

EFFECTS OF TRANSFORMATIONAL LEADERSHIP STYLE ON EMPLOYEES' PERFORMANCE IN SMALL AND MEDIUM-SIZE ENTERPRISES OF GHANA

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ABSTRACT

This study examines the effects of transformational leadership styles on the employee's performance in the SMEs in Ghana. A cross-sectional survey design and explanatory design was used to gather data from the personnel of hundred (100) SME in Ghana. Five hundred (500) workers from 100 SMES in Ghana were sampled. The instrument used in this study was structured questionnaire. The quantitative method was used. Descriptive statistic and multiple linear regressions were employed to analyze the data. The finding revealed that inspirational motivation had the highest-level enhancing employee performance in SMEs in Ghana. This is followed by individualized consideration, idealized influence, and intellectual stimulation, respectively. The study findings revealed that idealized influence, inspirational motivation, individualized consideration had a positive coefficient and a statistically significant influence on the performance of employees in the SMEs in Ghana, however, intellectual stimulation had a positive coefficient but not statistically insignificant. The study contributes that transformational leadership components are the fundamental to employee performances in the SMEs in Ghana.

Keywords: *Transformational Leadership Style, Idealized influence, inspirational stimulation, individualized consideration, intellectual stimulation, Employees' performance, Small and Medium Enterprises in Ghana.*

INTRODUCTION

Transformational leadership is a process that transforms individuals through a unique procedure of rousing followers to achieve more than what is anticipated (Northouse, 2018). The concept of transformational leadership emerged in the 1970s and is

associated with the work of Burns (1978). At its heart, transformational leadership focuses on gaining followership and encouraging those following a leader to achieve the common purpose that organizations aiming towards. Bass and Riggio (2008) transferred the concept of transformational leadership into a business environment. Globally, business leaders require directing their business by improving environments and also keep track of opportunities. Organizations therefore face increased global competition in this business environment. In this era, businesses need to be more effective, efficient and creative in their operational activities. Achievement in worldwide business causes leaders to be conscious of the cultural differences that may stimulus organization practices in other countries (Banutu-Gomez, 2011).

Over the last 20 years, transformational leadership has become a new paradigm for understanding leadership. Transformational leaders, therefore, inspire the conduct of individuals; make environments for transforming "soft" variables of transformational arrangement. The transformational leadership increases employee responsibility in the business (Deichmann & Stam, 2015). It ensures employees in their retention and performances (Sow et al., 2016). Previous study shows that fruitful enterprises have attained their goals by executing the transformational leadership procedure (Dedaj, 2017; Jiang et al., 2017; Maaitah, 2018). Leaders of developed countries firmly follow the transformational leadership style, which enhances performances of their employees. However, in developing countries like Ghana, it is apparent that leaders do not inspire workforce. However, there is little information on how idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation influences employee performance in the SMEs in Ghana.

The aim of the study examines the influence of transformational leadership style components on employee performance in SMEs in Ghana. The specific objective intends to examine the level of idealized influence, as a component of transformation leadership style enhancing the employee performance in Ghana; to examine the level of inspirational motivation as a component of transformation leadership style enhancing the employee performance in Ghana; to examine the level of intellectual stimulation as a component of transformation leadership style enhancing the

employee performance in Ghana; and to examine the level of individualized consideration as a component of transformation leadership style enhancing the employee performance in Ghana. Besides, the study examines the extent to which these components of transformational leadership style influence the employee performances in SMEs in Ghana.

LITERATURE REVIEW

Business success increases through the greater effects of transformational leadership (Maaitah, 2018). Transformational leadership is the combination of leaders' behaviors which have four constructs, including intellectual stimulation, idealized influence, inspirational motivation, and individualized consideration (Jiang et al., 2017). It encourages employee responsibility and contributes to the future accomplishment of the organization (Deinert, Homan, & Voelpel, 2016). It is one of the most noteworthy yardsticks in an organization's success (Manaf & Latif, 2014). Study shows that transformational leadership has a positive outcome on the developed countries in business. (Caillier 2016; Özer and Tinaztepe, 2014). Ajiboye et al. (2017) study reported that individualized consideration is an important element for workers' performance, however, Waris et al., (2018) contradicted. Savovic et al. (2017) stated that intellectual stimulation has no significant association with employees' performance. Sikalieh, & Linge, 2017; Trang (2016) empirical studies claimed that intellectual stimulation encourages employees' performance in an organization. The studies of Sergееva, (2018) reported that inspirational motivation enhances employee performances (Sergееva, 2018).

