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What Is the Role of Transformational Leadership in SMEs? A Review Paper

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ABSTRACT

Purpose: The aim of this research paper is to investigate the role of “TL (Transformational Leadership)” in SMEs (small and medium enterprises).

Methodology: The methodology adopted in this study is Systematic literature review. Total 58 articles have been shortlisted out of 201 downloaded articles based on quality and reliability with topic and reviewed in order to reach conclusion. Articles published in last 12 years in high-ranked Scimago journals (SRJ) are downloaded.

Findings: This study provides a cross-cultural view. This systematic review reveals that among all the advanced leadership styles, transformational leadership style is most influential in terms of survival, performance, organizational learning and innovation. Among the four components of transformational leadership, intellectual stimulation is highly associated with firm performance. **Limitations of Research /Future Recommendations:** the scope of this study is limited to just SMEs, and it will be interesting if future research analyzes the impact of transformational leadership on public and private companies and corporations.

Theoretical/ Practical Implication: This study added a synthesized view of “the role of transformational leadership in the SMEs” in the existing literature. This study provides a guide to the leader of SMEs regarding implications of transformational leadership in SMEs and suggests leaders to adopt transformational leadership in order to become an innovative firm and increase performance.

Originality/Value: A comprehensive systematic review of the literature on the impact of transformational leadership on SMEs has been done in this study. This study stated the outcomes of TL in SMEs in different countries which increase generalizability.

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Introduction and Importance of SMEs

SMEs are defined differently based on the sectors, manufacturing enterprises with business turnover not more than RM50 (almost USD12.4M) million or full-time workers not surpassing 200. Other than manufacturing sector i.e., in service sector SMEs are characterized as organizations with revenue turnover not more than RM20 (almost USD5 M) Million or full-time

workers not surpassing 75. Ninety to ninety five percent of total organizations are SMES in most of the economies ((Sheshi and Kërçini, 2017; Katua, 2014). SMEs are exporter of 1/3 of total exports from Asia (Channel News Asia). Most of the large- scale organizations like Microsoft and Apple initially started as an SME and later developed into a corporate giant (NG and Kee, 2018). SMEs assist significantly in economic development of both developed and under-developed countries. In under-developed countries, SMEs make contributions in accomplishment of sustainable developmental goals (SDGs), by creating job opportunities for unemployed workforce, fostering sustainable industrialization, promoting innovation and shrinking income imbalance. SMEs are a source of employment for multiple segments of society, in different geographical regions and across various sectors i.e., un-skilled labor force, belonging to the rural area and thus offer opportunities for skill improvements (Syed et al., 2012; Sheshi and Kërçini, 2017; Nanjundeswaraswamy and Swamyb, 2015). SMEs represent a large portion of total firms and make remarkable contribution to GDP growth rate (NG and Kee, 2018). Most of the underdeveloped countries priorities entrepreneurship and SMEs to deal with their economic and social problems. They are enthusiastically pushing SMEs to develop in a huge manner to drive their economies from mediocrity to fully developed (NG and Kee, 2017; (Manzoor et al., 2019). Regardless of being focal point of consideration by the governments with great deal of support, SMEs have not accomplished the ideal level of success. During the early stages, SMEs fight with the threat of failure, getting through downturn flourish in a climate portrayed by unpredictability and market uncertainty (Hotho and Champion, 2011). According to the Manufacturing Association of Nigeria (MAN) approximately 10% of ventures run by entrepreneurs are fully in operation.

