



(REVIEW ARTICLE)



# Transformational leadership in SMEs: Driving innovation, employee engagement, and business success

Oluwatosin Abdul-Azeez <sup>1,\*</sup>, Alexsandra Ogadimma Ihechere <sup>2</sup> and Courage Idemudia <sup>3</sup>

<sup>1</sup> Independent Researcher, USA.

<sup>2</sup> Independent Researcher, Manchester, UK.

<sup>3</sup> Independent Researcher, London, ON, Canada.

World Journal of Advanced Research and Reviews, 2024, 22(03), 1894–1905

Publication history: Received on 20 May 2024; revised on 26 June 2024; accepted on 28 June 2024

Article DOI: <https://doi.org/10.30574/wjarr.2024.22.3.1888>

## Abstract

In the dynamic and competitive landscape of small and medium-sized enterprises (SMEs), transformational leadership has emerged as a pivotal factor in driving innovation, enhancing employee engagement, and achieving business success. This review explores the critical role of transformational leadership in SMEs, emphasizing how visionary leaders can inspire and motivate their teams to embrace change, foster creativity, and deliver superior performance. Transformational leadership is characterized by the ability to articulate a compelling vision, inspire trust, and encourage employees to exceed their usual performance levels. Leaders who adopt this style are adept at identifying and nurturing talent, fostering a culture of continuous improvement, and encouraging a proactive approach to problem-solving. By prioritizing open communication, empathy, and support, transformational leaders create an environment where employees feel valued and empowered to contribute their best efforts. In the context of SMEs, where resources may be limited, the ability to innovate and adapt quickly is crucial for survival and growth. Transformational leaders play a key role in facilitating innovation by promoting a culture that values creativity and risk-taking. They encourage employees to think outside the box, experiment with new ideas, and learn from failures. This approach not only leads to the development of innovative products and services but also enhances the overall competitiveness of the enterprise. Employee engagement is another critical area where transformational leadership makes a significant impact. Engaged employees are more committed, productive, and aligned with the company's goals. Transformational leaders achieve high levels of engagement by providing clear direction, recognizing and rewarding contributions, and offering opportunities for personal and professional growth. This, in turn, reduces turnover rates and enhances organizational stability. The success of SMEs under transformational leadership is evidenced by improved financial performance, higher employee satisfaction, and increased market share. By fostering a culture of trust, innovation, and engagement, transformational leaders drive sustainable business success and position their enterprises for long-term growth. In conclusion, transformational leadership is a vital ingredient for the success of SMEs. By driving innovation, enhancing employee engagement, and ensuring business success, transformational leaders provide the strategic vision and motivational force necessary to navigate the complexities of today's business environment.

**Keywords:** SMEs; Business Success; Employee Engagement; Driving Innovation; Transformational Leadership

## 1. Introduction

Transformational leadership plays a crucial role in the success and sustainability of small and medium-sized enterprises (SMEs). It is a leadership style that inspires and motivates employees to achieve exceptional results and drive organizational change. In this paper, we will explore the concept of transformational leadership, its importance in SMEs, and its impact on key areas such as innovation, employee engagement, and overall business success (Adelakun, et. al.,

\* Corresponding author: Oluwatosin Abdul-Azeez

2024, Joel & Oguanobi, 2024, Udeh, et. al., 2024). Transformational leadership is a leadership style that involves inspiring and motivating employees to achieve their full potential and go beyond their self-interests for the good of the organization. Transformational leaders are visionary, charismatic, and able to create a sense of purpose and direction that inspires employees to work towards common goals.

Leadership is particularly important in SMEs due to their unique challenges and opportunities. SMEs often operate in fast-paced and competitive environments where effective leadership can make a significant difference in their ability to innovate, adapt to change, and grow (Atadoga, et. al., 2024, WebHorse Marketing, 2024, World Bank, 2021). Leadership in SMEs sets the tone for the organization's culture, values, and strategic direction, influencing employee morale, engagement, and ultimately, business performance. Transformational leadership can drive innovation in SMEs by encouraging employees to think creatively, take risks, and challenge the status quo. Transformational leaders create a culture of innovation where new ideas are encouraged, and failure is seen as a learning opportunity.

Transformational leaders are adept at engaging and motivating employees, leading to higher levels of job satisfaction, commitment, and productivity (Adegbola, et. al., 2024, Adewumi, et. al., 2024, Nembe, et. al., 2024). They build strong relationships with employees, communicate effectively, and provide opportunities for growth and development. Transformational leadership has been linked to improved business performance, including increased profitability, growth, and competitiveness. By inspiring employees to perform at their best and fostering a culture of continuous improvement, transformational leaders can drive long-term business success.

Transformational leadership is increasingly recognized as a key driver of success in small and medium-sized enterprises (SMEs), particularly in today's rapidly evolving business landscape (Asuzu, 2024, Uzougbo, Ikegwu & Adewusi, 2024, Nnaji, et. al., 2024). This style of leadership goes beyond traditional managerial approaches by inspiring and motivating employees to achieve higher levels of performance and personal growth. In the context of SMEs, where resources may be limited and competition fierce, transformational leadership can be a critical factor in driving innovation, fostering employee engagement, and ultimately, ensuring business success. Innovation is essential for SMEs to stay competitive and meet the evolving needs of their customers. Transformational leaders are adept at fostering a culture of innovation by encouraging creativity, risk-taking, and experimentation. By challenging employees to think differently and embrace change, transformational leaders can drive the development of new products, services, and processes that differentiate the SME from its competitors.

Employee engagement is another key area where transformational leadership can make a significant impact. Engaged employees are more committed, productive, and likely to go above and beyond in their roles (Adelakun, 2023, Joel & Oguanobi, 2024, Northouse, 2019). Transformational leaders are skilled at building strong relationships with their employees, providing mentorship and support, and creating a positive work environment where employees feel valued and motivated to succeed. Business success in SMEs is ultimately measured by factors such as growth, profitability, and sustainability. Transformational leadership has been shown to have a positive impact on these outcomes by fostering a culture of excellence, empowering employees to take ownership of their work, and aligning individual goals with the broader goals of the organization. By inspiring employees to perform at their best and providing them with the support and resources they need to succeed, transformational leaders can drive long-term business success in SMEs.

