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Transformational Leadership and Employee Performance in Private Organizations

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ARTICLE DETAILS	ABSTRACT
History Revised format: Aug, 2023 Available Online: Sep, 2023 Keywords transformational leadership, employee performance, private organizations, work engagement, intrinsic motivation, organizational citizenship behavior, psychological empowerment, Pakistan	Transformational leadership has become an important management approach for private organizations operating in competitive, uncertain, and innovation-oriented environments. Unlike leadership approaches that depend primarily on supervision, rewards, and corrective action, transformational leadership encourages employees to connect their personal efforts with a shared organizational vision. This article examines the relationship between transformational leadership and employee performance, with particular attention to private organizations in Pakistan and other developing economies. It employs a conceptual review of established leadership theory, meta-analytic evidence, and empirical studies conducted in private-sector settings. The discussion focuses on four major dimensions of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. It argues that these dimensions improve employee performance by strengthening intrinsic motivation, organizational identification, psychological empowerment, work engagement, trust, innovative behavior, and organizational citizenship behavior. Evidence from Pakistani small and medium-sized enterprises, telecommunications companies, textile organizations, service firms, and hospitality businesses indicates that transformational leadership is generally associated with stronger task performance and constructive extra-role behavior. However, its effectiveness depends on organizational culture, managerial credibility, employee readiness, resource availability, and fair human-resource practices. The article concludes that private organizations should integrate transformational leadership development with performance-management systems, employee participation, coaching, recognition, and measurable organizational objectives.

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Introduction:

Private organizations operate under continuous pressure to increase productivity, improve customer satisfaction, control costs, retain talented employees, and respond rapidly to technological and market changes. These pressures are particularly significant in developing economies, where organizations may face resource shortages, weak institutional support, high employee turnover, skill gaps, and uncertainty in the business environment. Under these conditions, organizational performance depends not only on financial and technological resources but also on the ability of leaders to mobilize employee knowledge, motivation, commitment, and creativity. Employee performance refers to the extent to which workers complete assigned duties effectively, meet quality and productivity standards, cooperate with colleagues, solve organizational problems, and contribute to broader organizational goals. It includes task performance, which concerns formal job responsibilities, and contextual performance, which includes voluntary behaviors such as assisting colleagues, supporting change, proposing improvements, and protecting organizational interests. Leadership affects both forms of performance by shaping employee expectations, workplace relationships, psychological safety, motivation, and access to resources. Transformational leadership was developed as an explanation of how leaders motivate followers to perform beyond minimum contractual expectations. Bass (1985) extended earlier leadership theory by arguing that transformational leaders raise employees' awareness of organizational goals, connect individual interests with collective objectives, and encourage followers to develop their capabilities. Subsequent scholarship identified four closely related dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. A substantial body of research has connected transformational leadership with job satisfaction, organizational commitment, motivation, innovation, citizenship behavior, and employee performance. Meta-analytic evidence indicates that transformational leadership is positively related to individual, team, and organizational performance, although the size of the relationship varies according to the type of performance measure and organizational context.

Conceptual Foundations and Dimensions of Transformational Leadership:

Transformational leadership differs from purely transactional leadership. Transactional leadership is based mainly on exchanges between managers and employees. Workers receive salaries, incentives, promotions, or recognition in return for achieving specified performance standards. Transactional practices remain necessary because employees require clear responsibilities, measurable targets, feedback, and fair rewards. However, transformational leadership goes beyond this exchange by influencing how employees understand their work and organizational membership.

Idealized Influence:

Idealized influence refers to the leader's ability to serve as a respected and credible role model. Employees are more likely to accept organizational goals when leaders demonstrate ethical conduct, consistency, competence, responsibility, and willingness to share organizational difficulties. A manager who demands punctuality but regularly arrives late weakens leadership credibility. Conversely, a manager who accepts responsibility, honors commitments, and applies rules consistently strengthens employee trust. In private organizations, idealized influence can reduce the psychological distance between management and employees. It communicates that organizational values are not merely slogans but principles that guide managerial decisions. This credibility encourages employees to identify with the organization and to protect its reputation, resources, and customers.

Inspirational Motivation:

Inspirational motivation involves communicating an attractive and meaningful vision of the organization's future. Transformational leaders explain why particular objectives matter and how individual jobs contribute to their achievement. Instead of presenting performance targets only as numerical requirements, they connect them with customer value, organizational survival, professional development, and collective

success. Inspirational motivation is particularly important when employees face uncertainty, organizational restructuring, digital transformation, or demanding performance targets. A clear vision reduces confusion and helps employees prioritize their efforts. Nevertheless, inspiration must be supported by realistic planning. Repeated motivational speeches without resources, fair rewards, or managerial support may produce cynicism rather than commitment.