Most of the SMEs die within their starting first to five operating years (Abiodun and Mahmood, 2015). While some of them vanish within six to ten years of their startup and the survivors that grow to the stage of maturity are not more than 5% to 10% (SME Corporation Malaysia, 2016). Insufficient management and leadership skills are the most basic factors that lead SMEs towards failure. Leadership styles and behaviors has an extraordinary impact to on the success of an entrepreneur's venture (Paladan, 2015). Quick- growth SMEs exhibit capacity to take benefit of opportunities linked with vulnerable market, financial and environmental conditions. However quick-growth firms may grow quickly, their success cannot be long-lived except if good organizational procedures and effective leadership is implemented to guarantee long-term profitability, sustainability and growth (Haltiwanger, Jarmin, and Miranda, 2010). Abdul Razak (2010) suggested that growth of suitable leadership is one of the dynamic powers for the success of small and medium enterprises in coming years. Success of entrepreneurial venture is influenced by leadership style (Paladan, 2015). Previous data inferred that poor management and leadership skills are primary factors contributing to SME's failure. Effective leadership is a crucial instrument to keep the motivation level of employees high, full capacity utilization of limited resources and the influence of that individual, regarded as the leader, is of significant level that can impact the economic and social factors specifically and to whole society as well and positively affect the workers behavior in order to achieve company goals (Khan et al., 2013). Hayat and Riaz (2011) argued that transactional and transformational leadership skills and behaviors are associated with SMEs as they are straightforwardly related to the SME's operational techniques and external environment in which entrepreneurs handle their business activities. These leadership styles are also recommended by other researchers, who suggested that these leadership practices are more appropriate to the setting of SME's business climate (Hayat and Riaz, 2011. As a matter of fact, all SMEs together with the large corporations, has a primary goal of survival. In phases of extreme competition, unstable environment and scarce resources SMEs are going through the challenges of transformation from transactional leadership to charismatic leadership style for their survival or improvement in compatibility in the marketplace (Trajko et al., 2014). Gamba and Komo (2014) contends that for a country to accomplish economic development, SMEs ought to be capable to generate new employment opportunities, increase profitability, utilize numerous competencies of

the entrepreneurs, negotiation power, increase accessibility of finance, raise social capital, give marketplace access, encourage investment by investors and play their role in poverty alleviation. To put it in another way, Growth of SMEs is an attractive end, as an important driving force of economic growth and employment. Leadership style can either motivate or discourage employees, which in turn increases or decreases the economic growth of a country. In any type of firm understanding of strategic leadership is critical as the job has become more analytical and complicated demands have elevated in SMEs (Wang and Howell, 2012).

The main objective of this study is to answer the queries like; what is the role of transformational leadership in SMEs? How each component of transformational leadership effect SMEs? What are the outcomes of transformational leadership behavior?

This study consists of five sections, first is introduction and importance of SMEs, second is Transformational leadership in SMEs, third is components of transformational leadership, fourth is outcomes of transformational leadership in SMEs and fifth is conclusion.

Methodology

The method applied in this research is systematic literature review. All the articles used in this study are recently published (not older than 12 years) in Scimago journals. Author was able to download 201 articles with keywords transformational leadership (TL), SMEs, leadership style, out of which 33 articles were downloaded twice which were excluded during duplicity checking. Abstract of the remaining 168 articles were read thoroughly and 38 articles were excluded because of irrelevancy to the scope of study. This study included only empirical studies, 31 studies were excluded because those studies have different research design i.e., review papers and meta-analysis. In the third author analyzed the full text of the remaining 99 articles, 20 articles were excluded because they were related to the role of TL in MNPs, giant corporations and large public and private companies, 9 articles did not meet the quality check parameters and 10 articles expressed the relationship between TL and SMES but didn't explain the components and outcomes of TL in the context of SMEs. In the final step two more articles were excluded because of very low number of citations and finally 58 highly relevant and quality articles were selected for literature review.

