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The Role of Transformational Leadership on Digital Innovation and Performance in Large Organizations

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Abstract

Transformational leadership is a leadership style that emphasizes the importance of inspiring and motivating employees to achieve a common goal. The role of transformational leadership on digital innovation in large organizations is critical. Transformational leaders are able to inspire and motivate their employees to embrace the digital innovation process. They are able to create a vision of the future that is compelling and inspiring. This paper sought to determine the role of transformational leadership on digital innovation and performance in large organizations. The paper adopted a desk study review methodology where relevant empirical literature was reviewed to identify main themes. The study was conducted in large organizations. The study finds that role of transformational leadership on digital innovation and performance in large organizations is vital. Transformational leaders have the ability to inspire and motivate their followers to achieve common goals, and this is particularly important in the context of digital innovation and performance. The study concluded that digital innovation has become a critical aspect for large organizations to remain competitive in the rapidly evolving business landscape. As organizations continue to embrace digitalization, there is a growing need for transformational leadership to drive digital innovation initiatives successfully. The study recommends that leaders should develop a clear vision and strategy for digital innovation that is aligned with the organization's overall objectives. This should be clearly communicated to all stakeholders and employees. The leaders should foster a culture of innovation that encourages experimentation, risk-taking, and creativity. This can be achieved by promoting an environment that rewards new ideas and initiatives.

Keywords: *Transformational Leadership, Digital Innovation, Performance, Large Organizations*

1. Introduction

In an era marked by rapid technological advancement and a constant drive to innovate, the role of transformational leadership in fostering digital innovation and performance within large organizations cannot be overstated (Wang, Noe & Wang, 2019). Digital innovation has become a critical issue for large organizations in today's business world. Business organizations have to confront complex challenges following global economic crises, disrupted supply chains, shifting markets, future of work and 5th industrial revolution. It is with this backdrop that digital innovation has become increasingly important in enhancing competitiveness, growth and survival of large organizations. As organizations continue to undergo digital innovation, the role of strategic leadership has become increasingly important. In particular, transformational leadership has been identified as a key driver of digital innovation and performance in large organizations (Mpinganjira & Basu, 2019). The combination of transformational leadership and digital innovation creates a powerful synergy that can accelerate performance in large organizations. By adopting a transformational leadership approach, organizations can nurture a culture that values creativity, collaboration, and risk-taking – essential ingredients for successful digital innovation (Jaiswal & Dhar, 2021). This paper examined the role of transformational leadership on digital innovation and performance in large organizations.

Transformational leadership is a leadership style that emphasizes the importance of inspiring and motivating employees to achieve a common goal (Kimani & Obanda, 2019). Transformational leaders are characterized by their ability to inspire, motivate, and empower employees. They are able to create a vision of the future and articulate that vision to their employees in a way that inspires them to work towards that vision. Transformational leaders also place a high value on the development of their employees and provide them with the resources and support they need to achieve their goals (Jaiswal & Dhar, 2021).

The role of transformational leadership on digital innovation in large organizations is critical. Transformational leaders are able to inspire and motivate their employees to embrace the digital innovation process. They are able to create a vision of the future that is compelling and inspiring. This vision helps to create a sense of purpose and direction for employees as they work towards achieving the organization's digital innovation goals (Ng'ang'a & Njiru, 2020).

Transformational leaders are also able to create a culture of innovation within the organization. They encourage employees to experiment with new digital technologies and processes, and they provide them with the resources and support they need to do so (Rwegerera, 2020). This culture of innovation is essential for driving digital innovation in large organizations. Transformational leaders also place a high value on the development of their employees. They provide them with the training and resources they need to develop the skills necessary for digital innovation. This investment in employee development is critical for the success of digital innovation initiatives. Transformational leaders are able to create a sense of urgency around digital innovation (Varghese & Kurup, 2020). They communicate the importance of digital innovation to their employees and stakeholders and create a sense of urgency around the need to embrace digital innovation. This

sense of urgency helps to overcome resistance to change and drives the organization towards digital innovation.