Conceptual Framework

This provides a pictorial diagrammatical illustration of the study variables. The study construct variable is transformational leadership components as an independent variable and the employee performance in SMEs is dependent variable. This is shown in the diagram below (Figure 2.1).

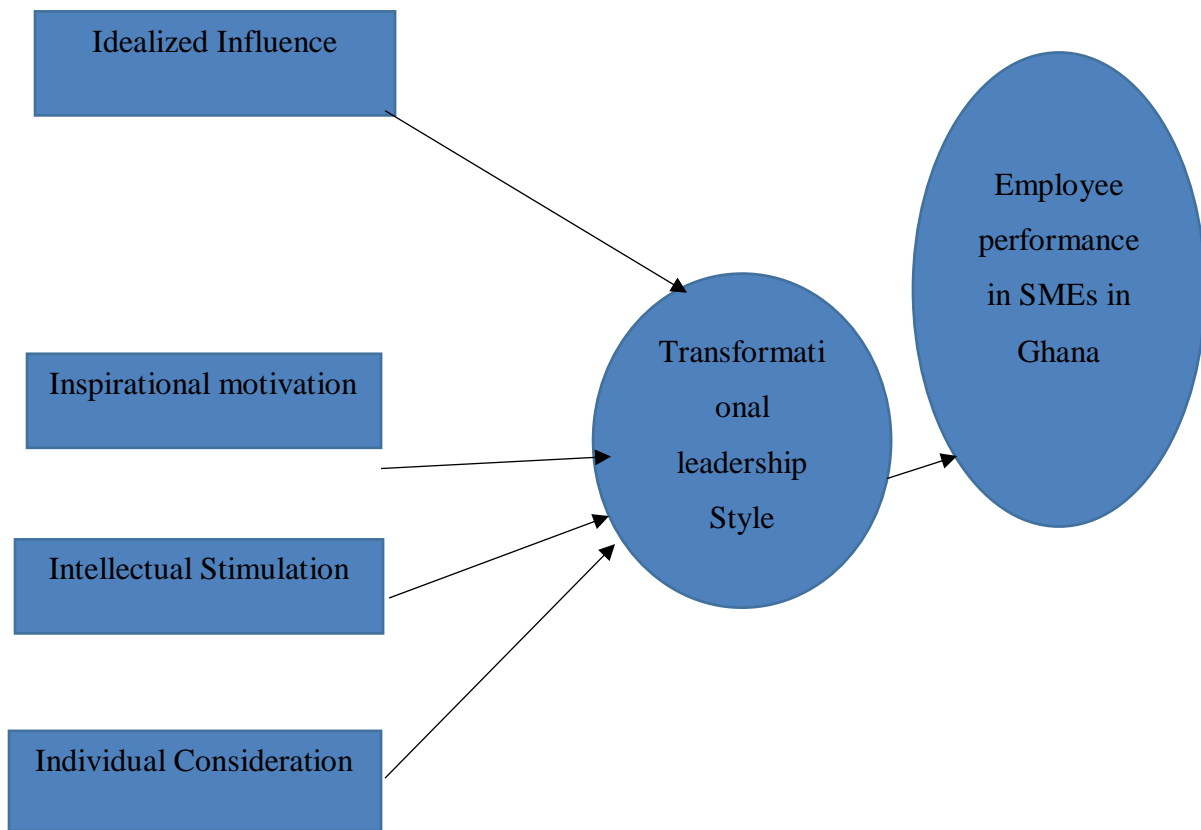


Figure 2.1: Conceptual Framework

Source: Literature

Based on the conceptual framework, the study formulates hypothesis as:

H0: Component of transformational leadership style does not have a significant influence on the employee performances in SMEs in Ghana

H1: Component of transformational leadership style has a significant influence on the employee performances in SMEs in Ghana

METHODOLOGY

The study used positivism philosophy since researcher believes transformational components will influence employee performance in SMEs in Ghana. The positivist was used because the researcher believes that there are transformational leadership style components that a firm can practice if they really want to flourish their

businesses through employee performance. The nature of knowledge, thus the objective existence of the knowledge, can be attained autonomously. Hence, the transformational leadership style can be achieved by the objective study of these components. This study adopted the positivism approach because it helps in the gathering of empirical data for the analysis. By establishing a relationship between the dependent and the independent variables, it revealed the reality.