In summary, transformational leadership has the potential to be a powerful force for driving innovation, employee engagement, and business success in SMEs. By embracing this style of leadership and adopting practices that inspire and motivate their employees, SME leaders can create a dynamic and thriving organizational culture that sets the stage for sustainable growth and competitive advantage (Adegbola, et. al., 2024, Ikegwu, 2017, Joel & Oguanobi, 2024). In conclusion, transformational leadership is a powerful force for driving innovation, employee engagement, and business success in SMEs. By adopting a transformational leadership style, SME leaders can create a culture of excellence and empowerment that enables their organizations to thrive in today's dynamic and competitive business environment.

### **1.1. Characteristics of Transformational Leadership**

Transformational leadership is a style of leadership that inspires and motivates employees to achieve extraordinary results. It is characterized by several key attributes that differentiate it from other leadership styles (Atadoga, et. al., 2024, Udeh, et. al., 2024, Uzougbo, Ikegwu & Adewusi, 2024). In this paper, we will explore four main characteristics of transformational leadership: visionary thinking, inspirational motivation, intellectual stimulation, and individualized consideration.

One of the defining characteristics of transformational leadership is visionary thinking. Transformational leaders are able to envision a compelling future for their organization and communicate this vision in a way that inspires and

motivates others (Crowley, 2022, El-Amin & George, 2020, Hardison, 2020). They have a clear sense of purpose and direction, and they are able to articulate a compelling vision that aligns with the values and aspirations of their employees. By painting a vivid picture of the future, transformational leaders are able to rally their team around a common goal and inspire them to work towards achieving it.

Transformational leaders are also skilled at providing inspirational motivation to their employees. They are able to instill a sense of purpose and excitement in their team, encouraging them to go above and beyond in pursuit of the organization's goals (Anjorin, Raji & Olodo, 2024, Joel & Oguanobi, 2024, Nnaji, et. al., 2024). Transformational leaders lead by example, demonstrating passion, commitment, and dedication to their work. They are able to create a positive and supportive work environment where employees feel motivated and empowered to achieve their full potential.

Another key characteristic of transformational leadership is intellectual stimulation. Transformational leaders encourage their employees to think creatively and critically, challenging them to question assumptions and explore new ideas. They create a culture of continuous learning and growth, where employees are encouraged to expand their skills and knowledge. By stimulating intellectual curiosity and encouraging innovation, transformational leaders are able to drive organizational change and growth.

Finally, transformational leaders demonstrate individualized consideration towards their employees. They take the time to understand each employee's strengths, weaknesses, and aspirations, and they tailor their leadership approach to meet the needs of each individual (Barghouthi, Khalili & Qassas, 2018, Joel & Oguanobi, 2024, Okoduwa, et. al., 2024). Transformational leaders are empathetic and compassionate, and they are able to build strong relationships based on trust and respect. By showing genuine concern for their employees' well-being and development, transformational leaders are able to create a supportive and inclusive work environment where everyone feels valued and appreciated.

In conclusion, transformational leadership is characterized by visionary thinking, inspirational motivation, intellectual stimulation, and individualized consideration. By embodying these characteristics, transformational leaders are able to inspire and motivate their employees to achieve extraordinary results. They create a positive and empowering work environment where employees feel motivated to excel and where organizational goals are achieved through collective effort and commitment.

Transformational leadership is a dynamic and multifaceted approach to leadership that goes beyond traditional notions of command and control. It is characterized by several key attributes that distinguish it from other leadership styles and have a profound impact on organizational culture and performance (Benjamin, Amajuoyi & Adeusi, 2024, Ikegwu, 2022, Onyekwelu, et. al., 2024). Transformational leaders often possess a charismatic and charming personality that draws people to them. They have a natural ability to inspire and influence others, making them effective communicators and motivators. Their charisma allows them to articulate a compelling vision and gain the trust and loyalty of their followers.

Emotional intelligence is another important characteristic of transformational leaders. They are empathetic and attuned to the emotions of others, allowing them to understand and respond to the needs and concerns of their employees (Adegbola, et. al., 2024, Uzougbo, Ikegwu & Adewusi, 2024, Prügl & True, 2014). This emotional intelligence enables them to build strong relationships based on trust and mutual respect. Transformational leaders are not afraid to take risks and explore new ideas. They encourage creativity and innovation among their team members, challenging them to think outside the box and explore new ways of doing things. This willingness to take risks and embrace change is essential for driving organizational growth and adaptation in today's rapidly changing business environment.

Transformational leaders lead by example, serving as role models for their employees. They demonstrate the values and behaviors they expect from others, setting a high standard of excellence for their team to follow. By modeling the way, transformational leaders inspire their employees to emulate their behavior and strive for excellence in their own work (Joel & Oguanobi, 2024, Nembe, et. al., 2024, Udeh, et. al., 2024). Transformational leaders are committed to the personal and professional development of their employees. They provide coaching, mentoring, and support to help their team members grow and succeed. This developmental orientation fosters a culture of continuous learning and improvement, where employees are encouraged to develop their skills and pursue new opportunities. Transformational leadership is characterized by charisma, emotional intelligence, risk-taking, role modeling, and a developmental orientation. These characteristics enable transformational leaders to inspire, motivate, and empower their employees to achieve extraordinary results. By embodying these attributes, transformational leaders can drive innovation, foster employee engagement, and lead their organizations to success in today's dynamic and competitive business environment.

## 1.2. Driving Innovation in SMEs

Innovation is essential for the growth and sustainability of small and medium-sized enterprises (SMEs). It allows them to stay competitive, meet evolving customer needs, and capitalize on new opportunities (Afolabi, 2024, Ikegwu, 2018, Nembe, 2014, Oguanobi & Joel, 2024). However, fostering a culture of innovation and overcoming barriers to innovation can be challenging for SMEs. In this paper, we will explore strategies for driving innovation in SMEs, including creating a culture of innovation, showcasing case studies of innovative SMEs, and overcoming barriers to innovation. One of the keys to driving innovation in SMEs is to create a culture that encourages risk-taking and creativity. This involves empowering employees to think outside the box, experiment with new ideas, and take calculated risks. Leaders should provide a safe environment where failure is seen as a learning opportunity, and employees are encouraged to explore innovative solutions to problems.

