

Impact of Effective Leadership on Organisational Performance: An Empirical Investigation

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Abstract

This research examines the multifaceted dimensions of effective leadership examining its impact across performance in diverse organisational context. The empirical review is underpinned by the following theories: transformational leadership theory and goal path theory. The research is a comprehensive analysis of various articles, the research reviews what forms of leadership and situational factors contribute to effective performance. The synthesis of empirical studies reveals and emphasises the dynamic interplay between leaders and followers and the organisational environment. The paper articulates the power of vision, emotional intelligence and communication skills in transformational leadership. It demonstrates that transformational leadership is one of the most effective leadership styles contributing to performance across different industries. The findings underscore the need for leaders to cultivate a diverse skill set and adapt their approach to meet the evolving demands of today's work environment. The empirical review is underpinned by the following theories: transformational leadership theory and goal path theory.

Keywords

Leadership, Transformational Leadership, Firm Performance, Transformational Leadership Theory, Goal Path Theory

1. Introduction

Effective leadership is considered a key factor contributing to high performance. The qualities of an effective leader include being audacious, honest in their dealing with others and having clarity of intent (Joseph & Ideraola, 2021). According to the same authors, successful companies are always attributed to effective leaders. These leaders are not only known for their abilities to inspire teams

and organisations towards high performance but also known to inspire innovations which again contribute to the firm's performance. Leaders are considered men of vision and conduits of inspiration (Bass and Bass, 2008 as cited in [Langston University, 2020](#)). Their effectiveness is often attributed to their personality and traits inspiring their followers to achieve set goals ([Joseph & Ideraola, 2021](#)). Various leadership styles are known to have a different effect on the performance of firms.

Transformational Leadership

Leadership is the process of inspiring shared commitment and action towards a common goal (Yuki, 2013 as cited in [Cakir & Adiguzel, 2020](#)). It's also the process of driving support towards the attainment of common goals (Chemers, 2000, as cited in [Cakir & Adiguzel, 2020](#)).

Transformational leadership is the type of leadership that motivates, boosts morale and performance of their followers. It seeks to form connections between the followers' own vision and that of the organisations they lead. It aims to grow the followers to take up roles of leaders ([Langston University, 2020](#)). Burns (1978) as cited in [Langston University \(2020\)](#) defined transformational leadership as one where both leaders and followers collaborate towards each other advancements of morale and motivation. Leaders and followers help each other to advance to a higher level of morale and motivation. He further opined that this form of leadership utilises vision, changing perceptions and demanding goals. It seeks to transform organisational culture through modelling and for the benefit of the organisation.

Bass (1978) as cited in [Langston University \(2020\)](#) opined that to establish whether a leader is transformational, they must endear themselves and influence followers to work harder for the organisations. The leaders' own personality traits and charisma motivate the followers. Thirdly, a transformational leader encourages innovation by their followers. Lastly, that leadership can be both transaction and transformation, a view that Burns had contradicted stating that the two forms of leadership were mutually exclusive.

Bass and Bass (2008) as cited in [Langston University \(2020\)](#) thereafter explained that transformational leadership comprised four attributes. The first, individualised consideration, meaning the leader takes into consideration the followers own goals, is considerate of the followers concerns and offers mentorship and coaching for the followers consideration. Secondly, intellectual stimulation involves the leader encouraging independent thinking and challenging the status quo. Third attribute is inspirational motivation, which entails the leader's ability to inspire and motivate and articulate their vision clearly in order to inspire followers to act to execute it. Fourth, is idealised influence, which requires the leader to model traits that earn them trust and respect from the followers.

Transformational leadership revitalises a business and is responsible for encouraging change in employees to drive change and perform at high levels (Bhat et al., 2013 as cited in [Otila & Kyongo, 2017](#)).

This research aims to establish the impact of transformational leadership on organisational performance by assessing what comprises leadership effectiveness across different areas of business.

Firm Performance

In the 1950s firm performance was the measurement of productivity, flexibility and inter-organisational tensions (Georgopoulos and Tannenbaum, 1957 as cited in Taouab and Issor, 2019). In the 60s, it was defined as the ability of an organisation to put to good use the available limited resources of its environment (Yuchtman and Seashore, 1967 as cited in Taouab & Issor, 2019). Porter in the 80 defines it as the organization's ability to create value (Taouab & Issor, 2019). In the 1990s, specifically 1999, it was defined as one that ensures that it meets the expectations of its stakeholder (Harrison and Freeman, 1999 as cited in Taouab & Issor, 2019). The major distinction in the change in definition being that initially the performance was just based on the first ability to optimise the resources under its use while later it would encompass other indicators such as customers and other stakeholders' perspectives.

