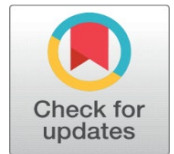


TRANSFORMATIONAL LEADERSHIP STRATEGIES FOR ENHANCING ORGANIZATIONAL EFFECTIVENESS IN THE DIGITAL ECONOMY



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ABSTRACT

Modern organizations have set opportunities and challenges due to the technological innovation, digital communication systems, automation, artificial intelligence, and data-driven decision-making. Transformational leadership has proved to be an effective leadership style in this dynamic environment in enhancing organizational effectiveness, employee engagement, innovation and adaptability. The research paper will discuss the transformational leadership strategies and how it improves the organizational effectiveness within the digital economy. The paper examines the ways of promoting innovation and motivation, fostering organizational culture, and supporting digital transformation programs by transformational leaders. employees and managers that are in digitally transforming organizations. Descriptive statistics and hypothesis testing techniques were used to conduct statistical analysis. impact on the employee productivity, the ability to adapt to the changing technologies, the organisational innovation and to the overall organisational performance. The research paper comes to the conclusion that companies in the digital economy demand vision leaders capable of driving the employees to work and develop constant innovation.

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1. INTRODUCTION

The advent of the digital economy has reshaped the work environment of organizations to a great deal. The fast development of digital technologies in the form of changed the way business is done, as well as how organizations are managed. There is an increasing need to shifting customer demands, and an ever-competitive global market. Leadership is very important in steering organizations in order to achieve success in such a fast-changing environment.

Conventional leadership styles that emphasized on oversight and regulation are not enough in the current digital world. The organizations are now in need of leaders capable of inspiring employees, spurring creativity, promoting teamwork and leading organizations through the endless transformation. Transformational useful leadership styles to organizations in the digital economy. Transformational leaders develop a corporate vision, motivate the workforce to perform better and generate an atmosphere of trust, innovativeness, and creativity.

Transformational leadership lays stress on intellectual stimulation, inspirational motivation, personal consideration and idealized influence. They allow organisations to maximise the satisfaction of the employees, raise productivity and promote organizational flexibility. Transformational leadership in the digital economy where technological changes are quite fast means that they need to be encouraged to take innovation and to adapt to digital transformation initiatives.

Organizational effectiveness is the capacity of an organization to successfully deliver its plans and goals in a manner that is effective and efficient in that the employees become content, the operation of the organizations are effective, and the customer's content. Organizational effectiveness in the digital economy determines how an organization can adjust to digital technologies, adapt to market changes and stay a competitive edge. Transformational leadership help organizational effectiveness through the generation of positive work environment, enhancement of communication and the empowerment of employees.

The current research examines the transformational leadership measures towards improving organizational performance in the digitalized economy. The study aims at finding out the effects among employees in terms of employee performance, innovation, technological adherence and organisational development. The paper also uses statistical analysis to understand the correlation between transformational leadership and organizational effectiveness.

2. REVIEW OF LITERATURE

According to [Avolio and Yammarino \(2013\)](#), styles to enhance organizational performance and motivation of employees. In their research, transformational leaders can motivate employees by developing a powerful vision and making them fulfill organizational objectives through efforts and self-esteem. The authors emphasized that change management in organizations is most effectively achieved through leaders who prioritize on employee development, trust and communication. Their work also revealed particularly relevant in contemporary business conditions where the organizations need to continuously adjust to the changes that happened in technological and economic conditions.

In a study on the topic of organizational change, [Al-Haddad and Kotnour \(2015\)](#) highlighted the role of leaders in transition processes. They stated that any change

may be difficult and complicated in an organization that is trying to apply new systems, technologies, or management strategies. Leadership facilitates employees to accept such changes in a more positive manner and decreases resistance at the workplace. The researchers determined that successful organizational change is driven by transformational leadership as these leaders inspire employees, enhance communication, and give employees a feeling of belongingness in the workplace. Their research proposed that leadership contributes significantly toward adapting organizations to changing business environments.