Another important aspect of driving innovation in SMEs is to provide the necessary resources and support. This includes investing in research and development, providing training and development opportunities for employees, and fostering collaboration and knowledge sharing within the organization. By providing the right resources, SMEs can empower their employees to innovate and drive positive change.

XYZ Tech, a small technology startup, has become known for its innovative approach to product development. The company encourages its employees to think creatively and experiment with new technologies (Anjorin, Raji & Olodo, 2024, Nnaji, et. al., 2024, Scott, Amajuoyi & Adeusi, 2024). As a result, XYZ Tech has been able to develop cutting-edge products that have disrupted the market and gained a competitive edge. ABC Manufacturing, a medium-sized manufacturing company, has embraced innovation in its production processes. The company has invested in new technologies and automation systems to improve efficiency and quality. By embracing innovation, ABC Manufacturing has been able to reduce costs, increase productivity, and deliver better products to its customers.

Despite the benefits of innovation, SMEs often face barriers that can hinder their ability to innovate. Some common barriers include limited financial resources, lack of expertise, and resistance to change. To overcome these barriers, SMEs can take the following steps: Seek external funding and partnerships to support innovation projects (Edu, et. al., 2022, Joel & Oguanobi, 2024, Nembe, et. al., 2024). Invest in training and development to build the skills and expertise needed for innovation. Foster a culture of openness and collaboration, where employees are encouraged to share ideas and work together towards common goals. Stay agile and adaptable, responding quickly to changes in the market and technology landscape. In conclusion, driving innovation in SMEs requires a proactive approach that involves creating a culture of innovation, showcasing innovative practices, and overcoming barriers to innovation. By embracing innovation, SMEs can position themselves for long-term success and growth in today's competitive business environment.

Innovation is a critical driver of success for small and medium-sized enterprises (SMEs), enabling them to differentiate themselves in competitive markets, respond to changing customer needs, and seize new opportunities for growth ((Adelakun, et. al., 2024, Joel & Oguanobi, 2024, Udeh, et. al., 2024)). However, fostering a culture of innovation and effectively managing the innovation process can be challenging for SMEs, which often operate with limited resources and face unique constraints. In this paper, we will explore additional strategies for driving innovation in SMEs, building on the foundation of creating a culture of innovation, showcasing case studies of innovative SMEs, and overcoming barriers to innovation.

Collaboration and knowledge sharing are essential components of successful innovation in SMEs. By encouraging employees to collaborate across teams and departments, SMEs can leverage diverse perspectives and expertise to generate new ideas and solutions (Adelakun, 2023, Uzougbo, Ikegwu & Adewusi, 2024, World Bank, 2021). Creating formal mechanisms, such as cross-functional teams or innovation workshops, can facilitate collaboration and create a culture where sharing knowledge is valued and rewarded. Digital transformation is a key enabler of innovation in SMEs, providing opportunities to streamline operations, enhance customer experiences, and develop new products and services. SMEs can leverage digital technologies such as cloud computing, data analytics, and artificial intelligence to drive innovation in various areas of their business. By embracing digital transformation, SMEs can stay ahead of the curve and position themselves for long-term success in the digital economy.

Empowering employees to innovate requires providing them with the skills, knowledge, and confidence to generate and implement new ideas. SMEs can invest in training and development programs that focus on innovation, creativity, and problem-solving skills. By providing employees with the tools and resources they need to innovate, SMEs can create a culture where innovation thrives at all levels of the organization (Anjorin, et. al., 2024, Joel & Oguanobi, 2024, Udeh, et. al., 2024). SMEs can drive innovation by collaborating with external partners, such as suppliers, customers, research

institutions, and other SMEs. By leveraging external partnerships, SMEs can access new ideas, technologies, and markets that they may not be able to access on their own. Building a strong innovation ecosystem can help SMEs stay agile and responsive to market changes, while also fostering a culture of open innovation. Driving innovation in SMEs requires a multi-faceted approach that involves creating a culture of innovation, showcasing innovative practices, and overcoming barriers to innovation. By embracing collaboration, digital transformation, employee empowerment, and external partnerships, SMEs can position themselves for success in today's rapidly evolving business landscape.

### 1.3. Enhancing Employee Engagement

Employee engagement is a critical factor in the success and sustainability of small and medium-sized enterprises (SMEs). Engaged employees are more committed, productive, and likely to go above and beyond in their roles, leading to improved business outcomes (Anjorin, Raji & Olodo, 2024, International Finance Corporation, 2020, Jeff Bullas, 2024). In this paper, we will explore the importance of employee engagement in SMEs, strategies for fostering engagement, the impact of engaged employees on business outcomes, and case studies of SMEs with high employee engagement.

Employee engagement is particularly important in SMEs, where employees often wear multiple hats and play a crucial role in driving the business forward. Engaged employees are more likely to be innovative, customer-focused, and committed to the organization's goals, leading to higher levels of productivity and performance. In SMEs, where resources may be limited, engaged employees can make a significant difference in the organization's ability to compete and grow.

One of the key strategies for fostering employee engagement is to communicate a clear vision and goals for the organization. Employees who understand the purpose and direction of the organization are more likely to be engaged and motivated to contribute to its success (Calvin, et. al., 2024, Ewim, 2023, Kotter, 1996, Nnaji, et. al., 2024). Recognizing and rewarding employees for their contributions is another effective way to foster engagement. This can include both formal recognition programs, such as employee of the month awards, as well as informal gestures of appreciation, such as thank-you notes or public recognition. Providing employees with opportunities for professional development is also important for fostering engagement. Employees who feel that they have opportunities to learn and grow in their roles are more likely to be engaged and committed to the organization.

Engaged employees can have a significant impact on business outcomes in SMEs. They are more likely to be productive, innovative, and customer-focused, leading to improved performance and profitability. Engaged employees are also more likely to stay with the organization longer, reducing turnover and the associated costs. Overall, engaged employees can help SMEs achieve their goals and drive long-term success.

