

Literature Review

Transformational leadership has become one of the most dominant approaches in leadership studies, primarily due to its significant impact on organizational performance and employee outcomes. Burns (1978) first introduced the concept by distinguishing between transformational and transactional leadership. Bass (1999) expanded this model by identifying the four dimensions of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

Numerous studies highlight the positive relationship between transformational leadership and employee performance. For instance, Avolio and Yammarino (2013) demonstrated that transformational leaders encourage innovation and creativity, leading to enhanced organizational outcomes. Similarly, Judge and Piccolo (2004) provided meta-analytic evidence showing that transformational leadership is strongly associated with employee satisfaction, motivation, and performance.

In the context of SMEs, leadership plays an even more critical role due to the limited resources and high levels of competition. Research by Al Kahtani (2015) in Saudi Arabia revealed that transformational leadership positively impacts job performance and motivation in SMEs. Likewise, Alonderiene and Majauskaite (2016) emphasized that transformational leadership contributes to higher organizational commitment and employee engagement.

However, challenges exist. SMEs often lack structured leadership development programs and face cultural constraints that may hinder the adoption of transformational practices (Alghamdi, 2018). Despite these challenges, evidence indicates that transformational leadership can significantly improve performance and foster sustainable growth in SMEs when effectively applied.

Overall, the literature suggests a consistent pattern: transformational leadership enhances employee performance, motivation, and satisfaction across different contexts, with particular importance for SMEs in emerging economies such as Saudi Arabia.

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