Effects of Transformational Leadership on Employee Performance in Business Organizations: A Systematic Literature Review

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ABSTRACT

In the face of increasingly fierce and complex organizational competition, this allows organizations to change the management pattern strategy that is played especially in increasing optimal performance through the role of human resource management because it is human resources who have a mindset through ideas, opinions, as well as views that are not shared by other resources. Employees are human resources who hold the most important position in implementing an organisation's vision, mission and goals. Employee performance is one of the markers that need to be considered by the organization. When employees feel unmotivated at work, this will have an impact on inhibiting organizational operational activities. Therefore, one strong indicator of influencing the environment is the presence of a leader. There are many styles preferred by employees, one of which is the transformational leadership style, especially in the current digitalization era. This writing aims to understand and explore the influence of transformational leadership style on employee performance. The method used is a Systematic Literature review using secondary data, where the author collects data related to the theme, and information is taken from various Scopus-indexed journals. The results of the study suggest that the transformational leadership style can affect the performance of employees in the organization. Because employees are actively involved, they feel increased motivation, increased trust, willingness to follow philosophy, ideology, vision, and increased

consequences of interesting change. They have high commitment and can see one's abilities. Employees who are inspired by transformational leadership are also more likely to immerse themselves in work, resulting in better task performance and helping behaviours that ultimately help build organizational progress.

Introduction

The success of an organization is highly dependent on the people who work in it. The people who work in the organization are those who have commitment and integrity as well as a professional attitude and character. The success of the people who work is heavily influenced by the behaviour, attitude, and character of a leader. Leadership behaviour has a significant impact on employee behaviour, performance and welfare. Leadership has an important position in an organization in planning, coordinating, directing, and supervising so that the prospects for the goals of the organization run according to the expectations desired by the organization.

Leadership also greatly influences the way and order of decision-making. A good leader is a leader who is able to make decisions wisely without injuring his members, including having a positive impact on the survival of the organization he leads. Especially in the current era of digitalization, of course, the basis for decision-making itself must be based on concrete and reliable data. With data-based decision-making, the level of decisions taken is certainly more effective and greatly influences the decision-making itself. Data-driven decision-making refers to a business enterprise approach, and managers adopt decision-making based on the power of verifiable data (Rejikumar et al., 2020).

Leadership is also very influential on organizational performance because if the organization fails or the expected goals are not achieved, then the leadership is considered a failure. Therefore, to anticipate this so that it does not happen, the leadership of the organization must carry out very intense coordination with its members including other stakeholders because everything related to the operational period of the organization cannot be done unilaterally, but there needs to be mutual integration between one another. others (teamwork). One example, is the members in carrying out orders (job descriptions), the leader as the controller must carry out the controlling process so that they can know the limits or to what extent the activities carried out by their members. In addition, leaders also need to evaluate the performance of their

members if there are things that are not understood or problems that occur in the work process (feedback). With such leader behaviour, it will be possible to improve employee performance with regard to results management. The influence of change leadership on organizational culture and management practices in the company has a positive effect on planned changes through mediation and coordination of employees (Foster, 2006). For this reason, so that the goals of an organization that have been set are achieved, a leadership style is needed that helps realize these goals.

High employee performance is one of the expectations desired by the organization and how to encourage employee engagement through leadership style. The relationship between the leadership and its members must really be harmonious so that it can indirectly increase the involvement of its members in enthusiasm and motivation to work (Al-ali et al., 2017). According to Salam (2013) the success or failure of a business is very dependent on the human element in an organization. According to Pranoto (2014) if an organization wants to develop more, the organization must have human resources capable of performing well. From some of these theories provide a clear picture of how a person's leadership style influences if it is applied properly and wisely to its members so that in the end it gives birth to the expected productivity.