Performance measurement models have also similarly evolved over time. Performance measurements started off measuring cash flow. There is no ideal method of measuring performance as there seems to be conflict on how to measure traditional and modern indicators. Kaplan's balanced scorecard developed in the 90s for example articulated targets by breaking down the company's vision and targets into measurable and clear sets of targets. The performance model also developed in the 90s cascaded objectives derived from the organisational strategies from the top management to the bottom (Tangen, 2004 as cited in Taouab & Issor, 2019).

2. Research Methodology

The study utilised a qualitative method that reviewed secondary data drawn from research conducted between 2017 and 2023. Data from peer reviewed journals, newspaper articles, books and databases such as google scholar were analysed. The journal titles used for the research were searched on the basis of relevance on covering areas of effective leadership, firm performance and leadership styles The research was focussed on assessing the perceived transformational leadership behaviours and linking them to firm performance.

3. Empirical Literature Review

What constitutes effective leadership

Morford (1987) kicks off the discourse in his article with the opinion that the answer to effective leadership does not exist. He however suggests that some common themes have emerged on effective leadership. These being, having aligned values (1), having intelligible visions and objectives (2), allowance for conflict (3), the leaders personal characteristics (4) and the interaction the personal characteristics of the leader and the circumstances in which they are lead-

ing in. He goes on to explain that centrality of values entails the need for leaders to rise above self-interest. It is not enough that there are visions and objectives, they must be well articulated such that all employees derive their meaning. The third theme, comprises the need for conflict to ensure organisations do not remain complacent (Drucker, 1967, as cited in [Morford, 1987](#)). Fourth, that effective leaders have differentiated traits from followers and unsuccessful leaders (Bass, 1981, as cited in [Morford, 1987](#)). Fifth, that effective leaders ought to be agile and adaptive in switching leadership styles on a case-by-case basis and dependent on the situation. This last theme is especially significant, as evidenced by my companies during the Covid 19 pandemic that brought most companies to their 'knees'. Some companies that survived the pandemic applied tactics that seemed unusual at the time e.g., Issuance of dividends by Co-operative Bank when all other banks in Kenya reduced their dividend payouts due to the uncertain market conditions. This Bank's leadership on the other hand justified the issuance with the need to stay true to its purpose statement and acknowledge that the dividends would be a crucial boost to its 15-million-member movements in the difficult times. This was despite the organisation's dip in profits that same year ([Alushula, 2021](#)). Whether this was just a stroke of luck for the leadership of the Bank or not, the Bank has continued to grow steadily with rising profits and now occupying position two in the Nairobi Bourse as the most valuable lender ([Juma, 2023](#)).

Leadership Traits

Littrell (2002) as cited in [Harms et al. \(2012\)](#) opines that the traits that might be considered efficacious in China may not be considered so in the West. An example is given of traits such as aura or charm which in the West is a trait of an effective leader, not so in China where such leaders were targets for expulsion during 1966-1976. Intelligence and the big five traits contribute to effective leadership. Numerous research suggests that the traits of the leaders do in fact impact the leadership effectiveness (De Rue et al., 2011 as cited in [Harms et al., 2012](#)). Littrell, 2002 and Wang et al. (2011) as cited in [Harms et al. \(2012\)](#) however posit that in the case of companies in China, there is scarce information about the traits that may be associated with effective leadership. Differences in cultures result in differences of traits that may affect effective leadership. [Harms et al. \(2012\)](#) showcase that Chinese firms were positively impacted by leaders who were risk takers and ingenious. Interestingly, facial attributes such as having a baby face were seen to negatively relate to performance in non-Caucasian leaders, while the opposite was the case for Caucasian leaders. However, these findings did not account for differences in organisational size and or industry ([Livingstone and Pearce, 2009](#) as cited in [Harms et al., 2012](#)).