Intellectual Stimulation:

Intellectual stimulation occurs when leaders encourage employees to question ineffective routines, examine problems from different perspectives, and propose new solutions. Employees are permitted to express constructive disagreement without being treated as disloyal. Mistakes are analyzed as learning opportunities when they are made honestly and responsibly. This dimension is important for private-sector organizations because competitiveness often depends on process improvement, product innovation, customer responsiveness, and cost reduction. Research involving Pakistani employees has connected transformational leadership with psychological empowerment, intrinsic motivation, creative engagement, employee voice, and innovative work behavior.

Individualized Consideration:

Individualized consideration refers to recognizing differences in employees' needs, capabilities, experience, and career aspirations. Transformational leaders provide mentoring, coaching, developmental assignments, constructive feedback, and appropriate autonomy. They do not assume that every employee is motivated by the same reward or requires the same form of supervision. Individualized consideration can strengthen performance by addressing specific skill gaps and helping employees understand how to improve. It also signals that the organization values employees as people rather than treating them solely as units of production. However, individualized treatment must remain transparent and fair. Otherwise, employees may interpret it as favoritism. Together, the four dimensions influence employees through vision, credibility, learning, support, and meaningful relationships. Their effectiveness comes from their combined application rather than from the isolated use of charisma or motivational language.

Mechanisms Connecting Transformational Leadership with Employee Performance:

Transformational leadership does not improve performance automatically. Its effects generally operate through psychological, relational, and behavioral mechanisms.

Intrinsic Motivation:

Intrinsic motivation arises when employees experience interest, satisfaction, meaning, or personal value in performing their work. Transformational leaders strengthen intrinsic motivation by explaining the importance of tasks, acknowledging employee contributions, providing autonomy, and encouraging employees to use their abilities. A study of employees in Pakistan's telecommunications sector found positive relationships among transformational leadership, intrinsic motivation, and work performance. It also demonstrated that motivation helps explain how leadership behaviors are translated into employee outcomes. Intrinsically motivated employees are more likely to persist when tasks become difficult, search for solutions, learn new skills, and maintain quality without constant supervision. Nevertheless, intrinsic motivation should complement rather than replace fair pay, job security, and appropriate working conditions.

Work Engagement:

Work engagement involves energy, dedication, and absorption in work. Transformational leaders promote engagement by making organizational objectives understandable, giving employees opportunities to contribute, and creating a sense of progress. Daily leadership behavior can be important: evidence suggests that transformational behaviors on one day can encourage employees to use their strengths and demonstrate stronger subsequent engagement and performance. Engaged employees generally invest greater physical,

cognitive, and emotional effort in their jobs. They are also more willing to assist colleagues and respond constructively to organizational challenges.

Psychological Empowerment and Self-Efficacy:

Psychological empowerment reflects employees' perceptions that their work is meaningful, that they are competent, that they possess some autonomy, and that their actions can influence organizational outcomes. Transformational leaders strengthen empowerment by delegating responsibility, encouraging initiative, and supporting employees when they introduce well-considered ideas. Self-efficacy refers to an employee's confidence in performing particular tasks successfully. Intellectual stimulation and individualized coaching can improve self-efficacy by helping employees acquire skills and approach complex tasks systematically. When employees believe they are capable of meeting job demands, they are more willing to accept responsibility and pursue difficult objectives.

Trust and Leader–Member Relationships:

Trust is another central mechanism. Employees are unlikely to respond positively to an inspirational vision when they believe that the leader is dishonest, unfair, inconsistent, or primarily interested in personal advancement. Idealized influence creates trust by aligning managerial behavior with stated organizational values. High-quality leader–member relationships provide employees with information, support, respect, and developmental opportunities. Research has shown that leader–member exchange can mediate the relationship between transformational leadership and both task performance and organizational citizenship behavior.

Organizational Identification:

Organizational identification occurs when employees define part of their identity through membership in the organization. Transformational leaders strengthen identification by emphasizing shared values, collective achievements, organizational history, and future direction. Employees who identify with their organization are more likely to protect its interests and interpret its success as personally meaningful. However, organizational identification should not require unquestioning conformity. Effective transformational leaders allow employees to raise ethical concerns and challenge decisions that may harm the organization.