[Bass and Riggio \(2006\)](#) have explained transformational leadership in detail and the effects they have on employees and organisations. They, expounded, transformational leadership attributes to four significant components: individualized consideration, and idealized leaders stimulate employees to think innovatively, be creative, and perform better than expected. They also found that emotional support, motivation, and commitment to organizational objectives are much greater among employees under the guide of transformational leaders. This study established that transformational leadership enhances individual and organizational performance.

[Gilli et al. \(2019\)](#) analyzed the topic of leadership in the digital era and were able to provide an opinion on whether modern organizations need to introduce new leadership skills because of the technological progress. As the authors clarified, digital transformation has transformed organizational operations, and demands leaders with an ability to integrate technological knowledge and strong leadership skills. Their results indicated that despite the importance of digital skills, conventional leadership trait elements like communication, trust, motivation and vision are still needed. It was concluded that transformational leadership can be extremely useful in the digital economy as it assists organizations in promoting innovation and coping with the rapid technological changes.

[Hassan et al. \(2021\)](#) examined the association between e-leadership and innovation in companies. The analysis of academic sources revolved around the benefit of leaders in utilizing digital communication technologies to handle employees and enhance organizational performance. The researchers discovered that leaders who utilize digital platforms to employ transformational leadership strategies can enhance the creativity and innovativeness of the employees. They also discovered that employees are more engaged and motivated when leaders guide, support and offer opportunities to participate. The research emphasized that the digital leadership plus transformational leadership practices will play a great role in enhancing organizational innovation in the digital environment.

[Kotter \(2012\)](#) talked about the roles of leadership in change and transformation in organizations. He said that organizations that work in competitive settings have to constantly change in response to new challenges and change in technology. The author points out that an effective organizational change must rely on leaders capable of developing a clear vision and encouraging the employees to take the change initiatives. The paper has highlighted the fact that transformational leaders are successful as they instil confidence, fostering team work and ensuring that the employees overcome fear and hesitation whenever faced with a change process. The work of Kotter emphasized that leadership is among the greatest aspects in influencing successful organization change.

[Northouse \(2021\)](#) described various theories of leadership and underlined. The author states that transformational leaders inspire employees to reach more performance levels through stimulating and encouraging them. The authors were

able to establish that transformational leadership enhances organizational effectiveness by establishing a positive workplace of trust, collaboration, and innovation. Northouse also depicted that transformational leadership is very appropriate in organizations struggling with quick changes since it promotes flexibility, creativity and employee empowerment.

[Robbins and Judge \(2019\)](#) looked at the aspect of organizational behavior and how leadership affects employee performance and an organizations success. They elaborated that employees are highly motivated, content and productive when their leaders are strong. Their research revealed that transformational leadership models provide a positive organizational culture and such culture makes employees feel appreciated and will give their best to achieve organizational objectives. The authors also explained that companies that have good leadership practices have better teamwork, employees that are more committed and increased organizational performance.

[Salamzadeh and Gunton \(2020\)](#) examined how digital transformational leadership is related to organizational agility in a digital transformation phase. Their study revealed that transformational leadership contributes to organizations swiftly reacting to technological and market-level change. The authors clarified that the more flexible and innovative organizations are in adopting the digital technologies, the more likely they are led by transformational leaders. The paper also emphasized that enhances and increases the willingness of employees to change to new systems and technologies. They indicated that leadership is relevant towards successful digital transformation.

The paper by [Schermmerhorn \(2019\)](#) covered the aspect of leadership and management in enhancing organizational productivity and performance among employees. The writer explains that competent leaders promote group work, communication and involvement of employees in operations of the organization. The paper has highlighted that transformational leadership leads to innovation and growth in an organization since transformational leaders encourage employees to give ideas and engage in problem solving activities. The author has incorporated a conclusion that the best organizational effectiveness and success of organizations best entailed strong leadership practices.