Leadership style is the norm for the behavior of other people, therefore a leader should be able to apply a leadership style to manage its members and influence the success of an organization or company in the form of achieving goals. One of the leadership styles that needs to be applied in the digital era that is felt today is the transformational leadership style because it has several characters such as visionary, this character is able to predict ideal conditions for the organization before planning changes to achieve its vision. Both have inspiring characters, changes in the organization are not implemented by force, because this method requires constant monitoring which means wasted human resources. These changes must be accompanied by gradual changes in thinking, mindset, and behavior. the third is adaptability, even though the goal of the company is towards a dynamic change. First, you have to adapt to the work environment because to minimize the risks resulting from various implementations of the change itself. Fourth, open-minded, to be able to implement the desired changes, there must be acceptance of values and procedures first. Leaders are required to have an open mind regarding the proposed new method. And fifth is progressive, something transformational

involves change and improvement. Therefore, leaders who have transformational goals must be progressive, willing to accept ideas and industry best practices that will raise company standards in various aspects. They are not afraid to explore new areas as long as the value will be in the future.

So in the end it can be concluded that the transformational leadership style is where superiors try or are able to make changes to subordinates so that they have high work motivation in achieving work performance so that in the end it can also increase the development and progress of the organization. One of the leadership styles discussed in this article is the transformational leadership style that affects employee performance. The transformational leadership style is the style of the leader who identifies the changes needed, develops a vision that will pave the way for the changes to be made and implements the necessary plans for these changes to occur. This transformational leadership style is also a type of leader who puts aside their personal interests and has the ability to influence extraordinary (Kharis 2015).

Several examples related to the non-occurrence of the application of transformational leadership in organizations such as in the field of Information Technology (IT). IT transformational leadership must be involved as formal mentoring, as well as powerful feedback integrated into development plan, and should be treated as a core process for the long-term success of an organization . Transformational leadership must emerge because it is very important for the needs of this field in supporting employee performance (Hickman & Akdere, 2018). Not much different from what happens to organizations in terms of internal marketing, internal marketing is a marketing activity that focuses on employees as internal customers because internal customer satisfaction is the key to external customers. Therefore, transformational leadership can play an important role in codifying human resource variables in internal marketing, which is based on the principle of giving greater attention to employees so that they can improve employee performance towards the organization (Akbari et al., 2017)

Furthermore, another example related to the non-applicability of transformational leadership occurs in the SME sector. An organization must create an environment where psychological empowerment is high, employees have the opportunity to participate in fair decision-making processes, rules, and organizational procedures. In the case of organizational justice, the relationship will be stronger if transformational leadership is present in efforts to increase employee performance (Knezović & Drkić, 2021). Transformational leadership plays an important role in decision-making efforts because it is data-based, as well as related to rules and procedures so as to enable the expected level of justice to be achieved.

Based on the description of the background, the authors suspect that there is an influence on transformational leadership on employee performance in several forms of organization. Therefore, the author will conduct a Systematic Literature Review on the influence of transformational leadership on employee performance in organizations because the phenomenon of transformational leadership is an interesting issue that needs to be researched (Hermawaty, Suhermin, & Puji, 2019).

Literature Review

Transformational leadership

Leadership in an organization has a very important role in planning, organizing, directing, and controlling. With the existence of a leader who manages all forms of organizational activity in accordance with its vision and mission, it is not impossible that the organization that is being built will achieve the desired expectations. Leadership is a determining factor for the success of an organization. This is because leadership is the center point for significant changes in the organization, leadership becomes a personality that has an impact and leadership is an art in creating organizational suitability and stability . Various follower attitudes and performance outcomes are at least partially influenced by the leader's ability to influence follower values to support organizational change (Groves, 2020). So, without an effective and good leader, the organization will run in an undirected manner (Widiasih, 2017).

Each leader has its own characteristics in influencing and guiding individuals and groups within the organization. The characteristics chosen are referred to as leadership styles. The behavior or methods used by leaders in influencing the feelings, thoughts, attitudes, and behavior of their members are referred to as leadership styles (Djunaedi & Gunawan, 2018). Effective leaders have power over certain traits and exhibit certain behaviors or leadership styles (Madanchian et al., 2017).

Transformational leadership is a model or style for a leader in influencing and guiding individuals or groups so that they can achieve the expected organizational level, one of which is through creativity and perceived organizational support (Huang et al., 2017). An employee who is transformationally mentored can nurture and be encouraged to perform well (Lei et al., 2020). In organizations, transformational leadership is an important factor that can change the

behavior of organizational champions in the context of better change (Islam et al., 2020). Transformational leadership can change *job crafting* such as increasing job structural resources and increasing job challenges and can change work behavior better (Afsar et al., 2019). Thus the organization can reap the benefits of its workforce by selecting, nurturing and developing its employees through transformational leadership which always facilitates employees to proactively drive the progress of the organization.