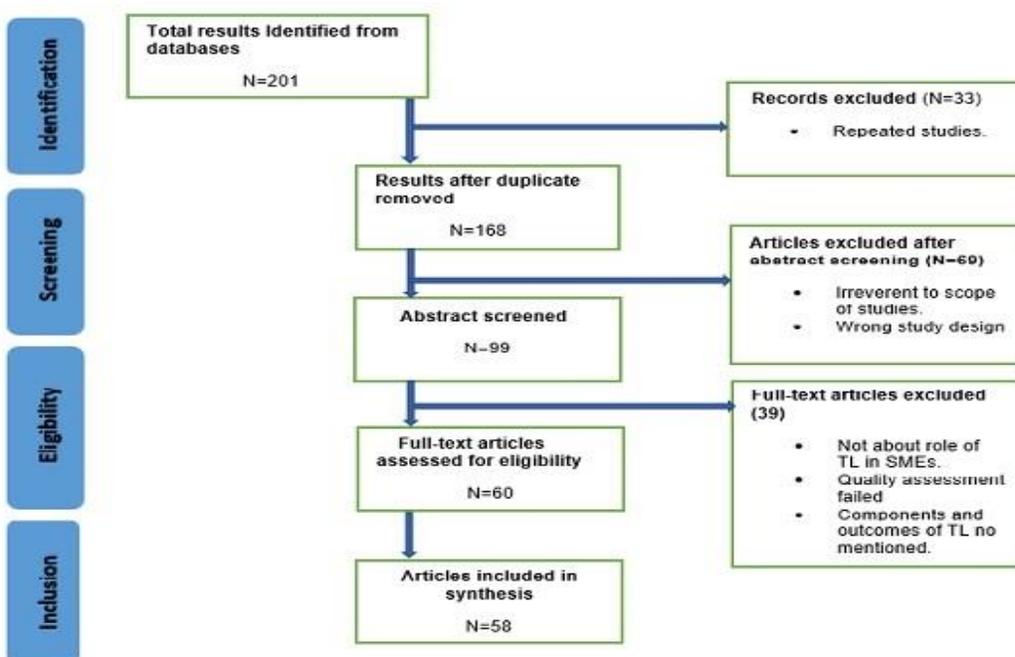


Fig no. 1: Flow chart of systematic review

Transformational Leadership in SMEs

The attitude, actions and behavior of the leader determine leadership style adopted by an organization (Franco and Matos, 2015; Men, 2014). However, when the firm is confronted with an unstable marketplace, when its merchandise faces birth, life and death within a couple of years, when its technical assets become outdated earlier than the expected life, at that point transformational leadership has been recommended as a surgical instrument to be promoted at every level of the enterprise. In order to be successful, the enterprise should have the ability to speculate and fulfill the changes and new demands. Transformational leadership can empower the enterprise to do this. Issues, fast changes, and vulnerabilities require an adaptable firm with a committed leader, who can motivate workers to take part passionately in group efforts and play a role in firm's goals. Briefly, willingness and ability to intellectually stimulate, charisma and individualized one of them (Ilesanmi, 2019; Subhan et al., 2013). Transformational leadership style comparatively identifies with the survival ratio in dynamic environment, especially in contemporary developing markets like Indonesia. It is realized that doing business in countries which are still emerging has never been an easy thing. Hence a transformational leader notably influence the way SME is developed through inspiring, motivating and practically becoming an ideal model for workers to perform better than previous performance. A transformational leader can also influence breakthrough and policy making to make competitive circumstances favorable for firm (Widianto and Harsanto, 2017). Frequently changing external environment requires suitable changes by the firm as well, to main competitive edge or improve its competitiveness in the marketplace. Leader is the one who initiates the changes. Since transactional leader is a change averse, so this style ends up being insufficient in the present conditions for business working of SME, previous literature indicates significant relationship between SMEs performance and transformational leadership regardless of goals setting at organizational or individual level (Trajko et al., 2014). Because the use of transactional or laissez-faire leadership is beneficial in situations where external and internal elements influencing the operations remains constant over time and the issues that show up are well known, simple and there are obviously defined ways for settling them (Trajko et al. 2014). Also, Arham (2014) concluded that when a leader brings into use more transformational leadership practices and behavior, they ought to achieve better performance within their enterprises as compared to the transactional leadership and in respect of satisfaction, exceptional efforts and effectiveness laissez-faire style proved to be ineffective (Trajko et al., 2014).

Paladan (2015) conducted study on leadership style of Filipino SMEs and found that successful leader is considerably inclined towards transformational leadership style, and they consistently evaluate their leadership behavior as inspirational motivator. Transformational leadership is an emerging and popular new leadership style which is considered an ideal style of effective leadership for successful entrepreneurial ventures. This leadership style is focused on values of interconnection between the leader (entrepreneur) and employee as a solid group (Paladan, 2015). Roslan et al. (2013) demonstrated significant positive association between transformational leadership and SMEs performance that is useful for enterprise's success. Out of all successful Filipino transformational leaders 23% entrepreneurs often utilize the inspirational motivation leadership style along with 22% who employed idealized influence leadership behavior, 20% are those entrepreneurs who made use of intellectual stimulation and individual consideration. Hence, out of four transformational leadership behaviors mostly used successful entrepreneurs in Filipino SMEs is inspirational leadership behavior (Paladan, 2015).

Garcia-Solarte et al., (2018) conducted study on relationship of gender diversity and leadership style in Cali (Colombia) and stated that for the firms were comparatively more managerial positions are hold by women adoption of transformational leader behaviors is suggested.