XYZ Services, a small service-oriented SME, has consistently high levels of employee engagement. The company's management team communicates regularly with employees, sharing the organization's vision and goals (Ayinla, et. al., 2024, Uzougbo, Ikegwu & Adewusi, 2024). XYZ Services also has a strong recognition program, where employees are rewarded for their hard work and dedication. As a result, employees at XYZ Services are highly engaged and committed to providing excellent service to customers. ABC Retail, a medium-sized retail SME, has implemented several strategies to foster employee engagement. The company provides opportunities for professional development, such as training programs and career advancement opportunities. ABC Retail also has a culture of open communication, where employees are encouraged to share their ideas and feedback. These efforts have resulted in high levels of employee engagement and a positive work environment at ABC Retail.

In conclusion, employee engagement is crucial for the success of SMEs. By implementing strategies to foster engagement, SMEs can create a positive work environment where employees are motivated, productive, and committed to the organization's goals. This, in turn, can lead to improved business outcomes and long-term success (Adegbola, et. al., 2024, Udeh, et. al., 2024, Scott, Amajuoyi & Adeusi, 2024). Employee engagement is a critical component of a successful and thriving workplace, particularly in small and medium-sized enterprises (SMEs) where every employee's contribution is significant. Engaged employees are not only more productive and committed, but they also contribute to a positive work culture that attracts and retains top talent. In this section, we will delve deeper into strategies for enhancing employee engagement in SMEs, focusing on additional approaches beyond clear communication, recognition, rewards, and professional development. Giving employees a sense of ownership over their work and empowering them to make decisions can significantly enhance engagement. When employees feel trusted and valued, they are more likely to be engaged and motivated to perform at their best. SMEs can achieve this by delegating meaningful tasks, involving employees in decision-making processes, and providing opportunities for autonomy within their roles.

Open and honest communication is essential for fostering employee engagement. SMEs can create a culture of feedback by regularly seeking input from employees, providing constructive feedback, and addressing concerns in a timely manner (Anjorin, et. al., 2024, Nembe, 2022, Oguanobi & Joel, 2024). This two-way communication not only enhances engagement but also builds trust and strengthens relationships within the organization. Balancing work and personal life is crucial for employee well-being and engagement. SMEs can support work-life balance by offering flexible work arrangements, such as telecommuting or flexible hours, and encouraging employees to take time off when needed. By promoting work-life balance, SMEs can help employees feel more satisfied and engaged in their work.

Employee well-being is closely linked to engagement and performance. SMEs can support employee well-being by providing access to wellness programs, mental health resources, and other health-related benefits. By investing in employee well-being, SMEs can create a healthier, more engaged workforce (Bass & Riggio, 2006, Nature, 2023, Nnaji, et. al., 2024). Organizational culture plays a significant role in employee engagement. SMEs can build a strong culture by defining their values, mission, and vision, and ensuring that these are reflected in every aspect of the organization. A strong culture can help create a sense of belonging and purpose among employees, driving higher levels of engagement. In conclusion, enhancing employee engagement in SMEs requires a multifaceted approach that goes beyond traditional strategies (Anjorin, Raji & Olodo, 2024, Joel & Oguanobi, 2024, Nnaji, et. al., 2024). By providing opportunities for autonomy, fostering open communication, promoting work-life balance, investing in employee well-being, and building a strong organizational culture, SMEs can create a workplace where employees are engaged, motivated, and committed to the organization's success.

#### **1.4. Achieving Business Success**

Business success in small and medium-sized enterprises (SMEs) is often defined by the achievement of strategic objectives and the ability to sustainably grow and thrive in a competitive market (Elufioye, et. al., 2024, Mustapha, Ojeleye & Afolabi, 2024). While financial performance is a key indicator of success, other factors such as market share, customer satisfaction, and employee engagement also play a crucial role in determining the overall success of an SME. Transformational leadership plays a crucial role in driving business performance and achieving success in SMEs. Transformational leaders inspire and motivate their teams to achieve higher levels of performance and innovation, leading to improved financial outcomes, enhanced market competitiveness, and sustainable growth.

Transformational leaders are able to drive financial success in SMEs by setting clear financial goals, aligning strategies with business objectives, and empowering employees to contribute to the bottom line (Benjamin, Amajuoyi & Adeusi, 2024, Ikegwu, 2022, Onyekwelu, et. al., 2024). Through their visionary thinking and strategic planning, transformational leaders can lead SMEs to achieve improved profitability and financial stability. Transformational leaders are adept at identifying market trends, anticipating changes in consumer preferences, and positioning their SMEs to take advantage of emerging opportunities. By fostering a culture of innovation and encouraging employees to think creatively, transformational leaders can help SMEs stay ahead of the competition and maintain a competitive edge in the market.

Transformational leaders focus on long-term growth and sustainability, rather than short-term gains. They invest in developing their workforce, building strong relationships with customers and suppliers, and expanding into new markets (Harvard Business Review, 2020, McKinsey & Company, 2020, Studies, 2020). This strategic approach to growth ensures that SMEs are able to adapt to changing market conditions and sustain their success over time. Measuring success in SMEs requires a comprehensive approach that takes into account both financial and non-financial indicators. Key performance indicators (KPIs) such as revenue growth, profit margins, and return on investment are commonly used to assess financial performance. However, other factors such as customer satisfaction, employee engagement, and market share can also provide valuable insights into the overall health and success of an SME.

KPIs are quantitative measures that can be used to evaluate the performance of an SME against its strategic objectives. Common financial KPIs for SMEs include revenue growth, profit margins, and cash flow. Non-financial KPIs such as customer satisfaction, employee retention, and brand reputation can also provide valuable insights into the success of an SME (Atadoga, et. al., 2024, WebHorse Marketing, 2024, World Bank, 2021). While short-term financial performance is important, SMEs should also focus on long-term success and sustainability. This requires a focus on building strong relationships with customers and suppliers, investing in employee development, and continuously innovating to stay ahead of the competition. By balancing short-term objectives with long-term goals, SMEs can achieve sustainable growth and success over time.

In conclusion, achieving business success in SMEs requires strong leadership, a focus on innovation and market competitiveness, and a comprehensive approach to measuring success. By embracing transformational leadership and

focusing on both financial and non-financial indicators of success, SMEs can position themselves for long-term growth and sustainability in today's competitive business environment.