One of the primary ways in which digital innovation enhances performance in large organizations is by enabling them to become more agile and responsive to changing market dynamics. In an era of rapid disruption, organizations that can quickly adapt and respond to new opportunities are better positioned to thrive. Digital technologies facilitate real-time data collection and analysis, allowing decision-makers to make more informed choices and pivot strategy as needed. This increased agility translates into enhanced competitiveness and a stronger market position (Nadkarni,2021)

Digital innovation is a critical priority for large organizations (Wu & Li, 2019). By integrating digital technology into all areas of the organization, organizations can improve operational efficiency, enhance customer experiences, and create new revenue streams. However, it also requires organizations to think critically about their business models, processes, and organizational culture and make changes accordingly. Therefore, leadership is thus vital in overseeing digital innovation technologies such as Internet of Things Cloud computing, Artificial intelligence/machine learning and big data and analytics among others whose outcomes are critical to both organization and customers. By taking a proactive and collaborative approach to digital innovation, leaders can help organizations to remain competitive and thrive in a rapidly changing digital landscape. Therefore, this paper explores the role of the role of transformational leadership on digital innovation and performance in large organizations.

The specific objectives are;

  i. To determine the extent of transformational leadership adoption in large organizations
 ii. To establish the challenges faced in digital innovation in large organizations
iii. To determine the impact of transformational leadership on digital innovation and performance in large organizations

2. Methodology

This paper sought to determine the role of transformational leadership on digital innovation and performance in large organizations. The paper adopted a desk study review methodology where relevant empirical literature was reviewed to identify main themes. The study was conducted in large organizations. Large organizations often have substantial assets and financial resources, including capital, equipment, infrastructure, and technology. The organizations also have a significant presence in the market, a strong brand, and intellectual property rights. Transformational leadership was operationalized using idealized influence, inspirational motivation, intellectual stimulation and individual consideration. Digital innovation in large organizations was operationalized using organizational based and customer based tools. Organizational based tools include return on digital investments, marketing expenditure in digital channels, new products or services launched on the market and innovative methodologies adopted. Customer based tools include new customer acquisition rate, customer participation in digital

channels, time taken to market new products and improved user experience. Environmental aspects were operationalized using internal and external factors. Performance was operationalized using profit margin, innovation metrics, employee productivity and customer retention rate. Transformational leadership was hypothesized to significantly contribute in enabling digital innovation in large organizations. The study was limited to empirical data from online sources, journals, reports and books.

3. Literature Review

Lee, Lee and Lee (2020) examined the impact of transformational leadership on digital innovation and the moderating role of organizational culture. The results showed that transformational leadership has a positive impact on digital innovation, and the relationship is stronger in organizations with a culture of innovation. Wu, Li, and Li (2019) examined the mediating role of knowledge management capability in the relationship between transformational leadership and digital innovation. The results showed that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by knowledge management capability.

Wang, Noe and Wang (2019) examined the mediating role of promotion focus in the relationship between transformational leadership and employee creativity. The results showed that transformational leadership has a positive impact on employee creativity, and the relationship is mediated by promotion focus. The study also found that regulatory focus moderates the relationship between transformational leadership and promotion focus.

Lee and Kim (2021) found that transformational leadership positively influences organizational performance by fostering a culture of innovation and creativity, which leads to the development and implementation of innovative digital solutions. The study also found that organizational culture mediates the relationship between transformational leadership, digital innovation, and organizational performance. Furthermore, Hong et al. (2021) found that transformational leadership positively influences both digital innovation and financial performance in large organizations. The study found that transformational leaders create a supportive environment that encourages digital innovation and enhances financial performance.

Chinyamurindi and Shumba (2019) explored the relationship between transformational leadership and digital innovation in South African organizations. The study found that transformational leadership significantly predicted digital innovation and had a positive impact on organizational performance. Akinlabi, Oke, and Oladipo (2020) examined the relationship between transformational leadership, digital innovation, and organizational performance in Nigerian organizations. The study revealed that transformational leadership significantly predicted digital innovation and organizational performance. Çakmak and Çalık (2018) examined the moderating role of psychological ownership in the relationship between transformational leadership and digital innovation. The results showed that transformational leadership has a positive impact on digital innovation, and the relationship is stronger in organizations with a high level of psychological ownership.

