

# Transformational Leadership Style and Employee Performance in Food and Beverage Manufacturing Companies of Osun State, Nigeria

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## Abstract:

**Background:** The importance of leadership in attaining the goals and objectives of organizations cannot be overemphasized. This is why it is necessary for an organization to identify the leadership styles that contribute to higher productivity. Transformational leadership is among the prevailing leadership styles of manufacturing companies in Osun State, Nigeria. However, the basic challenges of company leadership include: inability to intellectually stimulate company employees, failure to provide inspirational motivation, failure to inculcate confidence in followers otherwise referred to as idealized influence, and not paying much attention to coaching and mentoring of followers and their needs i.e. poor individualized consideration. It is on this basis that this study investigated the relationship between transformational leadership style and the performance of employees of food and beverage manufacturing companies in Osun State, Nigeria.

**Materials and Methods:** A cross-sectional survey research design that involved both qualitative and quantitative approaches was used to conduct this study. The quantitative approach of the study involved using standard statistical tools to test hypotheses and to analyze data collected for the study. Qualitative approach was also used in this study to provide in-depth responses relating to leadership styles and organizational performance. The qualitative responses, apart from enabling the observation of patterns and trends in the responses, were converted to quantitative data via a five-point Likert scale having scores ranging from Strongly Agree 5 to Strongly Disagree 1.

**Results:** Transformational leadership was found to exert significant and positive effect on employee performance [ $F(4,242)_{df} = 158.5342, p < 0.05$ ] and it explained 72.34 percent variation in performance. The components of transformational leadership had positive relationships with employee performance and they made individual contribution to performance. The biggest contribution emanated from intellectual stimulation ( $\beta = 0.314, p < 0.05$ ) and the smallest from inspirational motivation ( $\beta = 0.234, p < 0.05$ ).

**Conclusion:** The findings of the study revealed positive relationship between transformational leadership and employee performance. They also showed positive relationships for the components of transformational leadership and employee performance such that intellectual stimulation explained the largest variation in performance. So, there is need for leadership to place great emphasis on these components especially on intellectual stimulation that has the potential to heighten employee creativity and innovation and improve business competitiveness.

**Key words:** Leadership, transformational leadership style, employee performance.

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## I. Introduction

Leadership is viewed as managerial behavior designed to integrate the interests of an organization so as to produce effects for achieving particular objectives.<sup>1</sup> Leadership is the ability of an individual to motivate a group towards the accomplishment of goals.<sup>2</sup> Manufacturing companies carry out their businesses in a competitive environment and, as a result, they need to adopt leadership styles that make them not only to keep pace with change but also to be proactive in order to remain competitive. Transformational leadership is among the prevailing leadership styles of manufacturing companies in Osun State, Nigeria.

Transformational leadership style is concerned with motivating followers by providing them support to perform beyond expectation.<sup>3</sup> A Transformational leader encourages, inspires and motivates employees to innovate and create change that will help grow and shape the future success of a company.<sup>4</sup> Transformational leadership is a theory that is capable of identifying the need for change, gaining the agreement and commitment of others, creating a vision that guides change, and tackling the change.<sup>5</sup> The theory places emphasis on the leader cooperating with followers to foster and pursue change with the aim of providing benefits to an organization. Transformational leaders have the tendency to be effective because they inspire followers, show interest in meeting their emotional needs, and contribute to stimulating them intellectually.<sup>6</sup> The components

associated with transformational leadership behaviour are: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