### **1.5. Implementing Transformational Leadership in SMEs**

Transformational leadership is a powerful tool for driving innovation, employee engagement, and business success in small and medium-sized enterprises (SMEs). However, implementing transformational leadership practices requires a strategic approach and a commitment to developing leaders who can inspire and motivate their teams (Edu, et. al., 2022, Joel & Oguanobi, 2024, Nembe, et. al., 2024). In this paper, we will explore the steps for developing transformational leaders, creating a supportive organizational culture, encouraging continuous learning and adaptation, and overcoming challenges in leadership transformation.

SMEs can develop transformational leaders by providing them with the necessary training and development opportunities. This can include leadership development programs, seminars, workshops, and courses that focus on key leadership skills such as communication, decision-making, and emotional intelligence (Afolabi, 2024, Ikegwu, 2018, Nembe, 2014, Oguanobi & Joel, 2024). By investing in the development of their leaders, SMEs can build a strong leadership pipeline and create a culture of continuous improvement. Another effective way to develop transformational leaders is through mentorship and coaching programs. Pairing emerging leaders with experienced mentors can provide them with valuable insights, guidance, and support as they develop their leadership skills. Coaching can also help leaders identify their strengths and areas for improvement, enabling them to become more effective leaders.

Creating a supportive organizational culture is essential for fostering transformational leadership in SMEs. This involves creating a work environment where employees feel valued, empowered, and motivated to contribute their best (Asuzu, 2024, Uzougbo, Ikegwu & Adewusi, 2024, Nnaji, et. al., 2024). SMEs can create a supportive culture by: Encouraging open communication and feedback. Recognizing and rewarding employees for their contributions. Empowering employees to take initiative and make decisions. Promoting collaboration and teamwork. Providing opportunities for growth and advancement.

Transformational leaders are lifelong learners who are constantly seeking new knowledge and skills. SMEs can encourage continuous learning and adaptation by providing employees with opportunities for professional development, such as training programs, workshops, and conferences (Barghouthi, Khalili & Qassas, 2018, Joel & Oguanobi, 2024, Okoduwa, et. al., 2024). By investing in their employees' growth and development, SMEs can create a culture of continuous improvement and innovation. Implementing transformational leadership practices in SMEs can be challenging, as it requires a shift in mindset and behavior. Some common challenges that SMEs may face include resistance to change, lack of resources, and limited leadership development opportunities. To overcome these challenges, SMEs can:

Engage employees in the change process and communicate the benefits of transformational leadership. Allocate resources to support leadership development initiatives. Partner with external organizations or consultants to provide leadership training and coaching. Lead by example and demonstrate the behaviors and values of transformational leadership. In conclusion, implementing transformational leadership in SMEs requires a strategic approach and a commitment to developing leaders who can inspire and motivate their teams. By following the steps outlined above and creating a supportive organizational culture that encourages continuous learning and adaptation, SMEs can build a strong leadership pipeline and drive long-term success.

---

## **2. Conclusion**

Transformational leadership has been shown to be a powerful driver of innovation, employee engagement, and business success in small and medium-sized enterprises (SMEs). By inspiring and motivating their teams, transformational leaders can create a culture of innovation and excellence that sets SMEs apart in today's competitive market. In this paper, we have explored the key characteristics of transformational leadership, its role in driving innovation and employee engagement, and strategies for implementing transformational leadership in SMEs.

Transformational leadership is characterized by visionary thinking, inspirational motivation, intellectual stimulation, and individualized consideration. Transformational leaders have a profound impact on business performance, leading to improved financial outcomes, enhanced market competitiveness, and sustainable growth. Implementing transformational leadership in SMEs requires developing leaders through training and development programs, creating a supportive organizational culture, encouraging continuous learning and adaptation, and overcoming challenges in leadership transformation.

Transformational leadership is strategically important for SMEs as it can drive innovation, employee engagement, and business success. By developing transformational leaders, SMEs can create a competitive advantage and position themselves for long-term growth and sustainability. Transformational leaders can inspire their teams to think creatively, take risks, and push the boundaries of what is possible, leading to innovative solutions and products that meet the needs of customers.

In conclusion, transformational leadership is a key driver of innovation, employee engagement, and business success in SMEs. By developing transformational leaders and creating a supportive organizational culture, SMEs can foster a culture of innovation and excellence that sets them apart in today's competitive market. By leveraging transformational leadership, SMEs can position themselves for long-term success and achieve their strategic objectives.

---

## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

---

## References

- [1] Adegbola, A. E., Adegbola, M. D., Amajuoyi, P., Benjamin, L. B., & Adeusi, K. B. (2024). Fostering product development efficiency through cross-functional team leadership: Insights and strategies from industry experts. *International Journal of Management & Entrepreneurship Research*, 6(5), 1733-1753.
- [2] Adegbola, A. E., Adegbola, M. D., Amajuoyi, P., Benjamin, L. B., & Adeusi, K. B. (2024). Advanced financial modeling techniques for reducing inventory costs: A review of strategies and their effectiveness in manufacturing. *Finance & Accounting Research Journal*, 6(6), 801-824.
- [3] Adegbola, M. D., Adegbola, A. E., Amajuoyi, P., Benjamin, L. B., & Adeusi, K. B. (2024). Quantum computing and financial risk management: A theoretical review and implications. *Computer Science & IT Research Journal*, 5(6), 1210-1220.
- [4] Adegbola, M. D., Adegbola, A. E., Amajuoyi, P., Benjamin, L. B., & Adeusi, K. B. (2024). Leveraging financial incentives for enhanced diversity: A review and new models. *International Journal of Applied Research in Social Sciences*, 6(5), 1037-1047
- [5] Adelakun, B. O. (2023). How Technology Can Aid Tax Compliance in the Us Economy. *Journal of Knowledge Learning and Science Technology ISSN: 2959-6386 (online)*, 2(2), 491-499.
- [6] Adelakun, B. O. (2023). Tax Compliance in the Gig Economy: The Need for Transparency and Accountability. *Journal of Knowledge Learning and Science Technology ISSN: 2959-6386 (online)*, 1(1), 191-198.
- [7] Adelakun, B. O., Nembe, J. K., Oguejiofor, B. B., Akpuokwe, C. U., & Bakare, S. S. (2024). Legal frameworks and tax compliance in the digital economy: a finance perspective. *Engineering Science & Technology Journal*, 5(3), 844-853.
- [8] Adewumi, A., Oshioke, E.E., Asuzu, O.F., Ndubuisi, N.L., Awonnuga, K.F., et al. (2024). Business intelligence tools in finance: A review of trends in the USA and Africa. *World Journal of Advanced Research and Reviews*, 21(3), pp. 608-616.
- [9] Afolabi, S. (2024). Perceived Effect Of Insecurity On The Performance Of Women Entrepreneurs In Nigeria. *FUW-International Journal of Management and Social Sciences*, 9(2). <https://fuw-ijmss.com.ng/index.php/fijmss/article/view/100>
- [10] Anjorin, K. F., Raji, M. A., & Olodo, H. B. (2024). A review of strategic decision-making in marketing through big data and analytics. *Computer Science & IT Research Journal*, 5(5), 1126-1144.
- [11] Anjorin, K. F., Raji, M. A., & Olodo, H. B. (2024). The influence of social media marketing on consumer behavior in the retail industry: A comprehensive review. *International Journal of Management & Entrepreneurship Research*, 6(5), 1547-1580.
- [12] Anjorin, K. F., Raji, M. A., & Olodo, H. B. (2024). Voice assistants and US consumer behavior: A comprehensive review: investigating the role and influence of voice-activated technologies on shopping habits and brand loyalty. *International Journal of Applied Research in Social Sciences*, 6(5), 861-890.