Guo and Wang (2017) compares the relationship between transformational leadership and digital innovation in Chinese and US firms. The results indicated that transformational leadership has a positive impact on digital innovation in both Chinese and US firms, but the relationship is stronger in US firms. Oyelere and Adebiyi (2021) assessed the impact of transformational leadership on digital innovation in Nigeria. The results showed that transformational leadership has a positive impact on digital innovation, and the relationship is stronger in organizations that have a culture of innovation and a clear digital strategy.

Rwegerera (2020) literature review study provides an overview of the role of transformational leadership on digital innovation in Sub-Saharan Africa. The study found that transformational leadership has a positive impact on digital innovation in Africa, and it highlights the need for leaders to have a clear vision, effective communication, and the ability to build trust and commitment among employees. Abdul-Aziz and Okoroji (2019) study examined the impact of transformational leadership on digital innovation in Ghana. The results show that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by organizational culture and the level of employee participation in decision-making.

Mpinganjira and Basu (2019) framework study proposed a model for understanding the role of transformational leadership on digital innovation in Africa. The study highlighted the importance of a clear vision, employee engagement, and the ability to foster a culture of innovation in achieving successful digital innovation. Azcona and Oyelere (2018) study examined the impact of transformational leadership on digital innovation in South African firms. The results indicated that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by organizational culture and the level of employee participation in decision-making.

Njeru and Were (2020) study examined the impact of transformational leadership on digital innovation in Kenyan organizations. The results indicated that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by factors such as employee engagement, communication, and organizational culture. Ng'ang'a and Njiru (2020) study focused on the role of transformational leadership in driving digital innovation and performance in Kenyan banks. The study found that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by factors such as employee motivation, communication, and organizational culture.

Muthee and Muathe (2019) study examined the influence of transformational leadership on digital innovation in Kenya's telecommunication industry. The results indicated that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by factors such as organizational culture, employee engagement, and communication. Kimani and Obanda (2019) study investigated the relationship between transformational leadership and digital innovation in Kenyan public sector organizations. The study found that transformational leadership has a positive impact on digital innovation, and the relationship is mediated by factors such as employee motivation, communication, and organizational culture.

Jaiswal and Dhar (2021) systematic literature review study identified the key dimensions of transformational leadership that impact digital innovation and performance. The study established that the dimensions of intellectual stimulation, individualized consideration, and idealized influence have the most significant impact on digital innovation. Ogunnaike, Adebayo, and Olawumi (2021) study assessed the relationship between transformational leadership dimensions and digital innovation in Nigerian firms. The study established that the dimensions of idealized influence, inspirational motivation, and intellectual stimulation have a positive impact on digital innovation and performance, while individualized consideration has a negative impact.

Yilmaz (2020) systematic review study sought to identify the dimensions of transformational leadership that impact digital innovation. The study established that the dimensions of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration all have a positive impact on digital innovation. Varghese and Kurup (2020) study examined the relationship between transformational leadership dimensions and digital innovation in Indian IT firms. The study established that the dimensions of idealized influence, inspirational motivation, and intellectual stimulation have a positive impact on digital innovation, while individualized consideration has no significant impact.

3.1 Case Studies of Digital innovations in large organizations

Case Study 1: IBM

An example of transformational leadership in digital innovation can be seen in the case of IBM. In the early 1990s, IBM was struggling to keep up with competitors in the rapidly evolving technology industry. However, under the leadership of CEO Lou Gerstner, IBM underwent a major digital innovation that helped the company to become a leader in the technology industry. Gerstner was known for his visionary leadership style, and he was able to rally his employees around a shared vision of transforming IBM into a digital enterprise. Gerstner's approach to digital innovation was based on a deep understanding of the needs and aspirations of his employees, and he was able to tailor his approach to meet the specific needs of different groups within the company. This approach helped IBM to become a leader in the technology industry, and it is a testament to the power of transformational leadership in digital innovation.