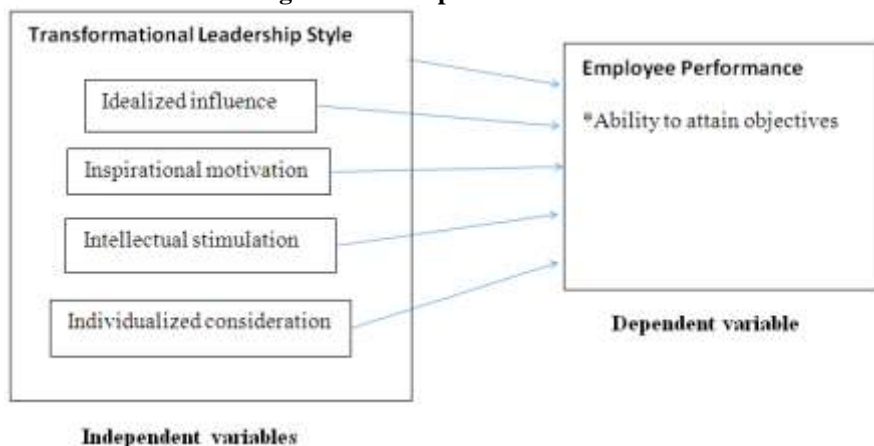
Idealized influence, as a component of transformational leadership behavior, generates profound emotional connection between the leader and follower and creates excitement about the mission.<sup>7</sup> Through vision, the charismatic leader earns the respect and trust of followers, which leads to the acceptance of challenging goals.<sup>8</sup> Transformational leaders communicate their vision with optimism and enthusiasm that signify their inspirational-motivation leadership behavior. Whereas intellectual stimulation represents transformational leadership behavior that appreciates followers thinking on their own, analyzing problems from their personal perspectives, encourages creativity and innovation, and challenges conventional wisdom, individualized consideration exemplifies behavior that gives personal attention to followers by treating them differently but equitably.<sup>8</sup> By exhibiting these behaviors, it is expected that the transformational leader will make positive contribution to organizational performance. However, there is the possibility of not meeting this expectation if the components of transformational leadership do not individually make reasonable contribution to performance. Making positive contribution to performance is sine qua non for the continued existence of organizations. Every organization needs to determine the leadership style or the combination of styles that produces optimal performance. A study that used multiple regression to evaluate the “effect of leadership style on organizational performance” found that while transactional leadership style had significant positive effect on performance, transformational leadership style had positive but insignificant effect on the performance of small scale enterprises.<sup>9</sup> Another study that investigated the impact of transformational and transactional leadership on the performance of manufacturing companies found significant positive relationship between transformational leadership style and company performance and significant weak relationship between transactional leadership style and performance.<sup>10</sup> An important conclusion of the study is that transformational leadership strives to achieve results beyond what is normal by setting higher corporate goals, by inspiring a sense of importance about the team’s mission, by stimulating employees to innovative thinking about a problem or task and by placing group goals over personal interest.

The broad objective of this study is to examine the effect of transformational leadership style on the performance of employees of food and beverage manufacturing companies in Osun State, Nigeria. The specific objectives are to ascertain the relationships between transformational leadership behaviors (idealized influence, inspirational motivation, intellectual stimulation, individualized consideration) and employee performance. Based on the objectives of this study, the following hypotheses are formulated:

- H<sub>01</sub>: transformational leadership style has no significant effect on employee performance
- H<sub>11</sub>: transformational leadership style has significant effect on employee performance
- H<sub>02</sub>: idealized-influence leadership behavior has no relationship with employee performance
- H<sub>12</sub>: idealized-influence leadership behavior has relationship with employee performance
- H<sub>03</sub>: inspirational-motivation leadership behavior has no relationship with employee performance
- H<sub>13</sub>: inspirational-motivation leadership behavior has relationship with employee performance
- H<sub>04</sub>: intellectual-stimulation leadership behavior has no relationship with employee performance
- H<sub>14</sub>: intellectual-stimulation leadership behavior has relationship with employee performance
- H<sub>05</sub>: individualized-consideration leadership behavior has no relationship with employee performance
- H<sub>15</sub>: individualized-consideration leadership behavior has relationship with employee performance

The conceptual framework that relates to the objectives and hypotheses of this study is shown in figure 1.

**Figure 1: Conceptual Framework**



Source: By researcher, 2021

## II. Materials and Methods

Four randomly selected manufacturing companies in the food and beverage industry having a total population of 1,440 employees were studied. The employees were middle-level managers and junior members of staff.