[Nyenze and Kyongo \(2017\)](#) investigated the effect of leadership traits on firm performance in Kenya Wildlife Service (KWS). The research applied descriptive research design and collected primary data from 79 employees in the company's head office. Majority of respondents in the study had worked at KWA for more than 3 years. The research findings were that leadership traits are a significant

contributor towards the performance of firms. They define these traits as being innate characteristics that are unique to individual leaders and which may be, personality traits, task competence traits, interpersonal traits and gender traits. Personality traits are unique to you as an individual, these traits comprise willingness for adventure or exploration, honesty, ability to manage tension, agreeableness and outgoing nature Bass and Bass (2008) as cited in Nyenze & Kyongo (2017). In their study they also found that though transformative leadership styles had a positive impact on a firm's performance, the impact was equally insignificant. One limitation of this study was that the majority of the interviewees had worked for the organisation for more than 3 years. To improve on the validity of this research, employees with less experience could have also been included in the data collection as they had no bias that may have plagued the "older" employees. Another limitation was that the study was conducted on employees at the Head Office, who often also comprise the management of the organisation. The sample should have been expanded to contain employees across the various reserves, game stations and marine parks. Additionally, it would be interesting to find out if KWS being a government owned agency has certain characteristics that would impact such a study. Would a similar organisation that is privately owned or a conservancy have similar findings?

Relationship between leadership and organisational performance

Otila and Kyongo (2017) research investigated the effect of transformational leadership on the performance of audit firms. The researchers applied a prescriptive survey and collected primary data from 45 employees of one audit firm in Kenya. Nearly 50% of the sample in this case study was aged between 21 and 30 years of age. The findings were analysed through descriptive and inferential statistics. The findings of the study were that transformational leadership has a moderating effect on employee motivation and a significant effect on the performance of audit firms. The limitations of this study however are that it was conducted on only one audit firm, even though there were over twenty-four thousand members of the Institute of Certified Public Accountants of Kenya (ICPAK) according to the member body's report of 2021. This means that the study's findings cannot be generalised to all audit firms in Kenya. The sample size comprising a majority of a certain age also means that the findings may not represent views of a more experienced workforce. Future research could entail conducting a study on more audit firms with a diverse age range represented so as to ensure that the findings can be extrapolated and are representative of the entire industry.

Cakir and Adiguzel (2020) investigated the relationship between leadership effectiveness, knowledge sharing behaviour, business performance, firm strategy and firm performance. The study utilised statistical analysis and questionnaires were used for data collection. A 5 Likert type scale was used to assess the 5 variables. The findings of the study were that leadership effectiveness and knowledge sharing both affect employee performance. Knowledge sharing is the transfer of knowledge from one person or organisation to another (Hamdal et al., 2019 as

cited in Cakir & Adiguzel, 2020). The limitations of this study were that it was conducted on one sector, the textile industry thereby revealing the need to expand the research to other sectors. 65 % of the sample used in the study were high school graduates, studies utilising different working groups should be done for a more detailed understanding of the effects. The finding of this study also demonstrated that an effective leader focuses on public interest which increases employee retention in organisations which consequently increases performance. This is in concurrence with Morford (1987), who opines that leaders must be ready to serve others first. Cakir and Adiguzel also found that the leaders' conduct and cultural nuances do affect effectiveness of leadership. The researchers could have utilised a more diverse age range for the sample size to eliminate sampling bias.

Leadership must motivate and inspire teamwork and collaboration for a firm to be high performing. Additionally, such leadership should build a sense of commitment towards achievement of set goals (Ahmetasevic et al., 2018 as cited in Alzoraiki et al., 2018). This form of transformational leadership is elaborated using the dimensions of the transformation model (Alzoraiki et al., 2018). This model explains four facets of transformational leadership. The first being idealised influence behavioural charisma which entails the leader who models the vision and desired spirit of performance in the organisation. The second is the inspirational motivation dimension where the leaders ensure that the staff or followers identify a sense of meaning and challenge in their assigned tasks. The third facet is the intellectual stimulation that entails a leader fostering a culture that allows for innovation and creative problem solving. The last dimension is the individualised consideration which requires the leader to provide coaching for his team coupled with guidance and encouragement towards achieving set goals and increased performance. The study's findings reveal that transformational leadership does increase productivity and performance in the sampled teachers in Yemen (Alzoraiki et al., 2018). The limitation of this study is that it was conducted in one region and would have been bolstered if the study was done across diverse regions thereby validating the findings.