Case Study 2: Netflix

Another example of transformational leadership in digital innovation can be seen in the case of Netflix. Netflix was initially a DVD rental service, but under the leadership of CEO Reed Hastings, the company underwent a major digital innovation that helped it to become a leader in the streaming video industry. Hastings was known for his intellectual stimulation leadership style, and he was able to encourage his employees to think creatively and critically about new ways to use digital technologies. This approach led to the development of innovative technologies like the recommendation algorithm that has become a key part of the Netflix user experience. Hastings' approach to digital innovation demonstrates the importance of intellectual stimulation in

transformational leadership, and it highlights the potential for innovation that can be unleashed through this approach.

Case Study 3: Flutterwave

Another example of transformational leadership in digital innovation can be seen in the case of Nigeria's Flutterwave, a financial technology company. Under the leadership of CEO Olugbenga Agboola, Flutterwave has emerged as a leader in digital payments in Africa. Agboola is known for his visionary leadership style, and he has been able to inspire his employees to think big and to take risks in developing new digital solutions. This approach has led to the development of innovative payment solutions like the Flutterwave API, which allows businesses to accept payments from customers across Africa. Agboola's approach to digital innovation demonstrates the importance of visionary leadership in driving digital innovation in African organizations.
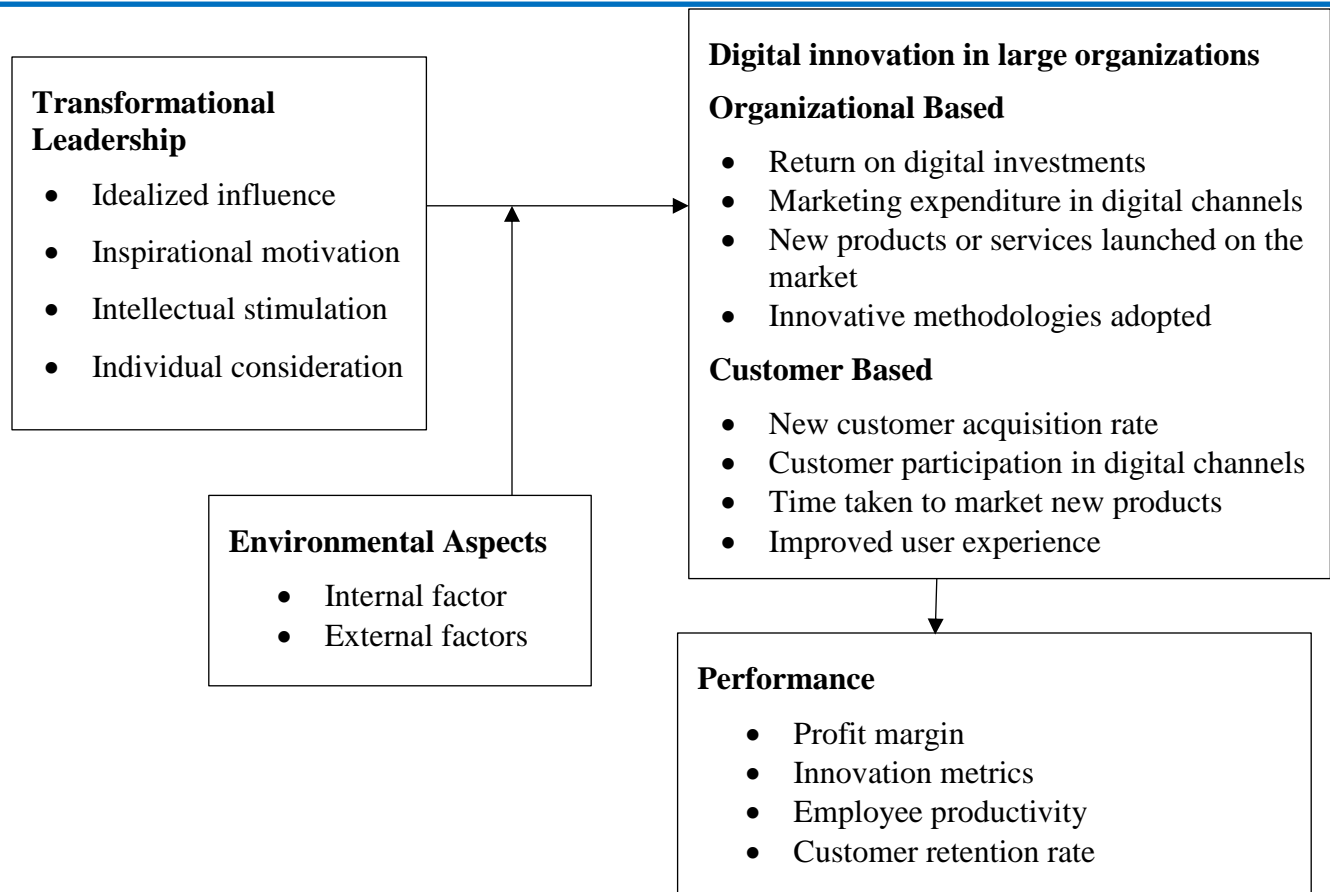
Case Study 4: Safaricom