**Study Design:** The basis for carrying out the study was a cross-sectional survey design that utilized both qualitative and quantitative approaches. As a descriptive survey, the study was able to obtain information on what the respondents were currently involved in and gave explanations to the observations in order to make them easy to understand. The quantitative approach of the study involved using standard statistical tools to test hypotheses and to analyze data collected for the study. Qualitative approach was also used in this study to provide in-depth responses relating to leadership styles and organizational performance. The qualitative responses, apart from enabling the observation of patterns and trends in the responses, were converted to quantitative data via a five-point Likert scale having scores ranging from Strongly Agree 5 to Strongly Disagree 1. Employee performance was measured by employee perception of ability to attain stated objectives.

**Study Area:** The study was carried out at Osogbo, Osun State, Southwest Nigeria.

**Sample size:** 313 respondents constitute the sample size of the study.

### Sample size calculation:

The sample size for the study was calculated based on Taro Yamane formula:  $n = N/(1+Ne^2)$  where n represents the desired sample size, N represents the population of study, and e is the desired margin of error. With 5 percent error margin and a population of 1,440, the sample size for the study is given by:  $n = 1,440/[1+1,440(0.05)^2] = 313$  respondents. The respondents that constituted the sample size for the study were proportional to the population of the selected manufacturing companies.

**Inclusion criteria:** The employees that made up the study sample had tertiary education and had worked for the manufacturing companies for not less than 5 years. This was done to enhance the validity of the findings of the study.

**Exclusion criteria:** Employees without tertiary education and less than 5 years work experience did not take part in the study.

**Procedure methodology:** The structured questionnaire used for data collection, designed to fulfill the objectives of this study, contains construct items adapted from previous studies.<sup>11,12</sup> It also contains questions on demographic variables such as age, sex, income, and marital status of the respondents. The distribution followed a purposive sampling technique because of the desire to obtain answers from respondents who had tertiary education and not less than five years work experience.

**Statistical analysis:** Statistical analysis was carried out based on 79 percent response rate using Statistical Package for Social Sciences (SPSS) version 20.0. Descriptive analysis shows the relationship between transformational leadership style and employee performance while multiple regression analysis was the basis for accepting or rejecting a null hypothesis thereby indicating the effect of transformational leadership style on employee performance at 5 percent significance level. The multiple coefficient of determination,  $R^2$ , denotes the percentage of variation in employee performance that is explained by transformational leadership style.

## III. Results

Descriptive analysis shows the mean and standard deviation values of transformational leadership behavior in relation to employee performance in table 1 while table 2 shows correlation analysis.

**Table 1:** Transformational leadership behavior and employee performance

Leadership behavior	mean	standard deviation
Idealized influence	4.245	1.724
Inspirational motivation	3.750	0.942
Intellectual stimulation	3.104	0.441
Individualized consideration	2.914	1.029

Higher mean values shown in table 1 signify higher values for the measured construct.

**Table 2:** Correlation between transformational leadership behavior and employee performance

	II	IM	IS	IC	EP
II	1.0				
IM	0.24**	1.0			
IS	0.12**	0.37	1.0		
IC	0.34	0.29**	0.32**	1.0	
EP	0.62*	0.74*	0.64*	0.51*	1.0

II = Idealized influence, IM = Inspirational motivation, IS = Intellectual stimulation, IC = Individualized consideration, EP = Employee performance

Note: \*\*p < 0.01 \*p < 0.05

Table 2 shows the relationship between transformational leadership behavior and employee performance. As can be seen, the correlations are high (r = 0.51 to r = 0.74).