- [13] Anjorin, K. F., Raji, M. A., Olodo, H. B., & Oyeyemi, O. P. (2024). Harnessing artificial intelligence to develop strategic marketing goals. *International Journal of Management & Entrepreneurship Research*, 6(5), 1625-1650.
- [14] Anjorin, K. F., Raji, M. A., Olodo, H. B., & Oyeyemi, O. P. (2024). The influence of consumer behavior on sustainable marketing efforts. *International Journal of Management & Entrepreneurship Research*, 6(5), 1651-1676.
- [15] Asuzu, O.F. (2024). Integrating behavioral science into operational risk management: A new paradigm for the FMCG sector. *World Journal of Advanced Research and Reviews*, 21(3), pp. 263-273.
- [16] Atadoga, A., Asuzu, O.F., Ayinla, B.S., Ndubuisi, N.L., Ike, C.U., Adeleye, R.A. (2024). Blockchain technology in modern accounting: A comprehensive review and its implementation challenges.
- [17] Atadoga, J.O., Nembe, J.K., Mhlongo, N.Z., Ajayi-Nifise, A.O., Olubusola, O., Daraojimba, A.I. and Oguejiofor, B.B., 2024. Cross-Border Tax Challenges And Solutions In Global Finance. *Finance & Accounting Research Journal*, 6(2), pp.252-261.
- [18] Ayinla, B.S., Ndubuisi, N.L., Atadoga, A., Asuzu, O.F., Ike, C.U., Adeleye, R.A. (2024). Enhancing accounting operations through cloud computing: A review and implementation guide. *World Journal of Advanced Research and Reviews*, 21(2), pp. 1935-1949.
- [19] Barghouthi, S., Khalili, N., & Qassas, N. (2018). Women entrepreneurs in Palestine: MOTIVATIONS, challenges and barriers. *Journal Socio-Economic Analyses*, 10(1), 49-62.
- [20] Bass, B.M., & Riggio, R.E. (2006). *\*Transformational Leadership\**. Lawrence Erlbaum Associates.
- [21] Benjamin, L. B., Amajuoyi, P., & Adeusi, K. B. (2024). Marketing, communication, banking, and Fintech: personalization in Fintech marketing, enhancing customer communication for financial inclusion. *International Journal of Management & Entrepreneurship Research*, 6(5), 1687-1701
- [22] Calvin, O. Y., Mustapha , H. A., Afolabi, S. , & Moriki, B. S. (2024). Abusive leadership, job stress and SMES employees 'turnover intentions in Nigeria: Mediating effect of emotional exhaustion. *International Journal of Intellectual Discourse*, 7(1), 146–166. Retrieved from <https://ijidjournal.org/index.php/ijid/article/view/493>
- [23] Crowley, M. C. (2022). *Lead from the heart: Transformational leadership for the 21st century*. Hay House, Inc.
- [24] Edu, Y., Eimunjeze, J., Onah, P., Adedoyin, D., David, P.O., Ikegwu, C. *Fintech Update: SEC New Rules On The Issuance, Offering Platforms and Custody of Digital Assets- What You need to Know*. Mondaq (July 6, 2022)
- [25] El-Amin, A., & George, B. (2020). Towards a model and strategy for transformational change. *Economics, Management and Sustainability*, 5(2), 28-38
- [26] Elufioye, O.A., Ndubuisi, N.L., Daraojimba, R.E., Awonuga, K.F., Ayanponle, L.O., et al. (2024). Reviewing employee well-being and mental health initiatives in contemporary HR Practices. *International Journal of Science and Research Archive*, 11(1), pp. 828-840.
- [27] Ewim, D. R. E. (2023). Integrating Business principles in STEM Education: fostering entrepreneurship in students and educators in the US and Nigeria. *IJEED (International Journal of Entrepreneurship and Business Development)*, 6(4), 590-605.
- [28] Hardison, R. T. (2020). *Understanding How Transformational Leadership Inspires Organizational Commitment During Change in Community Colleges* (Doctoral dissertation, Grand Canyon University).
- [29] Harvard Business Review. (2020). *SMEs and Market Opportunities in Emerging Economies*.
- [30] Ikegwu, C. G., (2018) *A Critical Appraisal of Cybercrimes in Nigeria 2018* Journal Afe Babalola University
- [31] Ikegwu, C., (2017) *An Appraisal of Technological Advancement in The Nigerian Legal System*. ABUAD Law Students' Society Journal (ALSSJ) Apr. 24, 2017
- [32] Ikegwu, C.G., (2022) *Governance Challenges Faced by the Bitcoin Ecosystem: The Way Forward*. Social Science Research Network Journal (December 22, 2022)
- [33] International Finance Corporation. (2020). *Financing for SMEs in Emerging Markets*.
- [34] Jeff Bullas (2024). *Data-Driven Decision Making: How to Use Analytics in Marketing*. Retrieved from [jeffbullas.com](http://jeffbullas.com)
- [35] Joel O. T., & Oguanobi V. U. (2024). Data-driven strategies for business expansion: Utilizing predictive analytics for enhanced profitability and opportunity identification. *International Journal of Frontiers in Engineering and Technology Research*, 2024, 06(02), 071–081. <https://doi.org/10.53294/ijfetr.2024.6.2.0035>

