

# Effects of Transformational Leadership on Organizational Performance in Non-Governmental Organizations; Case Study of Compassion International Tanzania

Mary J. Kasanga<sup>1</sup>, Dr. Samuel Obino Mokaya<sup>2</sup>

Jomo Kenyatta University of agriculture and Technology, P. O. Box 62, 000-00200, Nairobi, Kenya

**Abstract:** *Understanding the connection between leadership and the organizational performance is an important factor for the development of effective non-governmental organizations. Leadership is associated with organizational and staff performance. It is believed that one of the crucial leadership challenges in non-governmental organizations today is maintaining organizational performance. Different scholars have positively concluded that transformational leadership is the best style in improving organizational performance. This study aimed at examining the effects of transformational leadership on organizational performance in non-governmental organizations in Tanzania. The target population comprised of Compassion International staff who included directors, managers, supervisors and normal staff from which a sample of 30 participants was picked. The primary data collection instrument was a self-developed semi-structured questionnaire comprising of both closed and open-ended questions. Data analysis involved use of both descriptive and inferential statistics. Out of the 30 respondents covered, 51.6% of the respondents were male while 48.4% were female. Majority of them had first degree (54.8%). It also emerged that most of the Compassion International staff members were aged between 30 and 49 years (74.2%) and had served in the organization for 5 years and above (61.1%). The study revealed a strong positive relationship between idealized influence and performance ( $r(29) = .74, p = .00$ ), inspirational motivation and performance ( $r(29) = .82, p = .00$ ), individualized consideration and performance ( $r(29) = .68, p = .00$ ), and intellectual stimulation and performance ( $r(29) = .65, p = .00$ ). All the four variables of transformational leadership covered had a significant positive relationship with the performance of CIT. The study recommends that CIT management must continue to promote transformative leadership to sustain the exemplary performance in the organization.*

**Keywords:** Leadership, Organizational Performance, transformational leadership.

## 1. Introduction

The role of leadership in non-governmental organizations becomes more important as contributes to improvement of the organizational performance. Today NGOs come across with different challenges due to technological change, global economic environment, globalization and widely access to information, due to these challenges; NGOs have come under pressure on which leadership style can serve them better to improve organizational performance. Theory of transformational leadership is very important in field of leadership and many studies show that there is positive relationship of transformational leadership and other dependent variable like satisfaction, commitment, motivation and performance of the employees (e.g. Kane & Tremble, 2000; Lowe *et al.*, 1996).

Back in the 1930's social scientists began to examine leadership. Through these studies, it was determined that leadership is something people do; therefore, it is something people can learn to do. Up to late 1940s the scholars introduced trait approach which is one of the earliest approaches to studying leadership, evolving from the 'great man' theories that "asserted that leadership qualities were inherited, especially by people from the upper class. Great man were born, not made (in those days, virtually all business leaders were men)" (Kirkpatrick & Locke, 1991). In the late 1940s to 1960s, the focus of leadership research shifted from leader traits to leader behavior. The researchers were particularly interested in identifying leader behaviors

that enhanced the effectiveness of subordinates. With that shift in research, the former common opinion that leaders with the right qualities have to be selected changed into the opinion that, knowing the effective leadership behaviors, leaders can be trained to become successful (Bryman, 1992).

In 1960s to 1980s the focus of leadership research was the situational or contingency approach proposes that the effectiveness of a certain leadership style is situationally contingent.

In 1980s to 2011 Transformational Leadership has been the most widely researched form of leadership. Transformational leadership was first described by James McGregor Burns and then expounded upon by Bernard Bass. Transformational leadership refers to the process whereby an individual engages with others and creates a connection that raises the level of motivation and morality in both the leader and the followers. In 1985 Bass transferred the concept of transformational leadership to organizational contexts.

The recent studies and literature point that transformational leadership style is the most appropriate, effective compared to other leadership styles, many scholars have suggested that transformational leadership style when properly applied to the organizations may result in better performance especially when properly promoting elements of transformational which are individualized consideration, intellectual stimulation, and inspirational motivation and idealized

influence. "Transformational leaders achieve the greatest performance from subordinates since they are able to inspire their subordinates to raise their capabilities for success and develop subordinates' innovative problem solving skills" (Bass, 1985). Cheung and Wong (2010) found that there is positive relationship between transformational leadership and employee creativity.

The vital question comes, if transformational leadership style is regarded as most preferred and effective than other leadership style why there are a number of organizations that do not apply transformational leadership style or they mix transformational with other styles of leadership? Today NGOs come across with different challenges due to technological change, global economic environment, globalization and widely access to information. NGOs have come under pressure on which leadership style can serve them better to improve organizational performance. Can transformational leadership serve them better than other styles of leadership as far as organizational performance is concerning? These questions call for further investigation of the effects of transformational leadership on organizational performance in NGOs.