Organizational Citizenship and Innovative Behavior:

Organizational citizenship behavior includes discretionary actions that support colleagues and organizational functioning but may not be formally included in job descriptions. Examples include helping a new employee, sharing knowledge, voluntarily solving a customer problem, and suggesting improvements. A study based on 405 employees from Pakistani SMEs found that transformational leadership was connected with employee performance through organizational citizenship behavior. This indicates that transformational leaders may improve performance partly by encouraging voluntary cooperation and contributions beyond formal duties. Transformational leadership also encourages innovative work behavior by creating psychological empowerment, intrinsic motivation, and engagement in creative processes. Employees become more willing to generate, promote, and implement new ideas when managers treat responsible experimentation as valuable rather than threatening.

Transformational Leadership in Pakistani Private Organizations:

Pakistan's private sector includes large corporations, family-owned firms, banks, telecommunications companies, textile manufacturers, technology firms, educational institutions, hospitals, hotels, retail businesses, and SMEs. These organizations differ substantially in ownership, managerial professionalism, technology, workforce education, and organizational culture. Many private organizations retain centralized and hierarchical decision-making structures. Such structures can support rapid control but may discourage employees from raising concerns, sharing ideas, or accepting independent responsibility. Transformational leadership does not necessarily eliminate hierarchy; rather, it changes how authority is exercised. Managers

retain accountability while creating opportunities for participation, learning, and constructive voice. Empirical evidence from Pakistan generally supports a positive relationship between transformational leadership and performance-related outcomes. Research involving Pakistani textile organizations found that transformational leadership had a significant positive effect on employee performance and that employees' positive psychological resources influenced leadership outcomes. Research in Pakistani SMEs has similarly shown that transformational leadership can promote employee performance through citizenship behavior. Studies involving small service firms have connected transformational leadership with informal learning and job involvement, while research in hospitality organizations has emphasized engagement, satisfaction, commitment, and leader–member relationships as performance mechanisms. These findings are important because SMEs frequently possess limited financial resources and formal management systems. Their performance may therefore depend heavily on the behavior of owners and managers. A supportive manager can quickly influence communication and cooperation, whereas an authoritarian or inconsistent manager can damage morale across the whole organization. Transformational leadership may be especially valuable in Pakistani organizations facing generational change. Younger and professionally educated employees often expect learning opportunities, meaningful feedback, respectful communication, career development, and participation in decisions affecting their work. Organizations that rely exclusively on positional authority may find it difficult to retain these workers. Cultural context should nevertheless be considered. Respect for authority may make employees reluctant to challenge managers openly. Leaders must therefore create formal mechanisms for employee voice, such as confidential suggestion systems, structured team discussions, improvement meetings, and non-retaliation policies. Simply telling employees to “speak freely” will not be sufficient when previous experience has taught them that disagreement is punished.

Boundary Conditions and Implementation Challenges:

Transformational leadership is not universally effective under all conditions. Its impact depends on the credibility of leaders, employee characteristics, job design, organizational resources, and institutional practices. First, transformational leadership can become symbolic when managers communicate ambitious visions without providing resources or removing operational barriers. Employees may initially feel inspired, but motivation will decline when staffing, technology, training, or decision authority remains inadequate. Second, excessive dependence on charismatic leadership may create organizational vulnerability. Employees can become loyal to a particular individual rather than to ethical principles, professional standards, or the organization. Leadership development should therefore emphasize accountability, shared leadership, and institutional systems. Third, transformational expectations may increase pressure. Leaders who continuously ask employees to perform “beyond expectations” can unintentionally normalize unpaid work, unrealistic deadlines, and work–life imbalance. Sustainable performance requires reasonable workloads, recovery time, role clarity, and fair compensation. Finally, transformational leadership may display diminishing returns when leaders become overly involved, emotionally demanding, or excessively focused on change. Research has cautioned that transformational leadership is not automatically beneficial at every intensity and that situational conditions should be considered.

Managerial Framework and Recommendations|:

Private organizations can translate transformational leadership into performance improvement through a structured organizational framework.

Leadership Assessment and Development:

Organizations should assess managers against observable behaviors rather than vague personality characteristics. Assessment areas may include ethical consistency, communication of objectives, coaching quality, openness to employee ideas, delegation, conflict management, and support for learning. Leadership-

development programs should use simulations, feedback, mentoring, role-playing, and workplace projects. A single motivational seminar is unlikely to create lasting behavioral change.

Clear Vision and Performance Alignment:

Senior management should communicate a concise organizational vision and convert it into departmental and individual objectives. Employees should understand how their responsibilities contribute to quality, customer satisfaction, revenue, innovation, or operational efficiency. Performance indicators must remain measurable. Transformational leadership complements performance measurement; it does not replace it.