[Tarsik et al. \(2021\)](#) examined various leadership styles associated with a digital transformation. In their research, they revealed the presence of organizational leadership styles of companies that worked in the technological environment. The authors discovered that transformational leadership helps in adapting employees, innovating, and bringing change in organizations. The paper has also described the reason why modern organizations are increasingly relying on the transformational leaders in order to effectively handle the digital transformation and retain competitive advantages in the fast evolving markets.

[Westerman et al. \(2014\)](#) explored the issue of how organizations apply the digital technologies to enhance business processes and gain competitive advantages. The authors presented the idea that one of the success factors of digital transformation is leadership. Their research revealed that companies, which have a high level of transformational leadership, are more effective in deploying digital technologies and enhancing the performance of their operations. The researchers also emphasised that transformational leaders support innovation, teamwork and lifelong learning and that are required to succeed in the digital economy.

[Yukl \(2020\)](#) examined the subject of leadership as a practice and how it affects the effectiveness of an organization. The author states that transformational

leadership enhances organizational commitment, communication, and motivation of the employees. The research revealed that transformational leaders aid in equipping employees with new abilities, enhancing their performance, and achieving success by directly contributing to the success of the organization. Yukl further elaborated that transformational leadership comes in handy particularly in competitive business context where organizations have to be innovative and flexible to survive and develop.

Eitan and Gazit (2020) explored the topic of transformational leadership in online communication space using online leadership communities as an example. Their research revealed that quite effective even in the virtual and digital work environments. The authors rationalized that leaders with effective communication abilities and who motivate employees over digital platforms can enhance engagement and collaboration among employees. Their results implied that transformational leadership remains significant to enhance organizational effectiveness in digitalized organizations formed in the present times.

3. OBJECTIVES OF THE STUDY

- 1) To examine the impact of transformational leadership on organizational effectiveness in the digital economy.
- 2) To analyze the relationship between transformational leadership and employee adaptability toward digital transformation.
- 3) To evaluate the role of transformational leadership in promoting innovation and organizational performance.

4. RESEARCH METHODOLOGY

As the current research was done quantitatively and descriptively, it considered the question on strategies to improve the effectiveness of the organization in the digital economy. The research concentrated on organizations, which are now learning about the digital technologies and strategies towards change in the operations.

4.1. Research Design

Descriptive research design was used to study effectiveness of organizations. The research question was to define the transformational leadership practices whether they were or were not on employee motivation, innovative, adaptive and performance within the digital business world.

4.2. Data Collection

Structured questionnaires were used to achieve primary data which were made available to the workers, the managers and the team leaders who work in the organizations during the process of the digital transformation. The questions in the questionnaire that were close ended and Likert scale were all associated with leadership practices, motivation of the employees, organization innovation and organizations capacity to change towards technology and organization performance as well.

4.3. Sampling Technique

Simple random sampling technique was applied in identifying the respondents so as to obtain respondents in various organizations. The sample had consideration of 150 that happened to be the managers, supervisors and employees of the technology having and digitally transforming the organizations.

4.4. Data Analysis Tools

The statistics tools that were used in analyzing the collected data included mean, standard deviation, percentage analysis and hypothesis testing. The descriptive statistics helped understand the answer to the questions of the participants and provide the hypothesis testing that can be used the connections transformational of the organization.

Table 1

Table 1 Descriptive Statistics		
Variables	Mean	Standard Deviation
Employee Motivation	4.32	0.61
Technological Adaptability	4.18	0.58
Organizational Innovation	4.41	0.55
Leadership Effectiveness	4.37	0.63
Organizational Performance	4.29	0.60
Employee Satisfaction	4.25	0.57

Analysis

The descriptive statistics indicate that effectiveness in digital economy. The mean motivation level of employees was 4.32, and this implies that transformational leadership significantly influences the ability of the employees to get motivated to work towards attaining organizational goals. Enthusiastic Workers at transformational leaders are highly enthusiastic, committed and attached to Organization activities.