**Table 3:** ANOVA

Model	Sum of squares	Df	Mean square	F	Sig.
1 Regression	24.0975	4	6.0243	158.5342	0.001 <sup>a</sup>
Residual	9.2129	242	0.0380		
Total	33.3104	246			

- a. Predictors: (constant), idealize influence, inspirational motivation, intellectual stimulation, individualized consideration.
- b. Dependent variable: employee performance

**Source:** Researcher, 2021

The results in table 3 indicate statistical significance for the predictor variables on employee performance [(F(4,242)df =158.5342, p < 0.05)]. This implies that transformational leadership has a significant and positive effect on employee performance.

**Table 4:** Coefficients

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std Error	Beta		
1 (Constant)	4.345	0.712		6.102	0.000
II	0.271	0.094	0.213	2.883	0.029
IM	0.234	0.061	0.126	3.836	0.002
IS	0.314	0.124	0.297	2.532	0.005
IC	0.247	0.092	0.201	2.684	0.012

II = Idealized influence, IM = Inspirational motivation, IS = Intellectual stimulation, IC = Individualized consideration.

**Source:** Researcher, 2021

Table 4 indicates the relative contribution of independent variables to the prediction of employee performance. It is clearly seen from table 4 that an improvement, by 1 unit, in the predictor variable, idealized influence, improves employee performance by 27.1 percent (t = 2.883, p < 0.05) while an improvement in inspirational motivation, by 1 unit, improves employee performance by 23.4 percent (t = 3.836, p < 0.05) and so on.

**Table 5:** Model summary of predictors of employee performance

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.8505	0.7234	0.7189	0.1951

- a. Predictors: (constant), idealize influence, inspirational motivation, intellectual stimulation, individualized consideration
- b. Dependent variable: employee performance

**Source:** Researcher, 2021

The results in table 5 indicate that the multiple coefficient of determination has the ability to explain 72.34 percent variation in employee performance.

#### **IV. Discussion**

Providing leadership in organizations is crucial for their survival and competitiveness. This study revealed positive relationships between the components of transformational leadership [idealized influence ( $r=0.62$ ), inspirational motivation ( $r=0.74$ ), intellectual stimulation ( $r=0.64$ ), individualized consideration ( $r=0.51$ )] and employee performance. The results of multiple regression analysis indicated that the components of transformational leadership made individual contribution to employee performance. The tendency to contribute to performance was biggest for intellectual stimulation and smallest for inspirational motivation. The overall result gave indication that transformational leadership had a significant and positive effect on the performance of employees [( $F(4,242)$ df =158.5342,  $p < 0.05$ ), and had the ability to explain 72.34 percent variation in their performance. Therefore, there was support for the alternate hypotheses of this study,  $H_{11}$  to  $H_{15}$ .

In a nutshell, the following findings were made:

1. Transformational leadership style had a significant and positive effect on employee performance.
2. Idealized influence had a positive relationship with employee performance.
3. Inspirational motivation had a positive relationship with employee performance.
4. Intellectual stimulation had a positive relationship with employee performance.
5. Individualized consideration had a positive relationship with employee performance.

These findings are similar to the results of some previous empirical studies. Pradeep and Prabhu studied the relationship between effective leadership style and employee performance in India and found that transformational leadership was positively related with employee performance.<sup>13</sup> Obiwuru, Okwu, Akpa, and Nwankwere used multiple regression to evaluate the effect of leadership style on organizational performance and found that transformational leadership style had positive but insignificant effect on the performance of small scale enterprises.<sup>9</sup> The study by Etim and Agu found significant positive relationship between transformational leadership style and the performance of manufacturing companies.<sup>10</sup>

#### **V. Conclusion**

This research was carried out to ascertain the relationship between transformational leadership style and employee performance in food and beverage manufacturing companies. The findings of the study provide insights for the relationships between transformational leadership with its components and employee performance. Transformational leadership was found to exert significant and positive relationship with employee performance. The various components of transformational leadership also indicated positive relationships with employee performance. Therefore, there is need for leadership to give great regard to these components of transformational leadership especially intellectual stimulation because out of the components of transformational leadership, it explained the largest variation in employee performance and, therefore, had the potential to heighten creativity and innovation of employees and improve the competitiveness of the business of manufacturing companies.

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