## 2. Statement of the Problem

Transformational leadership is advocated and indorsed by a number of scholars as the most preferential and effective leadership style in enhancing organizational performance compared to other known styles. Yet in Non-governmental organizations, transformational leadership is not the most used or sometimes used together with other styles, still there is little research that has been done on effects of transformational leadership on organizational performance in NGOs. This research took a case study of Compassion International Tanzania, an international non-governmental organization which for a number of years has been using different leadership styles including transformational leadership. However, there is no study that has been done to determine the relationship between transformational leadership and performance in the NGO sector in Tanzania.

## 3. Purpose of the Study

The purpose of the study was to examine the effects of transformational leadership on organizational performance in non-governmental organizations in Tanzania using Compassion International as a case. Specifically, the study sought to assess the role of idealized influence, inspirational motivation, idealized influence and individualized consideration on organizational performance in Compassion International Tanzania.

## 4. Methodology

The study applied a quantitative approach to address the objectives and research hypothesis. The study adopted a cross-sectional research design in which data was collected at a single point within the study area, which is suitable for determining relationships between variables. The targeted population of the study comprised of staff working for Compassion International Tanzania. The study involved

both leaders and non-leaders, who had between 3 and 10 years in the organization and were working in different departments. The study employed mixed sampling techniques whereas the population was stratified then purposive sampling was used for managers and simple random sampling was used to select respondents from the three department of Compassion International Tanzania. The total sample comprised of thirty respondents ( $N=30$ ) which translated to 35% of the total population of 87. Primary data was collected using structured questionnaires, with both closed and open ended questions. Data was analyzed using quantitative data analysis techniques; descriptive tools included frequencies, percentages and meanwhile inferential statistics used were Pearson's product moment correlation that was used to test hypotheses.

## 5. Results and Analysis

The study achieved a response rate of 100% with 51.6% of the respondents were male while 48.4% were female. Anderson et al., 2006 suggest that there is little difference in the results men and women achieve as leaders. Spearman's rank order correlation between gender and transformational leadership indicated that there was no significant difference between the two variables,  $r = -.34$ ,  $N = 30$ ,  $p = .86$ . However, according Mugenda and Mugenda (2003) over 50% response rate is adequate for analysis while over 70% is rated as very good. The education levels of the participants ranged from diploma (3.2%) to postgraduate (6.5%) however, most of them had first degrees (54.8%). Previous experimental research (Barling *et al.*, 1996) has shown that transformational leadership can be enhanced via training and this makes education an important factor with regards to transformational leadership. Most of the Compassion International staff members were aged between 30 and 49 years (77.2%). This implies that majority of the employees had some work experience not necessary having worked in the organization but in other organizations. However, a few were in both extremes of the age bracket; below the age of 30 years (13.1%) and 50 years and above (10.7%). Majority of the respondents had served in the organization for 5 years and above (60.0%), although, 10.0% had served for less than 1 year, and 30.0% had served for a period of between 1 and 4 years.

### Idealized Influence and Organizational Performance

Idealized influence provides a role model for high ethical behavior, instills pride, gains respect and trust. The first objective sought to assess the role of idealized influence on organizational performance in Compassion International Tanzania. The results indicated that trust in leadership enhanced ( $M = 4.65$ ,  $SD = .71$ ) and promoted ( $M = 4.61$ ,  $SD = .50$ ) performance at Compassion International Tanzania. The respondents further felt that deeds and words of leaders also promoted organizational performance ( $M = 4.58$ ,  $SD = .56$ ) and emphasized the importance of organization's vision and mission in enhancing performance ( $M = 5.0$ ,  $SD = .00$ ).

The respondents further indicated that the integrity of the leaders in the organization also boosted its performance ( $M = 4.84$ ,  $SD = .37$ ). These findings suggest that idealized influence is an important component of a transformational

leader. This kind of leadership is evident in Compassion International Tanzania owing to the fact that the leaders were trustworthy and bestowed to a high level of integrity. The study tested an hypothesis which stated that “*there is no significant relationship between idealized influence and organizational performance*”. Pearson’s product moment correlation coefficient was used to test the hypothesis. The result indicated that there was a significant strong positive correlation between idealized influence and organizational performance,  $r(29) = .74, p = .00$ ; hence the hypothesis was rejected.