The concept of a leader whose leadership applies transformational leadership in the organization was first introduced by James MacGregor Burn as follows (Hidayat et al., 2017):

a. Intellectual Stimulation: Leaders not only challenge the status quo but they also encourage it in followers

b. Individual Consideration: The leader acts as a mentor or coach to followers and listens to followers' concerns and addresses their needs

c. Inspirational Motivation: Leaders have a clear vision that they are able to articulate to followers

d. Idealized influence: Followers trust and respect the leader so they emulate and internalize the leader's values and beliefs.

While the concept of implementing transformational leadership in organizations according to (Jnaneswar & Ranjit, 2020) explains that in the application of effective transformational leadership is the ability to develop effective leaders, generate employee commitment and create positive relationships at all levels in the organization. One of the advantages of transformational leadership compared to other leadership styles is that it can be applied in diverse cultures and in different contexts.

Employee performance

Today's intense competition and dynamic environment have forced organizations to rethink the way they manage to get the best out of their employees. Employee creativity has emerged as a possible source of competitive advantage because it enhances organizational performance and enhances success, as well as survival. Organizational resilience increasingly depends on the ability of employees to develop radical performance (Rampa & Agogué, 2021). Employee performance has a positive and direct effect on organizational performance through organizational leaders (Qi & Wang, 2018). Involvement takes various forms such as sharing information, providing performance evaluation feedback, and involving employees in making decisions.

A high level of involvement can improve employee performance as measured by job satisfaction and organizational commitment. (Meyer and Allen, 1991) distinguish three

different components of commitment. One of its components is the affective component, which is defined as the employee's emotional attachment to, identification with, and involvement in the organization. High-involvement practices, such as decision-making, increased power, and access to information, can strengthen employees' beliefs that the organization values their contributions and thereby increase the organizational support they feel (Eisenberger et al, 2001). Therefore, employees who feel that they are supported by their organization, may develop an affective attachment with their organization, and want to stay there as if they were the owners of the organization.

Employee performance is one of the main determinants of the effectiveness of increasing organizational performance (Pradhan & Jena, 2017). Organizational support for employee performance as a way in which employees involved will feel a close relationship with the organization (Waheed & Malik, 2019). Employee performance through skills improvement is an opportunity for organizations to increase their productivity (Beltrán-Martín & Bou-Llusar, 2018). Thus that employee performance is one of the most important factors in efforts to increase the stability of an organization and in the end the organization can survive and be able to compete in the present and in the future.

Methods

In compiling scientific articles, they must be arranged in accordance with a logical systematic. This research method uses the Systematic Literature Review method. The data used is secondary data. Where the author collects data related to the theme, data searches are carried out by searching Google Scholar with predetermined variable keywords. The articles that have been collected are read and studied carefully to see whether the articles meet the researcher's criteria to be used as literature in writing a Systematic Literature Review. Searches are limited from 2010 to 2022 which are accessed in full text in PDF format. The sources referred to in this paper can be used as a basis for efforts to increase human resources through the influence of transformational leadership in improving employee performance in organizations, namely open access publishers such as Emerald Insight, Elsevier, Wiley, Francis & Taylor, Springer, and SAGE.
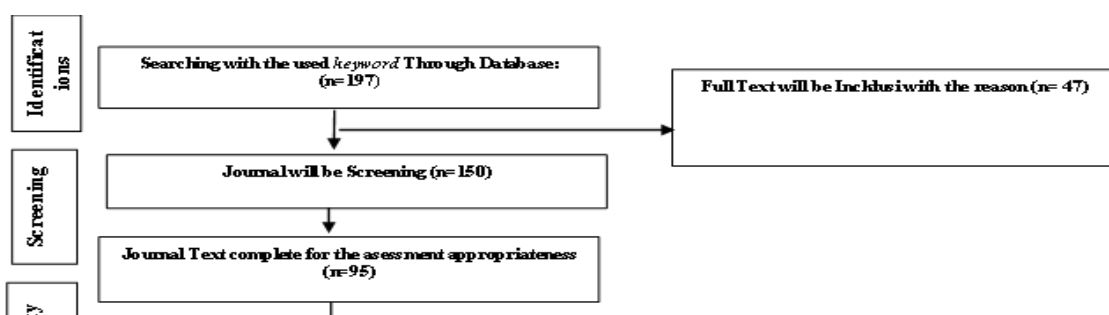
Figure.1 Data Extraction Prism Flow