The cross-sectional design and explanatory design were used to conduct the research. Cross-sectional survey design helps provide answers to the questions at a point in time in a single study using structured instruments (Kothari, 2009). The nature of the study requires the use of explanatory design as it is concerned with finding out the transformational leadership styles components and how it affects employee's performances in SMEs in Ghana.

The study used a quantitative approach. A quantitative approach is one in which the investigator needs to find out cause-and-effect study variables and hypotheses through generating numerical data for the analysis (Geoffrey, 2019)

The population used is the employees of SMEs in Ghana. The target population was 600 top managers/leaders from selected registered 100 SMEs in Accra. The study used purposive sampling in selecting registered 100 SMEs in greater Accra. Simple random sampling was used to select six (6) top managers/leaders from each of the 100 SMEs selected for the study to avoid unfairness.

Sample size of five hundred (500) was got from the respondents of selected hundred (100) registered SMEs in Ghana. Carrión et al. (2017) suggest that sample size of 300 is adequate for the data analysis. The study therefore adopted Carrión et al. (2017) approach for determining the sample size of the population.

The current study used self-administered structured questionnaire. The questionnaire comprised close-end questions where participants chose from the list of options provided. Options (answers) in the questionnaire from which the respondents had to choose were all numbered using five (5) point Likert Scale.

The study employed primary data and secondary sources. The primary data was the administration of questionnaires to select 500 staff. Secondary sources include journals, articles, and newsletters. Research assistants were recruited for the distribution of questionnaires. It presented a letter of introduction to the various SMEs to seek permission to administer the instrument for the participants. The questionnaire was hand delivered to the managers/leaders in their various offices with the help of the trained assistants and researcher.

The study used SPSS version 26 as the statistical tools for analyzing the data. The study used descriptive statistics and multiple regressions for data analysis. Descriptive analysis was used to rank a component of transformational leadership style in order of importance. A multiple regression was used to check how these components affect the employee performances in the SMEs in Ghana.

FINDINGS AND DISCUSSION OF THE STUDY

This section discusses research objectives.

4.1 Descriptive statistics

The first objective examines the components of transformational leadership style enhancing employee performance in the SMEs in Ghana. Descriptive statistic (mean) was used to rank the components in order of importance.

Table 4.1 presents normality test based on skewness and kurtosis falling between -2 and +2 for skewness and kurtosis less -3.8 or equal to 3.8 (Gravetter & Wallnau, 2014)

Table 4.1 Normality Test on Skewness and Kurtosis

Transformational Leadership Styles components	Skewness	Kurtosis

	Statistic	Statistic
Individualized consideration	0.452	2.336
Intellectual stimulation	1.464	2.889
Idealized Influence,	1.201	2.023
Inspirational Motivation	1.802	2.359

Source: (2021): Field Survey

From table 4.1, it can be seen that all variables are within the range, therefore the data are normally distributed.

Descriptive Statistic for using means.

Table 4.2: Level of individualized consideration, intellectual stimulation, Idealised Influence, inspirational motivation

Descriptive Statistics

	Mean	Std. Deviation	N
Individualized consideration	3.7995	.48435	500
Intellectual stimulation	2.2645	.47948	500
Idealized Influence,	2.2720	.58652	500
Inspirational motivation	4.3945	.59515	500

Source: Field data, (2021)

As shown in Table 4.2, respondents emphasized comparatively that inspirational motivation was the highest level enhanced the employee performance in the SMEs ($\bar{X} = 4.3945$) and $STD=.59515$ denotes the mean value of the variable. This is followed by individualized consideration with mean value of ($\bar{X} = 3.7995$) and $STD=.48435$, idealized influence with the mean value of ($\bar{X} = 2.2720$) and $STD=.58652$) and the least was intellectual stimulation with the mean value of ($\bar{X} = 2.2645$) and $STD=.47948$). It should however be noted that this conclusion drawn does not accomplish how these individualized considerations, intellectual stimulation, idealized influence, inspirational motivation significantly influences employees' performance on the SMEs in Ghana.