One example of transformational leadership in digital innovation can be seen in the case of Safaricom, a Kenyan telecommunications company. Under the leadership of CEO Bob Collymore, Safaricom underwent a major digital innovation that helped the company to become a leader in mobile money services in Africa. Collymore was known for his transformational leadership style, and he was able to create a culture of innovation within the company. He encouraged his employees to think creatively and to come up with new solutions to the challenges facing the company. This approach led to the development of M-PESA, a mobile money transfer service that has revolutionized financial services in Africa. Collymore's approach to digital innovation demonstrates the power of transformational leadership in driving innovation in African organizations.

3.3 Conceptual Framework

The conceptual framework presents the interrelation between the study variables.

Transformational Leadership

- Idealized influence
- Inspirational motivation
- Intellectual stimulation
- Individual consideration

Environmental Aspects

- Internal factor
- External factors

Digital innovation in large organizations

Organizational Based

- Return on digital investments
- Marketing expenditure in digital channels
- New products or services launched on the market
- Innovative methodologies adopted

Customer Based

- New customer acquisition rate
- Customer participation in digital channels
- Time taken to market new products
- Improved user experience

Performance

- Profit margin
- Innovation metrics
- Employee productivity
- Customer retention rate

Figure 1: Conceptual Framework

4. Discussion

The study finds that role of transformational leadership on digital innovation and performance in large organizations is vital. Transformational leaders have the ability to inspire and motivate their followers to achieve common goals, and this is particularly important in the context of digital innovation and performance. Transformational leaders are able to articulate a clear and compelling vision for their organization's future, and this is particularly important in the context of digital innovation.

The interconnection between Transformational Leadership and Digital Innovation is critical to the success of organizations in today's digital age. Transformational leaders are essential to the success of digital innovation initiatives, as they create a culture of collaboration, experimentation, and risk-taking that is necessary for digital innovation to thrive. Organizations that embrace both transformational leadership and digital innovation are more likely to be agile, responsive, and innovative, which can result in improved performance and sustained success. They are better equipped to respond to changing market conditions and customer needs, and are more likely to remain competitive in the long term. In addition, transformational leadership and digital innovation can lead to increased employee engagement and job satisfaction, which can have a positive impact

on employee retention and productivity. When employees are engaged and feel empowered to contribute to the organization's success, they are more likely to perform at their best thus improving performance.

Transformational leaders are well-suited to driving digital innovation within their organizations. Their focus on empowerment and employee development can help to create a culture of innovation, where employees feel encouraged to experiment with new ideas and technologies. Transformational leaders also have a strong vision for the future, which can help to guide digital innovation initiatives and ensure that they are aligned with the overall strategic direction of the organization. When combined, transformational leadership and digital innovation can have a significant impact on organizational performance. By creating a culture of innovation and empowering employees to take ownership of their work, organizations can become more agile and responsive to changing customer needs. Digital innovation can also help to streamline processes and reduce costs, which can lead to improved profitability and overall financial performance. Additionally, by leveraging digital technologies to create new products and services, organizations can open up new revenue streams and gain a competitive advantage in their respective markets.