According to the findings, the respondents indicated that idealized influence played an important role in boosting the performance of compassion International Tanzania. The findings are in line with those of Gozubenli, (2009), who emphasizes the importance of common values and beliefs, emphasize the significance of a strong sense of purpose, and underline the worth of achieving a collective sense of the organization mission. Datche (2015) in her study found that idealized influence of supervisor instate corporations in Kenya was positively related and significant to organizational performance.

**Table 1:** Relationship between Idealized Influence and Organizational Performance

Variable	Correlation	Idealized influence	Performance
Idealized influence	Pearson Correlation	1	.74**
	Sig. (2-tailed)		.00
	N	30	30
Performance	Pearson Correlation	.74**	1
	Sig. (2-tailed)	.00	
	N	30	30

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

### **Inspirational Motivation and Organizational Performance**

Inspirational motivation signifies to the leader's ability to motivate confidence, motivation and a sense of being responsive to followers’ ideas and thoughts. The transformational leader enunciates a clear vision for the future, transmit expectations of the group and exhibit a commitment to the goals that have been laid out for the group to accomplish. This aspect of transformational leadership compels superb communication skills as the leader must communicate his messages with accuracy, power and a sense of clout. The second objective sought to establish how inspirational motivation influences organizational performance in Compassion International Tanzania.

In order to assess the influence of inspirational motivation on organizational performance, the respondents were given a set of statements and asked to indicate the level their level of agreement with them. The results indicate that the organization had very influential leaders who really inspired and motivated the employees ( $M = 4.60, SD = .56$ ). The respondents also acknowledged that the commitment of their leaders helped in enhancing organizational performance ( $M = 4.87, SD = .34$ ) and thus generated high levels of motivation and commitment in the workforce ( $M = 4.63, SD = .49$ ).

The respondents further indicated that the level of satisfaction with recognition they received from the leaders for doing a great job was high ( $M = 4.67, SD = .56$ ). This coupled with a high degree of integration of individual goals and objectives in the organization enhanced performance ( $M = 4.67, SD = .55$ ) and cultivated a positive attitude towards the supervisors which in turn boosted the performance of compassion International Tanzania. These findings are in line with Richard and Clifford (2008), argument that transformational leaders achieve the desired performance by actively engaging the subordinates’ personal value systems and provide ideological explanations which connect subordinates’ identities to the collective identity of their organization, thus increasing the subordinates’ intrinsic motivation to perform their job. The standard deviation ranged from .34 to .56 implying that the item responses were not scattered away from the mean.

The study tested hypothesis which stated that “*there is no significant relationship between inspirational motivation and organizational performance in Compassion International Tanzania*”. Pearson product moment correlation coefficient was used to test the hypothesis. The study revealed a significant and strong positive correlation between inspirational motivation and organizational performance,  $r(29) = .82, p = .00$ ; thus the hypothesis was rejected. This implies that idealized influence plays an important role in boosting the performance of compassion International Tanzania. This finding agrees Juma and Ndisya’s (2016) that the changes in the inspirational motivation had significant changes in employee performance.

**Table 4.1:** Correlation between Inspirational Motivation and Organizational Performance

Variable		Inspirational Motivation	Performance
Inspirational Motivation	Pearson Correlation	1	.82**
	Sig. (2-tailed)		.00
	N	30	30
Performance	Pearson Correlation	.82**	1
	Sig. (2-tailed)	.00	
	N	30	30

\*\**. Correlation is significant at the 0.01 level (2-tailed)*

### **Individualized Consideration and Organizational Performance**

Individualized consideration signifies the level a leader respects ideas and contributions, involvement of stakeholders in decision making, the relationship between gender considerations, the extent leaders encourage personal development and the level of individualized consideration on performance. The third objective sought to assess the effects of individualized consideration on organizational performance in Compassion International Tanzania. The respondents were given a set of statements regarding the influence of individualized consideration on organizational performance and asked to rate them in a scale of 1 to 5. The results indicated that the level to which respect of ideas and contributions of stakeholders enhanced performance was high ( $M = 3.47, SD = 1.43$ ). This was so because of high level of involvement of stakeholders in decision making in CIT ( $M = 3.73, SD = 1.20$ ).



Majority of the respondents felt that the relationship between gender consideration and organizational performance was also high ( $M = 4.57$ ,  $SD = .57$ ). The respondents further indicated that the extent to which their leaders encouraged them to pursue their own goals ( $M = 4.70$ ,  $SD = .60$ ) and personal development ( $M = 4.63$ ,  $SD = .55$ ) was high. Generally, most of the respondents felt that individualized consideration had a significant influence on organizational performance at CIT ( $M = 4.47$ ,  $SD = .94$ ). The standard deviation signified that there was a slightly high variation in some item responses particularly those with a deviation of 1.43 and 1.20.

