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## Transformational leadership and its impact on organizational effectiveness

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### Abstract

This study examines the relationship between transformational leadership and organizational effectiveness. Drawing upon leadership theories and empirical research, the study evaluates how dimensions of transformational leadership idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration affect employee performance, organizational commitment, and overall effectiveness. Using a survey-based quantitative approach, data was collected from 120 employees working in mid-sized organizations. Statistical analysis including correlation and regression was applied. Findings suggest a strong positive relationship between transformational leadership practices and organizational effectiveness, highlighting leadership's role as a strategic driver for sustainable organizational success.

**Keyword:** Economic and financial crimes commission (EFCC), forensic accounting, access to justice

### Introduction

Leadership plays a critical role in shaping organizational outcomes. Among various leadership styles, transformational leadership has emerged as a key approach that inspires employees to exceed expectations by fostering motivation, creativity, and commitment. With rapid globalization, technological change, and workforce diversity, organizations need leaders who not only manage but also transform.

### Problem Statement

Despite growing recognition of transformational leadership, many organizations struggle to implement leadership practices that directly improve effectiveness.

### Objectives of the Study

- To assess the impact of transformational leadership on organizational effectiveness.
- To analyze the relationship between transformational leadership dimensions and employee performance.
- To provide recommendations for adopting transformational leadership practices.

### Hypotheses

- **H1:** Transformational leadership has a significant positive impact on organizational effectiveness.
- **H2:** Dimensions of transformational leadership significantly predict employee commitment and performance.

### 2. Literature Review

- Bass (1985)<sup>[1]</sup> and Avolio & Bass outlined four foundational traits: idealized influence (role-modeling), inspirational motivation (vision and enthusiasm), intellectual stimulation (encouraging creativity), and individualized consideration (personal support). Transformational leadership has been positively linked to enhanced job satisfaction, employee engagement, organizational citizenship behavior, and innovation.
- Burns (1978)<sup>[2]</sup> introduced transformational leadership as a process where leaders and followers raise each other's level of morality and motivation.
- Prior research (Avolio & Bass, Podsakoff *et al.*, 1990)<sup>[4]</sup> links transformational leadership to job satisfaction, innovation, and improved organizational outcomes.

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- Organizational effectiveness, as defined by Cameron & Whetten (1983) <sup>[3]</sup>, refers to the ability to achieve goals, adapt to changes, and sustain growth.
- Regent University (2023). Transformational Leadership: The Impact on Organizational and Personal Outcomes. It states on how transformational leadership influences organizational citizenship, culture, vision, and follower outcomes such as empowerment and commitment.
- Klein, G. (2023) <sup>[6]</sup>. Transformational and transactional leadership: Improving Organizational Effectiveness Through Transformational Leadership. Sage Publications, Thousand Oaks, CA links transformational leadership to improved organizational effectiveness.
- Sun, K. (2023) <sup>[7]</sup>. Transformational Leadership and Followers' Innovative Behavior, Commitment to Change, and Organizational Performance. *Frontiers in Psychology*, 14. Empirical study on the relationship between transformational leaders, innovation, change commitment, and performance.
- Nguyen, N.P. (2023) <sup>[7]</sup>. Does transformational leadership influence organisational culture and joint effects on performance? *Journal Article on Science Direct*. Examines how transformational leadership and organizational culture together affect performance outcomes.

#### 4. Data Analysis and Interpretation

**Table 1:** Descriptive Statistics of Variables

Variable	Mean	SD	N
Transformational Leadership Score	4.12	0.58	120
Organizational Effectiveness	4.05	0.62	120

##### Interpretation

- The mean score of Transformational Leadership (4.12) suggests that employees generally perceive their leaders as demonstrating strong transformational qualities (on a 5-point scale).
- The mean score of Organizational Effectiveness (4.05) indicates that employees also perceive their organization as performing effectively.
- The relatively low standard deviation (0.58 & 0.62) shows responses are consistent across participants. This means most employees had similar views about their leaders and their organization.
- Implication: Leaders are practicing behaviors like vision sharing, motivation, and support, which employees recognize as positively influencing organizational functioning.

**Table 2:** Correlation Analysis

Variables	Correlation (r)	Sig. (p-value)
TL vs Organizational Effectiveness	0.741	0.000

##### Interpretation

- The correlation coefficient ( $r = 0.741$ ) indicates a strong positive relationship between transformational leadership and organizational effectiveness.
- Since the  $p\text{-value} = 0.000 < 0.05$ , the relationship is

##### Research Gap

Limited empirical evidence in the Indian organizational context on how transformational leadership impacts overall effectiveness.