Multiple Regressions for Study Variables

The second objective is to determine how components of transformation leadership style affect employee performance in the SMEs in Ghana. Multiple regressions was used to analyze the data.

Before running the standard multiple regressions, key assumption is tested to ensure the suitability of this technique. The assumption relates to multi-co linearity. Table 4.5 presents the results for the test of the multi-co linearity using a tolerance and VIF.

Table 4.3: Co linearity Analysis of Leadership Styles Variable (Tolerance and VIF)

Variables	Tolerance	VIF
individualized consideration,	0.936	1.068
intellectual stimulation,	0.866	1.155
idealized influence	0.672	1.487
inspirational motivation,	0.702	1.424

Source: Field data, (2021)

The decision rule is that if the tolerance value is less than 0.10, then there is a multi-collinearity problem. Similarly, the VIF values above 10 also show multi-collinearity problem. The results for VIF and tolerance are reported in Table 4.3. The model, as shown in Table 4.3, demonstrates that there is no multi-collinearity problem, as all the two approaches have produced similar conclusions.

Table 4.4: Standard Multiple Regression Analysis

Coefficients a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	R Square	Adj R Square
	B	Std. Error,	Beta				
1 (Constant)	.091	.263		.346	.000	0.762	0.734
individualized consideration,	.246	.035	.318	7.087	.000		
intellectual stimulation,	.017	.031	.022	.539	.006		
idealized influence	.146	.036	.155	3.995	.000		
inspirational motivation,	.535	.043	.565	12.327	.000		

b. Dependent Variable: Employee Performance in the SMEs

Source: Field data (2021).

As shown in the Table 4.4, inspirational motivation, individualized consideration, and idealized influence had a positive coefficient and statistically significant influence on

the employees' performances in the SMEs in Ghana (Beta=.565 ($p<0.05$), (Beta=.318 ($p<0.05$)) (Beta=.155 ($p<0.05$)) respectively. However, intellectual stimulation had a positive coefficient but statistically not significant influence on the employees' performances in the SMEs in Ghana (Beta=-.022 ($p>0.05$)). The four factor variables account for about 76.2% of the variance in employee's performance in the SMEs in Ghana. Since inspirational motivation, individualized consideration, and idealized influence are significant, the null hypothesis of no significant of inspirational motivation, idealized influence and individualized consideration influence employee's performance in the SMEs in Ghana are rejected. However, the null hypothesis of no significant of intellectual stimulation influence employee's performance in the SMEs in Ghana is accepted.

In Table 4.6, the adjusted R-square value shows the independent variable could explain how much of the total variation in the dependent variable (employee performance in SMEs in Ghana). Thus, adjusted R-square value of 0.734 also shows that 73.4% of variations dependent variable is explained by independent variables.

The findings in table 4.4 shows that inspirational motivation, individualized consideration, idealized influence had a significant positive influence on the performance of employees in SMEs in Ghana. However, intellectual stimulation had an insignificant effect. The findings of Waris et al., (2018) claimed that individualized consideration has no significant influence on employee performance, however contradicted by Malik et al.,(2017). The intellectual stimulation finding is consistent with (Savovic, et al., 2017) findings who said that intellectual stimulation has no significant relationship with employee's performance, however, Ogola, (2017) contradicted it. The findings in Table 4.6 show that inspirational motivation had a significant positive influence on the performance of employees in the SMEs in Ghana. The finding is consistent with the existing empirical studies of Sergeeva, (2018) who reported that inspirational motivation enhances employee performances (Sergeeva, (2018).

CONCLUSION AND RECOMMENDATION

The study determines the effect of transformational leadership style components on employee performance in the SMEs of Ghana. The study findings aimed to contribute to the knowledge needed to support effective leadership and employee performances in SMEs in Ghana. The findings show that individualized consideration, inspirational motivation, idealized influence have a positive significant influence on the performance of employees in SMEs in Ghana, while intellectual stimulation does not significantly affect employee performance in the SMEs in Ghana.

Recommendations

Regarding transformational leadership, there is a need to motivate employees to improve on efficiency. Precisely, the study recommends:

1. It is endorsed that management should encourage leaders to practice transformational leadership in order to have a positive impact on the overall employee performance.
2. Management should boost employees' motivation at all costs to promote productivity.
3. Leaders should offer a comprehensive understanding to promote transformational leadership style components to enhance individual employee performance in an organization.

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