Particularly gender diversity is positively related with individualized consideration, intellectual stimulation and Inspirational motivation. Out of this intellectual stimulation and individualized consideration behaviors of transformational leadership relate to women because of their inclination to be relationship and individuals orientated.

Burawat (2019) compared transformational and strategic leadership in setting of lean manufacturing and concluded that TL has an impact on Lean manufacturing while SL doesn't. Result of the study stated TL as a multidimensional leadership and indistinct between SL and TL which contends that one leadership style (TL) is more suitable in setting of lean manufacturing. Manzoor et al., (2019) studied relationship between TL and job performance with mediating effects of SMEs in Pakistan and found that CSR and TL both affect job performance positively. TL has both direct and indirect impact on performance. CSR strategies and Qualities of TL could raise worker's job performance. Transformational leadership significantly determines organizational performance, knowledge management, organizational learning and organizational innovation (Noruzi et al., 2013).

Components of Transformational Leadership

There are four components of transformational leadership mentioned below:

Transformational Leadership- 4 Components

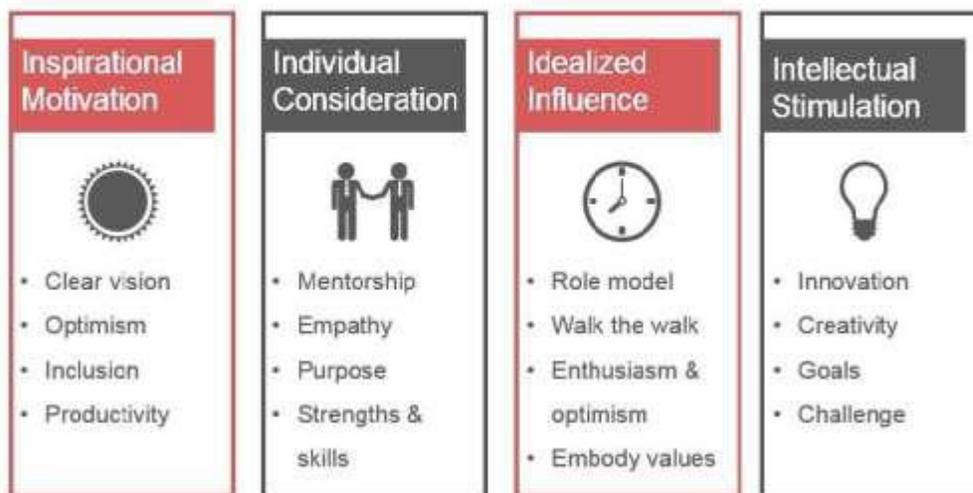


Fig no. 2: Components of transformational leadership. Source: Cetina and Kinik (2015).

Inspirational motivation includes articulation of firm goals, communication of high-level expectations and convincing employees regarding the significance of firm goals. Individualized consideration taking care of the follower's needs individually, acting as a mentor to them and listening to their issues. Idealized influence includes demonstrating charisma and confidence that stimulate loyalty strong feelings from adherents. Intellectual stimulation includes supporting innovative attitude and activities and quitting existing norms and routines (Ng, 2017). Importance each of these factors in the context of SMEs is given below:

Idealized Influence/ Charismatic Leadership in SMEs

Transformational leadership displays charismatic yet ethical effect on employees (Naber and Moffett, 2016). Charismatic leader arises as critical for competitiveness not just for giant firms but also, for SMEs (Trajkoet al., 2014). Idealized influence is based on the concept that followers respect and trust a leader to offer resources and support. Because of this faith, employees will acknowledge the directions given by the leader, irrespective of their complexity and difficulty level