The technological adaptability score of 4.18 indicates that the transformational leadership style encourages the employees to adopt the technological changes and other digital transformation programs. In a digital economy, the companies must continually transform and adopt new emerging technologies to remain competitive. Another responsibility that transformational leaders must bear is to ensure that the employees embrace and adopt changes in technology.

A rating of 4.41 on the scale of organizational innovation depicts that organisations practising transformational leadership are very innovative. Transformational leadership encourages creativity, solving of problems and knowledge exchange among the employees, an aspect that encourages innovation and growth within the organization.

The leadership effectiveness score of 4.37 means that transformational leaders are capable of influencing the organizational culture and performance of the employees in a positive way. Good leadership will increase communication, cooperation and trust in the employees within the organization.

The organizational performance score (4.29) indicates that transformational leadership could be applied in the achievement of increased productivity, operational efficiency and organisational focus. The average employee satisfaction score was also high of between 4.25 and this means that transformational leadership will create a work environment which is conducive and motivating.

Table 2

Table 2 Hypothesis Testing			
Test Used	Calculated Value	p-value	Result
Regression Analysis	0.82	0.001	Accepted
Correlation Analysis	0.78	0.003	Accepted
Regression Analysis	0.85	0.002	Accepted

Analysis

The results of the hypothesis testing reflect the positive strong effectiveness. In the case of Hypothesis H1, the regression analysis gave an obtained value of 0.82 with the p-value of 0.001; this consequently. The finding validates the claim that transformational leadership has a positive impact on the effectiveness of organizations within the digital economy.

In the case of Hypothesis H2, the correlation analysis obtained a calculated value of 0.78 and a p-value of 0.003. This finding suggests that transformational leadership has a considerable effect on employee adaptability when facing digital change efforts. Employees in the positions of transformational leaders are more ready to utilize new technologies and take part in the programs of the digital transformation.

In the case of Hypothesis H3, the regression analysis produced a calculated value of 0.85, and a p-value of 0.002, and thus it was initially established is a significant contributor to the organizational innovation and performance of employees. Transformational leaders also provide an environment that fosters creativity, teamwork and life-long learning, which also adds to innovation in the organization.

The results of the hypothesis testing plays a very significant role in enhancing organization effectiveness in digital economy. Companies that employ transformational leadership are in a better position to attain innovation, work satisfaction, technological flexibility, and sustainability in the organization.

5. CONCLUSION

To sum up, transformational leadership has become a great method of leading an organization in the digital economy. The blistering, automation, artificial intelligence, the global competition, and the necessity to motivate the employees, stimulate innovation, and manage the organizational change has created the necessity to find leaders, who are able to motivate employees, invoke innovation, effectively managing the change in the organization. The results of the research show that transformational leadership plays a significant role in improving the effectiveness of the organization by increasing employee motivation, technological flexibility, innovation and at large organizational performance.

The research found out that transformational leaders develop organizational culture where employees feel free to collaborate, be creative and learn continuously and engage in work. The staff under the transformational leadership is more ready to accept digital transformation programs and to be active in goal achievement were accepted because the statistical analysis revealed a significant positive correlation between transformational leadership and the organizational effectiveness.

Additionally, transformational leadership assists organizations to react strongly to the requirements of the digital economy through promoting strategic thinking, innovation, and adaptability. Transformational leadership strategies enable organizations to reach sustainable growth, stay competitive, and enhance performance in fast-changing digital business environments.

Organizations therefore should invest in the development of leadership programs that enhance the transformational leadership aspects among managers and team leaders. Through harnessing the spirit of digital transformation, the venture of a visionary leadership, motivating organizational culture, and innovation culture, organizations can effectively do away with the digital transformation and reach new grounds of organizational effectiveness in businesses of the new digital economy.

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