



# Transformational leadership influence on organizational performance through organizational learning and innovation <sup>☆</sup>

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## ABSTRACT

This study analyzes the influences of transformational leadership on organizational performance through the dynamic capabilities of organizational learning and innovation. Although these indirect interrelations are very important for improving organizational performance, previous research has not usually explored them. The study confirms these influences empirically, basing the analysis on a sample of 168 Spanish firms. The results reveal that (1) transformational leadership influences organizational performance positively through organizational learning and innovation; (2) organizational learning influences organizational performance positively, both directly and indirectly through organizational innovation; (3) organizational innovation influences organizational performance positively.

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## 1. Introduction

Transformational leadership can be defined as the style of leadership that heightens consciousness of collective interest among the organization's members and helps them to achieve their collective goals. In contrast, transactional leadership focuses on promoting the individual interests of the leaders and their followers and attaining the satisfaction of contractual obligations on the part of both by establishing objectives and monitoring and controlling the results (Bass and Avolio, 2000). Leaders use transactional and transformational behavior to different degrees (Bass, 1999). This investigation focuses on transformational leadership. Theories of transformational leadership emphasize emotions, values, and the importance of leadership oriented to encouraging creativity in employees. Employees are a valuable resource in the firm, a resource for which the transformational leader takes responsibility and whose professional development he or she promotes (Bass, 1999; Bass and Avolio, 2000; García Morales et al., 2008a, b).

Transformational leadership attempts to create emotional links with its followers and inspires higher values. Such leadership transmits the importance of having a shared mission and infusing a sense of purpose, direction and meaning into the followers' labor (Bass, 1999). Transformational leadership becomes the motor and transmitter of innovative culture and of the dissemination of knowledge oriented to seeking the best possible organizational performance. The example of transformational leadership committed to the organization's goals and their internalization in its followers seeks to encourage commitment to results on the part of the organization's members (Bass, 1999; Bass and Avolio, 2000).

Transformational leaders have charisma, provide inspiration and promote intellectual stimulation (Bass, 1999; Bass and Avolio, 2000; Conger, 1999). Charisma generates the pride, faith and respect that leaders work to encourage their employees to have in themselves, their leaders, and their organizations. Transformational leaders provide inspiration by motivating their followers, largely through communication of high expectations. Such leaders also promote intellectual stimulation by promoting employees' intelligence, knowledge and *learning* so that employees can be *innovative* in their approach to problem solving and solutions.

Various studies analyze the influence of transformational leadership on organizational performance through intermediate constructs such as culture (e.g., Ogbonna and Harris, 2000), entrepreneurship (e.g., García Morales et al., 2006), knowledge management (e.g., Gowen et al., 2009), congruence in top management teams (e.g., Colbert et al., 2008), flexibility (e.g., Rodriguez Ponce, 2007), human-capital-enhancing human resource management (Zhu et al., 2005), competitive strategies (e.g., Menguc et al., 2007), and absorptive capacity (e.g., García Morales et al., 2008a, b). However, understanding

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