(Chu and Lai, 2012). Their subordinates recognize them with their charismatic personality and attempt to copy them. Eight characteristics that contribute to the success of leaders in SMEs include flexibility, expertise, authenticity, self-knowledge, charisma, vision, ability to inspire and motivate followers and shared leadership. Out of all these Charisma is most significant TL influential attributes. Charisma when utilized properly, is highly effective however can cause devastation when utilized improperly (Rolfe, 2011). Nguyen and Nguyen (2014) stated that idealized influence is the second important factor that affects job performance positively in SMEs. Leaders with idealized influence establish a specified belief among their followers and subsequently leaders can communicate their inspirational motivation to all of them. In a SME if a leader implants trust in subordinates, high morality, become a role model for workers motivate towards risk taking, all these have positive effect on employees working and performance levels. Idealized influential leader urges employees of SMEs to perform at their full capacity for the development of SME. CL is significantly related with coordinated teamwork (Ekmekcioglu et al., 2018). CL leads employees towards work engagement impact organizational citizenship behavior directly and through mediating effect of work engagement (Babcock-Roberson and Strickland, 2010). Baah (2020) conducted research on relationship between dimensions of transformational leadership and quality of work life and found that out of four Transformational leadership behavior idealized influence is the strongest predictor of quality of work life. Along with showing positive aspects of charisma there are certain studies which stated charisma as double edge sword mentioned darker sides of charismatic leadership. There is positive relationship between charismatic leadership and un-ethical pro-organizational behavior (Zhang et al., 2020).

Charismatic leadership sometimes results in negative outcome for work group and firm through victimizing behavior and work pressure (Samnani and Singh, 2013). But generally, as much as the leaders are ethically mature, to whom the lead show better moral and ethical reasoning. In its true meaning, idealized influence leadership should lay on the ethical establishment legitimate practices (Ogola et al., 2017). It can inspire, innovate, increase loyalty, and motivate employees, commitment, performance and in job satisfaction SMEs.

Inspirational Motivation in SMEs

Inspirational motivation is viewed as a critical component of transformational leadership. Leaders who have high level inspirational motivation can transmit superior expectancies of their followers, motivate followers through inspiration to turn out to be more dedicated to and become part of mission and vision of the enterprise. Inspirational communication alludes to the optimism displayed, cooperation, and eagerness. Entrepreneurs get employees associated with an appealing vision and committed with targets (Yaslioglu & Erden, 2018). They motivate their followers to go beyond their personal benefit and interest for the welfare of others (Paladan, 2015). Inspirational leaders support up the values and targets of their employees to the enterprise mission or objectives and then transfer power to adherents to accomplish them ((Rehman et al., 2019), encourage follower to challenge everyday practices and methods in such a way that both firm and employees develop and grow parallel (Seyal and Rahman, 2014). Study figured out the leadership style being used in successful Filipino SMEs. Successful Filipino leader exhibits a recognizably higher tendency toward transformational leadership and constantly ranked themselves high in inspirational motivation for their behavior as a leader. In this way, the arising leadership style of successful Filipino leaders is transformational leadership's component inspirational motivation. Successful entrepreneur's leadership practices contain inspiring and sharing the vision of their firm to their followers and instilling the belief and values of their firm to their followers (Paladan, 2015).

Intellectual Stimulation in SMEs

Intellectual stimulation implies a circumstance where entrepreneurs stimulate their adherents to be creative, innovative and to challenge their own beliefs and values (Megheirkouni Ur Rehman et al.,

2019), employees are boost up to raise their voice, converse their issue, seek solutions and attempt new strategies (Yaslioglu and Erden, 2018). The consequences of intellectual simulations come in the form of increase in the ability of adherents to examine, conceptualize, and grasp issues and in the better-quality solutions (Rehman et al., 2019). Intellectual stimulation is linked with perceived leader integrity and moderate the relation of empowerment and integrity. Particularly when follower's intellectual stimulation is higher, leader's integrity has a very strong positive impact on worker's empowerment (Smothers et al., 2016). The leaders of fast-growing SMEs encourage followers, stimulate new techniques of problem fixing by encouraging workers to challenge the existing state-of -affairs, promote cooperation inside the association, act as good examples and give a guide so employees, know their direction. It is significantly essential that leaders share their upcoming plans as change is viewed as the standard rule, and not the exemption, in FGSMES. (Tan et al., 2014; Bass & Avolio, 2004; Elkins & Keller, 2013; Sundi, 2013). Palalic and Durakovic (2018) conducted research regarding CEO's leadership style of gazelles and mice in Australia. According to findings of the study gazelles are more inclined towards transformational leadership than mice. Mice to turn into gazelles and gazelles to maintain and improve their growth should enhance intellectual stimulation which can produce and create proactiveness for long period of time, providing them additional synergy and strength to become first mover in the marketplace. Ogola (2017) found that in SMEs superior performance is achieved when followers urged to reexamine presumptions, critical thinking while issue resolving, utilization of innovation and creativity while performing their task or job. So, this study suggests the adoption of intellectual stimulation SMEs leaders. As employees involvement in resolving problems of the firm will be beneficial for both employees and enterprise (Paladan, 2015).