The study tested an hypothesis which stated that “*Individualized consideration does not significantly affect performance of Compassion International Tanzania*”. Pearson correlation coefficient was used to test the hypothesis revealing a strong and positive correlation between individualized consideration and organizational performance at .68; thus the hypothesis was rejected. The P-value was .00 suggesting that there was a significant relationship. This indicates that organizational performance is positively related to individualized consideration.

**Table 4.2:** Correlation between Individualized Consideration and Performance

Variable		Individualized Consideration	Performance
Individualized consideration	Pearson Correlation	1	.68**
	Sig. (2-tailed)		0
	N	30	30
Performance	Pearson Correlation	.68**	1
	Sig. (2-tailed)	0	
	N	30	30

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.7 Intellectual Stimulation and Organizational Performance

Under intellectual stimulation, leaders give the subordinates the opportunity to perform their work autonomously. The latter use their experience, creativity and innovation to achieve their tasks. The influence of intellectual stimulation was measured using a set of 5-point Likert scale items. Objective four sought to determine the effect of intellectual stimulation on organizational performance in Compassion International Tanzania. The results indicate that leadership was accountable and responsible for their decision on organizational performance ( $M = 4.50$ ,  $SD = .57$ ). Most of the respondents felt that the level of accountability and responsibility of staff ( $M = 4.57$ ,  $SD = .50$ ) and transparency ( $M = 4.23$ ,  $SD = .90$ ) enhanced performance was high in the organization. The results further indicated that innovation had been very instrumental in enhancing performance in CIT ( $M = 4.33$ ,  $SD = .61$ ). The respondents also confirmed that which acceptance of change in the organization was a key ingredient in enhancing performance ( $M = 4.53$ ,  $SD = .57$ ). Overall, the respondents argued that intellectual stimulation has had an influence on the performance of CIT.

The study tested a hypothesis which stated that “*Intellectual stimulation does not significantly affect performance of Compassion International Tanzania*”. Pearson correlation

test revealed a strong and positive relationship between organizational performance and intellectual stimulation  $r(29) = .65$ ,  $p = .00$ ; hence the hypothesis was rejected. The hypothesis was tested at .01 alpha level that was set *a priori*. These findings suggest that performance at CIT increased as a result of increased intellectual stimulation. The findings concur with Al-Tarawneh *et al.* (2012) who found that transformational leaders who are intellectually stimulating can initiate a change in the company leading to a positive transformation within an organization and significantly lead to greater organizational performance.

**Table 4.3:** Correlation between Intellectual Stimulation and Organizational Performance (N=30)

Variable		Intellectual stimulation	Performance
Intellectual stimulation	Pearson Correlation	1	.65**
	Sig. (2-tailed)		0
	N	30	30
Performance	Pearson Correlation	.65**	1
	Sig. (2-tailed)	0	
	N	30	30

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## 6. Conclusions

It is clear from the findings those Compassion International Tanzania has transformational leaders who use their own knowledge, imaginations and are able to influence the behavior, skills and creativity of workers. All the four variables of transformative leadership studied; idealized influence, inspirational motivation, individualized consideration and intellectual stimulation had a significant positive relationship with the performance of CIT. The performance of CIT was high and this can be attributed to a transformative leadership. The staff members of the organization show high degree of trust to the organizational leadership. The deeds, words and integrity of leaders as well as emphasis laid on the importance of organization’s vision and mission enhanced performance.

CIT has very influential leaders who really inspire and motivate employees; thus boosting their morale and commitment at workplace. Moreover, the level of satisfaction with recognition they receive from the leaders for doing a great job is immense and continuous. This is coupled with a high degree of integration of individual goals and objectives in the organization enhance performance. Regarding individualized consideration, the institution leaders respect the ideas and contributions of stakeholders, involved stakeholders in decision making and encourage them to pursue their organizational goals. Intellectual stimulation in the organization is characterized by a leadership that is accountable and responsible for their decisions and transparency. Further, acceptance of change in the organization is a key ingredient in enhancing performance.

## 7. Recommendations

Based on the study findings, the study recommends that CIT management must continue to promote transformative leadership to sustain the exemplary performance in the

organization. CIT leaders should also continue to promote a broad, inclusive vision, show strong commitment to goals, and create trust and confidence in employees in order to sustain increased staff performance. The organization should develop a long term strategy to empower its leaders with the knowledge, skills and attitude that focuses on transformational leadership. To sustain good staff performance at CIT, leaders should also make sure the recognition and rewards system must be sustained. CIT management must continue to reward employees' good ideas, and continue to empower them to develop those ideas.