Identification of problems

At this stage, namely by determining the objectives and desired results of the research conducted using a systematic literature review . This research was conducted with the aim of improving employee performance through the influence of transformational leadership in improving employee performance in organizations business . To achieve this goal, the problem can be formulated as follows:

R Q: Is there any effect of transformational leadership on employee performance in business organizations?

Result and Discussion

RQ: Is there an Influence of Transformational Leadership Style on Employee Performance?

One of the strong indicators that affect the stability and improvement of the organization is a leader. Becoming a leader is not an easy matter but full of challenges especially in the current digitalization era. According to research conducted by (Le & Lei, 2019) Leaders have a great responsibility in mobilizing their members so that organizational goals can be achieved together through knowledge management and innovation capabilities. This responsibility decreases when there is a high workload, causing a decrease in employee performance (Sadiq, 2020). Leaders basically need and must know the right way to manage their employees so that it will have a good impact on creating effective leaders and also expect to be able to encourage employees to perform high in ensuring management results (Saira et al., 2021). According to the reality that, one of the strong indicators of the success or failure of an organization depends on the elements of its leaders in the process of building and appreciating the creativity of its employees (Mahmood et al., 2019).

The behavior given by superiors to their subordinates has a major influence on employee performance. According to research conducted by (Afsar & Umrani, 2020) says that, the basis for the behavioral order given by a leader to his subordinates has a great influence on the way his employees work. Meanwhile, according to (Bui et al., 2017) that for high-performing employees it must start from a leader who applies a leadership style with a model that can make employees feel included in teamwork, namely the type of transformational leadership.

Transformational leadership can make high-performing employees by holding the principle of affective commitment which includes increased motivation, increased trust, and a willingness to follow the philosophy, ideology, vision, and guidelines of their leaders in the organization (Asiedu et al., 2016). In line with the findings made by (Dwivedi et al., 2020) transformational leadership will involve employees actively in sharing their knowledge and expertise in the team so that employees have a tendency to be very effective. Transformational leadership can increase employee engagement and perception of the consequences of interesting changes, then increase employee performance in supporting change (Faupel & Süß, 2019). Such changes must start from a leader about how they can positively influence employees in a better organizational change.

The proactive personality of a transformational leader can strengthen the effect of employee involvement on the implementation of their duties and remain guided by good teamwork, feel that the values they hold are in accordance with company values, feel confident that they are capable of carrying out their duties, and feel confident that they have a good impact on society. themselves, especially for the organization, will be able to carry out their duties to the fullest and not be burdened (Buil et al., 2019). When the application of the transformational leadership style is well achieved on the performance of its employees it is not impossible that organizational performance will also have a good impact, employees who are inspired by transformational leadership are more likely to immerse themselves in work, and in turn will produce better task performance and helping behavior (Lai et al., 2020). So that leaders with a transformational leadership style can have a significant influence on employees performance.

Conclusion and Suggestion

According to the discussion that has been described, the transformational leadership style can affect employee performance. In an organization, employees are generally a human resource which is also the most important asset. The success of an organization depends heavily on the people who work in it, especially the role of a professional transformational leader and is supported by good teamwork (team work). Optimization of work activities of an employee or a group of employees depends on the environment. Employees who are in an organizational environment led by a transformational leader can feel a positive impact, impacts that arise such as increased motivation, increased trust, willingness to follow philosophy, ideology, vision, and increased consequences of interesting changes, and have high commitment and can see ability himself. Employees who are inspired by transformational leadership are also more likely to immerse themselves in work, which in turn will result in better task performance and helping behaviors that ultimately help build organizational progress.

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