#### 3. Research Methodology

**Research Design:** Quantitative, descriptive, and causal research design.

##### Population and Sample

- Population: Mid-sized manufacturing and service sector organizations in Maharashtra.
- Sample Size: 120 employees (managerial and non-managerial).
- Sampling Technique: Stratified random sampling.

##### Data Collection

- Primary Data:** Structured questionnaire (Likert scale 1-5).
- Tool:** Multifactor Leadership Questionnaire (MLQ) for transformational leadership; organizational effectiveness scale (adapted).
- Secondary Data:** Journals, reports, books.
- Data Analysis Tools:** SPSS - Descriptive statistics, Pearson's correlation, regression analysis.

statistically significant.

- In practical terms, this means organizations where leaders are transformational (inspiring, motivating, mentoring) tend to perform better, achieve goals more effectively, and maintain higher adaptability.
- Implication: If organizations wish to enhance effectiveness, they should foster transformational leadership practices.

**Table 3:** Regression Analysis Dependent Variable: Organizational Effectiveness

Predictor (Independent)	Beta	t-value	Sig.
Idealized Influence	0.312	4.28	0.000
Inspirational Motivation	0.284	3.97	0.000
Intellectual Stimulation	0.201	2.84	0.005
Individualized Consider.	0.228	3.12	0.002

Model Summary:  $R^2 = 0.63$ ,  $F = 49.56$ ,  $\text{Sig.} = 0.000$

##### Interpretation

- The  $R^2$  value of 0.63 means that 63% of the variation in organizational effectiveness is explained by transformational leadership dimensions. This is a very high explanatory power for behavioral studies.
- All four dimensions significantly contribute ( $p < 0.05$ ), but their strength differs:

**1. Idealized Influence ( $\beta = 0.312$ )**

- a) Leaders who act as role models and demonstrate integrity significantly boost employee trust and organizational credibility.
- b) This was the strongest predictor, showing that ethical, visionary, and trust-based leadership directly improves effectiveness.

**2. Inspirational Motivation ( $\beta = 0.284$ )**

- a) Leaders who inspire employees with a compelling vision and enthusiasm strongly contribute to organizational success.
- b) Motivation aligns employees with organizational goals, increasing commitment and productivity.

**3. Intellectual Stimulation ( $\beta = 0.201$ )**

- a) Leaders who encourage creativity, problem-solving, and innovation positively influence organizational growth and adaptability.
- b) Although a weaker predictor compared to the first two, it still plays a significant role in fostering innovation.

**4. Individualized Consideration ( $\beta = 0.228$ )**

- a) Leaders who mentor, support, and recognize employees' individual needs improve employee morale and retention.
- b) This enhances organizational stability and long-term effectiveness.

**Implication:** The model shows that leadership behaviors directly shape organizational outcomes. Investing in role modeling (integrity) and inspiration has the greatest payoff, while innovation and mentoring further sustain growth.

**Overall Interpretation**

- The results strongly support the hypotheses (H1 and H2).
- Transformational leadership significantly drives organizational effectiveness, not just through one dimension but through a combination of role modeling, inspiring, stimulating, and mentoring.
- Organizations where leaders demonstrate transformational qualities are more effective in achieving goals, adapting to change, and sustaining performance.
- This reinforces leadership development as a strategic investment rather than just a soft HR initiative.

**5. Findings and Discussion**

- Transformational leadership positively influences organizational effectiveness.
- Inspirational motivation and idealized influence were the strongest predictors, highlighting the role of vision and role-modeling.
- Intellectual stimulation and individualized consideration also play significant roles by fostering innovation and employee development.
- Findings are consistent with Bass (1985) <sup>[1]</sup> and Podsakoff (1990) <sup>[4]</sup>, reinforcing global evidence.

**6. Conclusion and Recommendations****Conclusion**

The study confirms that transformational leadership has a

significant positive impact on organizational effectiveness. Leaders who inspire, motivate, and support their employees foster higher commitment, performance, and adaptability.

**Recommendations**

1. Organizations should design leadership development programs to strengthen transformational traits.
2. Managers must practice vision sharing, motivation, and mentoring to enhance employee performance.
3. HR departments should integrate transformational leadership assessment tools during recruitment and training.
4. Organizations should encourage a culture of innovation and learning to maximize leadership impact.

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