- [36] Joel O. T., & Oguanobi V. U. (2024). Entrepreneurial leadership in startups and SMEs: Critical lessons from building and sustaining growth. *International Journal of Management & Entrepreneurship Research* P-ISSN: 2664-3588, E-ISSN: 2664-3596 Volume 6, Issue 5, P.No.1441-1456, May 2024 DOI: 10.51594/ijmer.v6i5.1093. [www.fepbl.com/index.php/ijmer](http://www.fepbl.com/index.php/ijmer)
- [37] Joel O. T., & Oguanobi V. U. (2024). Future Directions in Geological Research Impacting Renewable Energy and Carbon Capture: A Synthesis of Sustainable Management Techniques. *International Journal of Frontiers in Science and Technology Research*, 2024, 06(02), 071–083 <https://doi.org/10.53294/ijfstr.2024.6.2.00393>
- [38] Joel O. T., & Oguanobi V. U. (2024). Geological Data Utilization in Renewable Energy Mapping and Volcanic Region Carbon Storage Feasibility. *Open Access Research Journal of Engineering and Technology*, 2024, 06(02), 063–074. <https://doi.org/10.53022/oarjet.2024.6.2.0022>
- [39] Joel O. T., & Oguanobi V. U. (2024). Geological Survey Techniques and Carbon Storage: Optimizing Renewable Energy Site Selection and Carbon Sequestration. *Open Access Research Journal of Engineering and Technology*, 2024, 11(01), 039–051. <https://doi.org/10.53022/oarjst.2024.11.1.0054>
- [40] Joel O. T., & Oguanobi V. U. (2024). Geotechnical Assessments for Renewable Energy Infrastructure: Ensuring Stability in Wind and Solar Projects. *Engineering Science & Technology Journal* P-ISSN: 2708-8944, E-ISSN: 2708-8952 Volume 5, Issue 5, P.No. 1588-1605, May 2024 DOI: 10.51594/estj/v5i5.1110 : [www.fepbl.com/index.php/estj](http://www.fepbl.com/index.php/estj)
- [41] Joel O. T., & Oguanobi V. U. (2024). Leadership and management in high-growth environments: effective strategies for the clean energy sector. *International Journal of Management & Entrepreneurship Research*, P-ISSN: 2664-3588, E-ISSN: 2664-3596, Volume 6, Issue 5, P.No.1423-1440, May 2024. DOI: 10.51594/ijmer.v6i5.1092. [www.fepbl.com/index.php/ijmer](http://www.fepbl.com/index.php/ijmer)
- [42] Joel O. T., & Oguanobi V. U. (2024). Navigating business transformation and strategic decision-making in multinational energy corporations with geodata. *International Journal of Applied Research in Social Sciences* P-ISSN: 2706-9176, E-ISSN: 2706-9184 Volume 6, Issue 5, P.No. 801-818, May 2024 DOI: 10.51594/ijarss.v6i5.1103. [www.fepbl.com/index.php/ijarss](http://www.fepbl.com/index.php/ijarss)
- [43] Kotter, J.P. (1996). *\*Leading Change\**. Harvard Business Review Press
- [44] McKinsey & Company. (2020). *How Digital Tools are Reshaping SMEs in Emerging Markets*.
- [45] Mustapha, A. H., Ojeleye, Y. C., & Afolabi, S. (2024). Workforce Diversity And Employee Performance In Telecommunication Companies In Nigeria: Can Self Efficacy Accentuate The Relationship? . *FUW-International Journal of Management and Social Sciences*, 9(1), 44–67. Retrieved from <https://fuw-ijmss.com.ng/index.php/fijmss/article/view/63>
- [46] Nature (2023). *Leveraging Analytics for Business Performance*. Retrieved from [nature.com/articles/s41599-023-02122-x](https://nature.com/articles/s41599-023-02122-x)
- [47] Nembe, J. K., 2014; *The Case for Medical Euthanasia and Recognizing the Right to Die with Dignity: Expanding the Frontiers of the Right to Life*, Niger Delta University
- [48] Nembe, J. K., 2022; *Employee Stock Options in Cost-Sharing Arrangements and the Arm’s-Length Principle: A review of the Altera v. Commissioner*, Georgetown University Law Center
- [49] Nembe, J. K., Atadoga, J. O., Adedokun, B. O., Odeyemi, O., & Oguejiofor, B. B. (2024). Legal Implications Of Blockchain Technology For Tax Compliance And Financial Regulation. *Finance & Accounting Research Journal*, 6(2), 262-270.
- [50] Nembe, J.K., Atadoga, J.O., Adedokun, B.O., Odeyemi, O. and Oguejiofor, B.B. (2024). ` Legal Implications Of Blockchain Technology For Tax Compliance And Financial Regulation. *Finance & Accounting Research Journal*, X(Y). <https://doi.org/10.51594/farj.v>
- [51] Nembe, J.K., Atadoga, J.O., Mhlongo, N.Z., Falaiye, T., Olubusola, O., Daraojimba, A.I. and Oguejiofor, B.B., 2024. The Role Of Artificial Intelligence In Enhancing Tax Compliance And Financial Regulation. *Finance & Accounting Research Journal*, 6(2), pp.241-251.
- [52] Nnaji, U. O., Benjamin, L. B., Eyo-Udo, N. L., & Augustine, E. (2024). Advanced risk management models for supply chain finance.
- [53] Nnaji, U. O., Benjamin, L. B., Eyo-Udo, N. L., & Augustine, E. (2024). A review of strategic decision-making in marketing through big data and analytics.