## References

- [1] Ackerman Anderson, L., & Anderson, D. (n.d.). Ten Common Mistakes in Leading Transformation. Durango, CO: Being First. Retrieved June 2013, from
- [2] Albritton, R. L. (1998). A new paradigm of leader effectiveness for academic libraries: An empirical study of the Bass (1985) model of transformational leadership. In T.F. Mech & G.B. McCabe (Eds.), *Leadership and academic librarians* (pp. 66–82). Westport, CT: Greenwood, 1998.
- [3] Alimo-Metcalfe, B. et al (2001). 'The development of a new Transformational Leadership Questionnaire'. *The Journal of Occupational & Organizational Psychology*, 74, 1-27
- [4] Avolio, B.J. et al (1999). Re-examining the components of transformational and transactional leadership using the Multifactor Leadership Questionnaire. *Journal of Occupational and Organizational Psychology*, 72 (4), 441-462.
- [5] Avolio, B.J. & Yammarino, F.J. (2002). *Introduction to and overview of transformational and charismatic leadership*. In B.J. Avolio & F.J. Yammarino (Eds.), *Transformational and charismatic leadership: The road ahead* (pp. xvii-xxii). Amsterdam: Elsevier Science.
- [6] Avolio, B.J., et al (1991). Leading in the 90s: The four I's of transformational leadership. *Journal of European Industrial Training*, 15 (4), 9-16.
- [7] Bakari, S.A., et al (2015). Exploring the Linkage between Transformational Leadership and Investment Promotion in Tanzania Case Study of Tanzania Investment Centre. *International Journal of Science and Research (IJSR)*
- [8] Barling, J., et al. (1996). Effects of transformational leadership training on attitudinal and financial outcomes: A field experiment. *Journal of Applied Psychology* 81, 827-832.
- [9] Bass (1985), Model of transformational leadership. In T.F. Mech & G.B. McCabe (Eds.), *Leadership and Academic librarians* (pp. 66–82). Westport, CT: Greenwood, 1998.
- [10] Bass, B. M. (1985). *Leadership and Performance*, N.Y. Free Press.
- [11] Bass, B. M. (1998). *Transformational leadership: Industrial, military, and educational impact*. Mahwah, NJ: Erlbaum.
- [12] Bass, B. M. (1998). *Transformational Leadership: Industry, Military, and Educational Impact* (Lawrence Erlbaum Associates, Mahwah, N.J.)
- [13] Bass, B.M. & Avolio, B.J. (Eds.). (1994). *Improving organizational effectiveness through transformational leadership*. Thousand Oaks, CA: Sage Publications.
- [14] Burns, J.M. (1978) *Leadership*. New York. Harper & Row.
- [15] Bass, B.M. (1995). Transformational Leadership redux, *Leadership Quarterly*, 6, 463-78
- [16] Bass, B.M., & Avolio, B.J. (1993). Transformational Leadership: a response to critiques, in
- [17] Dvir, T., et al 2002. Impact of transformational leadership on follower development and performance: A field study. *Academy of Management Journal*, 45: 735–744.
- [18] <http://changeleadersnetwork.com/free-resources/tencommon-mistakes-in-leadingtransformation>
- [19] Gillespie, N. A. and Mann, L. (2000). The building blocks of trust: The role of transformational leadership and shared values in predicting team members' trust in their leaders, Presentation to the Academy of Management Annual Meeting, (Toronto, Canada).
- [20] Hater, J.J., & Bass, B.M. (1988). Superior evaluations subordinates' perceptions of transformational and transactional leadership, *Journal of applied Psychology*, 73,
- [21] Pielstick, C.D. (1998). The transforming leader: A meta-ethnographic analysis. *Community College Review*, 26 (3), 15-34.
- [22] Scott, M. H and Peter, W. (2009). Empirical Investigation of the Effects of Transformational and Transactional Leadership on Organizational Climate. *Journal of Applied Psychology*, 4, 16-18.
- [23] Shin, S. J. and Zhou, J. (2003). Transformational Leadership, Conservation and Creativity: Evidence from Korea. *Academy of Management Journal*, 46 (6): 703-714.
- [24] Transformational leadership', *Journal of Business Ethics*, 14 (10), 829-838
- [8] Cummings, L. L. and O'Connell, M. J. (1978). Organizational Innovation. *Journal of Business Research*, 6: 33-50.
- [24] Yukl, G. (2009). Leadership and organizational learning: An evaluative essay. *Leadership Quarterly*, 20, 49–53.