Effectiveness of leadership is linked to the success rates of new products introduced in the market (Hamel, 2006 as cited in Cakir & Adiguzel, 2020). How effective a leader is, can be determined by assessing how dissatisfied employees are in an organisation while a motivated employee is equally a high performer. It can also be as a result of intrinsic or extrinsic factors (Cakir & Adiguzel, 2020).

According to Sloof and von Siemens (2021), effective leadership is dependent on the leader's ability to not only delegate but also to allow followers to be part of the decision-making process. They posit that leaders have an element of power which by way of delegation is conferred to the followers during implementation of tasks. Bennet (1998) and Ambrose et al. (2002) as cited in Sloof & von Siemens (2021), elaborate that leaders ought to ensure that followers have some form of control over their work, without which they express lack of commitment and other aberrant forms of behaviour at the workplace, which in turn

obviously leads to low performance. That followers are effectively turned off by leaders' pursuit of their own interests, seemingly concurring with the findings of [Cakir and Adiguzel \(2020\)](#).

[Madanchian et al., \(2017\)](#) opines that the measurement and definition of the leader's effectiveness is not straightforward or unanimously agreed upon. Its measurement is often based on the results of the leader's actions, meaning that if the results are positive then the leader is referred to as an effective one. [Dhar and Mishra \(2001\)](#) as cited in [Madanchian et al. \(2017\)](#) elaborate that effectiveness of leadership is measured in two broad ways. Through evaluation of specific results and through the evaluation by the subordinates, the criteria for these measurements would include appraising the meeting of group organisational goals such as expanded photos and productivity, increased job satisfaction and subordinates' performance and simply how the subordinates evaluate the effectiveness of a leader. The writers conclude that efficacious leaders possess certain traits and mannerisms that create conducive environments for high performance.

The aspect of voluntary participation by followers working towards a common goal is expressly mentioned by [Nanjundeswaraswamy and Swamy \(2014\)](#). Who further elaborate that effective leaders understand the complex environment, have clarity of the goals to be achieved and are good team players. He also introduces the inclusive nature of such leaders which in turn leads to motivated employees. [Fang et al. \(2019\)](#) as cited in [Nanjundeswaraswamy & Swamy \(2014\)](#) affirm the impact of style of leadership on organisation performance similar to [\(Harms et al., 2012\)](#).

Ineffective leadership in Africa has resulted in civil unrest due the ardent pursuit of self-interest and corruption. Ethnocentrism is alive and contributes to distorted development favouring the ethnic areas the leaders are from. The increased poverty of an otherwise wealthy continent is difficult to bear and poor leadership stands at the heart of this situation [\(Solomon et al., 2023\)](#). [Nicolaidis \(2019\)](#) as cited in [Solomon et al. \(2023\)](#) defines effective leadership as that which is devoid of self-interest, is purpose oriented and guided by governance. For Africa to meet its goals of sustainable development leadership is key. Examples of effective leaders in Africa are not devoid of controversy. Some effective leaders are deemed to also be dictatorial in their approach to leadership, seemingly contradictory to views of allowing for participation in leadership. Other effective leaders are deemed by their citizens as democratic but seem to be associated with less development in their countries.

4. Findings

The various articles that were reviewed revealed that effective leadership does impact the performance of organisational performance, more so transformational leadership. Some of the studies revealed that cultural nuances need to be put into consideration when looking at transformational leadership as its effects might differ across cultures [\(Harms et al., 2012\)](#). The findings also revealed that

some of the attributes of transformational leaders are having a vision, not being self centred and the ability to motivate and inspire contribute to the making of an effective leader and subsequently positive firm performance. Thirdly, effective leadership involves having the intelligence and traits that can inspire followers and is evident in successful products and organisational performance (Alzoraiki et al., 2018). It was also evident that the ability to delegate will also contribute to the effectiveness of leadership (Sloof & von Siemens, 2021).

5. Conclusion

The manifestation of leadership is having vision (Father Theodore, as cited in Elumelu, 2010). Leaders need vision and clarity of goals in order to inspire followers to drive performance towards common objectives. It is also evidently important to take into consideration the different cultural contexts when assessing the effectiveness of leaders in order to avoid erred decision making especially when seeking strategic business alliances (Harms et al., 2012). In the African context, effective leadership largely requires leaders who pursue the interest of their countries above their own self interests. This requires integrity and clarity of purpose.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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