Masi, 2008). Transformational leaders also seek new ways of working, seek opportunities in the face of risk, prefer effective to efficient answers and are less likely to support the status quo. Transformational leaders do not merely react to environmental circumstances (Johnson, 2009).

Transformational leadership is comprised of five factors which are: idealised attribute, idealised influence, inspirational motivation, intellectual stimulation and individualised consideration (Antonakis, Avolio, and Sivasubramaniam, 2003; Avolio and Bass, 2004 and Johnson, 2009). These are commonly known as the five (5) I's of transformational leadership. Idealised attribute are evident when followers report that their leader is charismatic, confident, ethical, idealistic, and trust worthy. Idealised influence enables a leader to instill pride, faith, and respect in followers causing the followers to identify and emulate their leaders. They display conviction, emphasize trust, take stands on difficult issues, present their most important values and the importance of purpose, commitment, and the ethical consequences of decision. Inspirational motivation represents behaviour that provides symbols and simplified emotional appeals, thus raising expectations and optimism amongst followers. That is, they articulate an appealing vision of the future, challenge followers with high standards, talks optimistically and enthusiasm and provide encouragement and meaning for what needs to be done. Intellectual stimulation arouses followers on new ways of problem solving through proactive thinking. Transformational leaders encourage their followers to be innovative and creative. They encourage new ideas from their followers and never criticize them publicly for the mistakes committed by them. The leaders focus on the "what" in problems and do not focus on blaming part of it. They have no hesitation in discarding an old practice set by them if it is found ineffective. Individualised consideration is the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower, and listens to the follower's concerns and needs. That is the leader act as mentors to their follower and rewards them for creativity and innovation. The followers are treated differently according to their talents and knowledge. They are empowered to make decisions and are always provided with the needed support to implement their decisions.

2.2 Organisational Performance

Organisational performance as a concept suffers from problems of conceptual clarifications. The term performance is often used indiscriminately to describe everything from efficiency, effectiveness to improvement. According to McCloy, Campbell and Cudeck, (1994), the term performance has to do with those behaviours or actions which are regarded relevant to those goals of the said organisation in question. They further argued that performance itself cannot be said to be the outcome itself, consequences or the result of behaviors or action but rather performance can be said to be the action itself. Thus they argued that performance

tends to be multidimensional, a situation whereby for any specific-type of job, there tends to be a number of substantive performance components that are distinguished in terms of their inter correlations and patterns on co-variation with other variables. However, there is no one definition of organisational performance. The primary reason for this is that researches from different fields of study such as psychology, human resource management, public administration and organizational behaviour have dealt with the concept based on their field of study. Hence, it is no surprise that the literature accommodates a variety of different definitions related to organizational performance.

According to Daft (2000), organisational performance is defined as an organisation's ability to attain its goals by using resources in an efficient and effective manner. Consequently, it is an evidence of the output of members of an organisation measured in terms of revenue, profit, growth, development and expansion of the organisation. In the same vein, organizational performance refers to the ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 1993). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Accordingly, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization (Kehinde, Jegede, and Akinlabi, 2012).

2.3 Relationship between Transformational Leadership Style and Organisational Performance in Nigeria Work Context: Empirical Review

The relationship between leadership style and organizational performance has been examined, and a number of studies showed that leadership style has a significant relationship with organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers (Fu-Jin, Shieh, and Tang, 2010). Several studies in different organisational settings found that there is a significant positive relationship between leadership styles and organizational performance, with particular reference to transformational leadership style positively contributing to organisational performance over and above the contribution made by transactional leadership style. (McGrath and MacMillan, 2000; Pradeep and Prabhu 2011 and Muterera, 2012). The question to be answered here is what is then the relationship between transformational leadership styles and organisational performance in Nigerian work context? A number of studies done within Nigerian work context revealed that a relationship exist between both variables.

For example, Okafor (2008), in his study on style and organisational performance of Nigerian companies, which examined the relationship between style and organisational performance among selected companies quoted on the first tier market of the Nigerian Stock Exchange (NSE) established empirically that leadership behaviour of chief executive officers was positively related to organisational performance in Nigerian quoted companies. Therefore it was recommended that leadership behaviour of Chief Executive Officers and indeed the entire management should be employee concerned. However, the research result around the effects of leadership styles on organisational performance of some selected small scale enterprises by Obiwuru, Okwu, Akpa and Nwankere (2011) revealed that while transactional leadership style had a significant positive effect on performance, transformational leadership style had positive but insignificant effect on performance. In another study, Ojokuku, Odetayo and Sajuyigbe (2012) examined the impact of leadership style on organizational performance in selected banks, in Ibadan Nigeria. They found that transformational and democratic leadership styles enhance organizational efficiency. Surprisingly, autocratic leadership style also had a positive effect on the banks' performance although insignificant. They concluded that transformational and democratic leadership styles are the best for the management of Nigerian banks to be adopted in order for them to wax stronger in a global financial competitive environment.

Likewise, Udoh and Agu (2012) investigated the impact of transformational and transactional leadership styles on performance of manufacturing organization in Cross River state of Nigeria. Their findings indicated that there was a significant positive relationship between both styles of leadership (transformational leadership and transactional leadership) and organisational performance. They recommended that managers should adopt a leadership style that will enable him or her to successfully integrate and maximize available resources within the internal and external environment for the attainment of organisational and societal goals. Abasilim (2013), in a similar manner measured the relationship between both styles of leadership (transformational and transactional leadership) and organisational performance in Akwa Ibom Water Company Limited in Akwa Ibom state in Nigeria. The study established that there was a strong positive relationship between transformational leadership style and organisational performance while there was a weak positive relationship between transactional leadership style and organisational performance. That is, both transformational and transactional leadership styles had a significant positive relationship with organisational performance in Akwa Ibom Water Company Limited and concluded that mixed style of leadership will

influence organisational performance and that transformational leadership style will be an appropriate style to adopt in order to foster performance, followed by transactional leadership style depending on the situation and the environment of the organisation.

III. Conclusion and Recommendation

The overall purpose of this paper was to determine the relationship between transformational leadership style and organisational performance in Nigerian work context. The literature reviewed revealed that leadership style is a critical variable in organisational performance and that the leadership style adopted by leaders has a great influence or relationship with organisational performance, with particular reference to transformational leadership style depending on the situation and the environment of the organization. This implies that transformational leadership style is deemed appropriate for ensuring organisational performance in Nigerian work context. Consequently, the study recommends that organizations who 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 this leadership style (transformational) should be encouraged in Nigerian work context. Similarly, leaders must learn to choose the right leadership style that matches the requirement of their objectives and suits the prevailing situations on ground if they must achieve the goals and objectives of the organizations.

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