Employee Voice and Intellectual Stimulation:

Managers should conduct regular problem-solving meetings in which employees can identify operational difficulties and propose solutions. Suggestions should be evaluated transparently, and employees should receive feedback even when their proposals are not adopted. Organizations can establish innovation challenges, quality circles, cross-functional teams, and digital suggestion platforms. Recognition should be provided for useful ideas and collaborative problem solving.

Individual Coaching and Development:

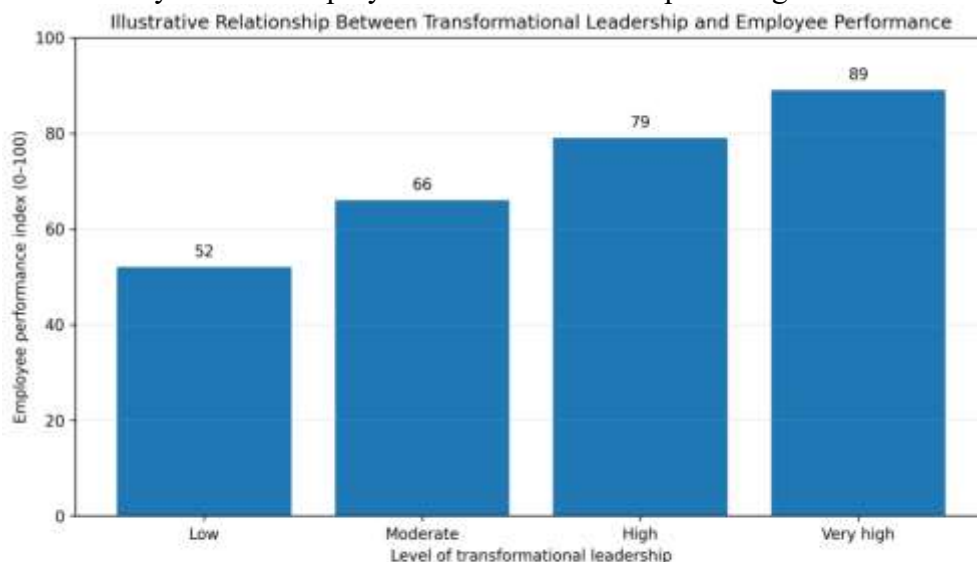
Managers should hold periodic development discussions with employees. These discussions should identify performance strengths, skill gaps, career objectives, training requirements, and appropriate levels of autonomy. Development opportunities should be allocated fairly. Coaching should lead to specific actions, such as training, mentoring, revised responsibilities, or measurable improvement goals.

Integration with Human-Resource Systems:

Transformational leadership will have limited impact when HR systems reward only short-term output or internal competition. Performance appraisal should evaluate task achievement, teamwork, innovation, learning, ethical conduct, and customer service where relevant. Promotion decisions should consider leadership behavior as well as technical performance. Employees who achieve targets through intimidation, information hoarding, or unfair treatment should not automatically be treated as effective managers.

Monitoring Organizational Outcomes

Organizations should measure whether leadership initiatives produce improvements in employee engagement, productivity, absenteeism, turnover intentions, service quality, innovation, and customer satisfaction. Employee surveys should be combined with objective performance indicators. Longitudinal measurement is preferable because leadership effects develop over time. Organizations should avoid claiming success merely because employees attended leadership training.



Note: Conceptual illustration prepared for this article; values are hypothetical and not survey findings.

Summary:

Transformational leadership provides a valuable framework for understanding how leaders can improve employee performance in private organizations. Its influence arises from four interconnected dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These behaviors can strengthen performance by developing employee motivation, engagement, empowerment, trust, organizational identification, citizenship behavior, and innovation. Research conducted internationally and within Pakistan generally supports a positive association between transformational leadership and employee performance. Meta-analytic research has demonstrated positive relationships across different performance criteria and organizational levels, while Pakistani studies have reported beneficial outcomes in SMEs, telecommunications, textiles, service firms, and hospitality organizations. However, transformational leadership should not be interpreted as motivational speaking or personal charisma. Its effectiveness depends on ethical credibility, fair organizational systems, realistic resources, employee development, and measurable objectives. It may fail when leaders communicate unrealistic visions, ignore employee well-being, suppress disagreement, or apply transformational language without changing organizational practices. Private organizations should therefore treat transformational leadership as an institutional capability. Leadership development must be connected with employee voice, coaching, transparent performance appraisal, fair rewards, learning opportunities, and sustainable workloads. When these conditions are present, transformational leaders can help employees move beyond minimum compliance and contribute actively to organizational quality, innovation, and long-term competitiveness.

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