One of the main challenges is a lack of skilled personnel. The country's education system does not adequately prepare graduates to meet the requirements of digital innovation. Additionally, most organizations lack the financial resources to hire and retain skilled personnel. This shortage of skilled personnel makes it challenging to implement and manage digital innovation initiatives effectively. Another significant challenge is the lack of infrastructure. Kenya's digital infrastructure, including broadband networks and reliable power supply, is still developing, which hinders the successful implementation of digital innovation. Moreover, large organizations in Kenya tend to operate in rural areas where the infrastructure is underdeveloped, further limiting their ability to implement digital innovation. Regulatory issues also present a significant challenge to digital innovation in large organizations in Kenya. The country's regulatory environment is complex and often difficult to navigate, leading to delays in implementing digital innovation initiatives. This challenge is compounded by the lack of clarity in regulations governing digital innovation, which can make it difficult for organizations to comply with the regulations. The limited funding for digital innovation is also a challenge. Most organizations in Kenya are struggling financially, and funding digital innovation projects can be challenging. Additionally, the lack of venture capital funding in Kenya means that organizations have to rely on their internal resources to fund digital innovation initiatives.

In conclusion, transformational leadership plays a crucial role in the success of digital innovation and performance in large organizations. By providing a clear vision, tailoring their approach to meet the specific needs of their employees, encouraging critical thinking and creativity, and inspiring and motivating their followers, transformational leaders can help to create a culture of innovation and digital readiness and performance within their organizations.

5. Conclusion

The role of transformational leadership in driving digital innovation and performance in large organizations cannot be overstated. As the business environment becomes increasingly complex and competitive, organizations must adapt and embrace new technologies to stay ahead of the curve. Transformational leadership serves as a catalyst for change by inspiring and motivating employees, fostering a culture of innovation, and promoting collaboration across all levels of the organization. Through the adoption of transformational leadership, large organizations can effectively address the challenges associated with digital innovation, such as resistance to change, limited access to skilled talent, and inadequate infrastructure. By focusing on employee development and growth, transformational leaders can attract and retain top talent, which is essential for driving digital innovation and maintaining a competitive edge. Moreover, transformational leadership facilitates data-driven decision-making and the implementation of effective change management strategies, which are critical for the successful adoption of digital innovations. By promoting a culture of continuous improvement and fostering an environment that encourages risk-taking and experimentation, transformational leaders can ensure that their organizations remain agile and adaptive in the face of change

In this context, transformational leadership can be defined as a leadership approach that inspires and motivates employees to achieve organizational goals through visionary and innovative strategies.

6. Recommendation

   i.   The leaders should develop a clear vision and strategy for digital innovation that is aligned with the organization's overall objectives. This should be clearly communicated to all stakeholders and employees.

  ii.   The leaders should foster a culture of innovation that encourages experimentation, risk-taking, and creativity. This can be achieved by promoting an environment that rewards new ideas and initiatives.

 iii.   The leaders should invest in reliable and up-to-date digital infrastructure to support innovation initiatives. This includes hardware, software, and internet connectivity, as well as cybersecurity measures to protect sensitive data and systems.

  iv.   The leaders should foster a data-driven culture that encourages the use of data and analytics in decision-making processes. This can help organizations make more informed decisions, optimize resource allocation, and better adapt to changing market conditions. They should also implement effective change management strategies to facilitate the successful adoption of digital innovations. This includes clear communication of the benefits and impact of new technologies, as well as providing support and resources for employees to navigate the change.

   v.   The leaders should embrace a mindset of continuous improvement, regularly reviewing and refining digital innovation strategies and initiatives. This will help organizations stay agile, adapt to market changes, and maintain a competitive edge.

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