- [54] Nnaji, U. O., Benjamin, L. B., Eyo-Udo, N. L., & Etukudoh, E. A. (2024). Strategies for enhancing global supply chain resilience to climate change. *International Journal of Management & Entrepreneurship Research*, 6(5), 1677-1686.
- [55] Nnaji, U. O., Benjamin, L. B., Eyo-Udo, N. L., & Etukudoh, E. A. (2024). Effective cost management strategies in global supply chains. *International Journal of Applied Research in Social Sciences*, 6(5), 945-953.
- [56] Nnaji, U. O., Benjamin, L. B., Eyo-Udo, N. L., & Etukudoh, E. A. (2024). Incorporating sustainable engineering practices into supply chain management for environmental impact reduction. *GSC Advanced Research and Reviews*, 19(2), 138-143.
- [57] Northouse, P.G. (2019). *\*Leadership: Theory and Practice\**. Sage Publications.
- [58] Oguanobi V. U. & Joel O. T., (2024). Geoscientific research's influence on renewable energy policies and ecological balancing. *Open Access Research Journal of Multidisciplinary Studies*, 2024, 07(02), 073-085 <https://doi.org/10.53022/oarjms.2024.7.2.0027>
- [59] Oguanobi V. U. & Joel O. T., (2024). Scalable Business Models for Startups in Renewable Energy: Strategies for Using GIS Technology to Enhance SME Scaling. *Engineering Science & Technology Journal*, P-ISSN: 2708- 8944, E-ISSN: 2708-8952, Volume 5, Issue 5, P.No. 1571-1587, May 2024. DOI: 10.51594/estj/v5i5.1109. [www.fepbl.com/index.php/estj](http://www.fepbl.com/index.php/estj)
- [60] Okoduwa, I.O., Ashiwaju, B.I., Arowoogun, J.O., Awonuga, K.F., Asuzu, O.F., et al. (2024). Reviewing the use of big data in supply chain optimization in the USA. *World Journal of Advanced Research and Reviews*, 21(2), pp. 033-040.
- [61] Onyekwelu, N.P., Ezeafulukwe, C., Owolabi, O.R., Asuzu, O.F., Bello, B.G., et al. (2024). Ethics and corporate social responsibility in HR: A comprehensive review of policies and practices. *International Journal of Science and Research Archive*, 11(1), pp. 1294-1303.
- [62] Prügl, E., & True, J. (2014). Equality means business? Governing gender through transnational public-private partnerships. *Review of International Political Economy*, 21(6), 1137-1169.
- [63] Scott, A. O., Amajuoyi, P., & Adeusi, K. B. (2024). Advanced risk management models for supply chain finance. *Finance & Accounting Research Journal*, 6(6), 868-876.
- [64] Scott, A. O., Amajuoyi, P., & Adeusi, K. B. (2024). Theoretical perspectives on risk management strategies in financial markets: Comparative review of African and US approaches. *International Journal of Management & Entrepreneurship Research*, 6(6), 1804-1812.
- [65] STUDIES, B. I. (2020). Faculty of Arts. *The University of Melbourne*.
- [66] Udeh, E. O., Amajuoyi, P., Adeusi, K. B., & Scott, A. O. (2024). The integration of artificial intelligence in cybersecurity measures for sustainable finance platforms: An analysis. *Computer Science & IT Research Journal*, 5(6), 1221-1246.
- [67] Udeh, E. O., Amajuoyi, P., Adeusi, K. B., & Scott, A. O. (2024). The role of Blockchain technology in enhancing transparency and trust in green finance markets. *Finance & Accounting Research Journal*, 6(6), 825-850.
- [68] Udeh, E. O., Amajuoyi, P., Adeusi, K. B., & Scott, A. O. (2024). Blockchain-driven communication in banking: Enhancing transparency and trust with distributed ledger technology. *Finance & Accounting Research Journal*, 6(6), 851-867.
- [69] Udeh, E. O., Amajuoyi, P., Adeusi, K. B., & Scott, A. O. (2024). AI-Enhanced Fintech communication: Leveraging Chatbots and NLP for efficient banking support. *International Journal of Management & Entrepreneurship Research*, 6(6), 1768-1786.
- [70] Udeh, E. O., Amajuoyi, P., Adeusi, K. B., & Scott, A. O. (2024). The integration of artificial intelligence in cybersecurity measures for sustainable finance platforms: An analysis. *Computer Science & IT Research Journal*, 5(6), 1221-1246.
- [71] Uzougbo, N.S., Ikegwu, C.G., & Adewusi, A.O. (2024) Cybersecurity Compliance in Financial Institutions: A Comparative Analysis of Global Standards and Regulations. *International Journal of Science and Research Archive*, 12(01), pp. 533-548
- [72] Uzougbo, N.S., Ikegwu, C.G., & Adewusi, A.O. (2024) Enhancing Consumer Protection in Cryptocurrency Transactions: Legal Strategies and Policy Recommendations. *International Journal of Science and Research Archive*, 12(01), pp. 520-532

- [73] Uzougbo, N.S., Ikegwu, C.G., & Adewusi, A.O. (2024) International Enforcement of Cryptocurrency Laws: Jurisdictional Challenges and Collaborative Solutions. *Magna Scientia Advanced Research and Reviews*, 11(01), pp. 068-083
- [74] Uzougbo, N.S., Ikegwu, C.G., & Adewusi, A.O. (2024) Legal Accountability and Ethical Considerations of AI in Financial Services. *GSC Advanced Research and Reviews*, 19(02), pp. 130–142
- [75] Uzougbo, N.S., Ikegwu, C.G., & Adewusi, A.O. (2024) Regulatory Frameworks For Decentralized Finance (DeFi): Challenges and Opportunities. *GSC Advanced Research and Reviews*, 19(02), pp. 116–129
- [76] WebHorse Marketing (2024). How Analytics Fuels Data-Driven Decision Making in Marketing. Retrieved from [webhorsemarketing.com](http://webhorsemarketing.com)
- [77] World Bank. (2021). Financing SMEs and Entrepreneurs.
- [78] World Bank. (2021). Infrastructure Development Programs.