Intellectual stimulation increases the employee commitment with the firm. This sequentially led to the organizational ability to accomplish its goals with the help of hard work and devotion of employees. It is strongly related with IT employee's choice to stay with or quit the firm. Their commitment with job can be increased by designing and creating jobs that flash excitement, learning and enthusiasm on the work (Anjali and Anand, 2015).

Individualized Consideration in SMEs

Individualized consideration refers to take individuals into consideration during transformational process of a firm. It is the consideration of follower's individuality. This gives rise to the need to analyze their desires, abilities, necessities and qualities in the correct way. This sort of activity prompts more significant levels of trust in the supervisor. Other than the global image, a TL leader must realize what inspires each of his subordinate individually. Human needs and wishes are distinct, someone want change and excitement, someone certainty, someone prefers leisure time and other prefer money. Leader who knows desires of followers, has a chance to utilize each of those different wishes in best way. By their conduct, TL leader exhibits acceptance of differences among individuals and allocate errands as per their own affinities (ogola, 2017). In order to provide necessary support to the employees in SMEs supportive leadership needs noteworthy understanding of the employee's wants and needs. For the confirmation of effectiveness of supportive leadership, it is imperative for the firm leader to plan pleasant correspondence environment with their adherents (Al-Malki and Juan, 2018). Individualized consideration is a fundamental leadership style that treats individual employees as important contribution in work environment. Leaders are ready to encourage and mentor them to accomplish firm goals (Seyal and Rahman, 2014). When leader assists transform followers in fundamental manner, that adds to the performance behavior of employees and belief in the leader that both are helpful in achievement of the firm goals (Paladan, 2015).

Outcomes of Transformational Leadership in SMEs

Following are the outcomes of TL in SMEs:

Survival and Performance of SMEs

To measure the performance of the firm eleven indicators are studied including Return on assets (ROA), Return on sales (ROS), Market share growth, overall profitability, Customer satisfaction, Sales growth, service/Product quality, Customer satisfaction, Qualified labor, Job satisfaction of employees, Commitment of employee (Özer and Tinaztepe, 2014). Performance of an SMEs includes Profitability and growth (Arham, 2014). Performance measures growth and profitability are interchangeable terms, growth of firm is linked with profitability. There is a significant relationship between performance of SMEs and transformational leadership (Arshad et al., 2016). Employee citizenship behavior is the most powerful factor that extensively in the accomplishment of firm performance. It is said that leadership strongly affects the attitude and behavior of employees towards their work (Baah, 2020). Transformational leadership in IT sector of Pakistan is strongly associated with employee citizenship behavior (Khan et al., 2013). Rolfe (2011) stated that although transformational leadership cannot be claimed perfect model, however its successful style in current unstable environment because of its feature to transform firms through its personnel while achieving desired results. Transformational leadership draws such interest due to its relevance and significance to firm. Research stated that employees under transformational leadership are far more productive. Whether the performance is measure at the team or individual, firm or the unit level (Barrick et al., 2015), regardless of the performance outcomes in the form of innovation, with-in role task or extra-role tasks (Chen et al., 2013). TL has a great impact on firm performance and recognition with leader mediates relationship between transformational leadership, total performance and organizational citizenship behavior (NG, 2017). SMEs are likewise influenced by regional and global financial crises which require the need for good leadership in the development and growth of that sector. With the transformational leadership style leader develop the requirement for significant changes by building up the adherent's attitude for the future and by establishing their commitment for firm growth more than expected (Kent and Chelladurai, 2001). Different leadership practices and firm performance of services sector SMEs are strongly related, and transformational leadership contributes more remarkably to SME's performance than transactional leadership style (Arham, 2014).

Özer and Tinaztepe (2014) conducted research on impact of three leadership style transactional, transformational and paternalistic leadership on firm performance of SMEs in Turkey. In contrast with other leadership styles transformational leadership strongly effect enterprise performance. Transformational leadership portrays clear image of future scenario, which is both attainable and optimistic, urge to expectations rise, lessen complexity to important problems, and make use of easy language to transmit the mission in aggressive markets like Turkey. The response of the employees is escalated willingness to put additional exertion to attempt to accomplish the mission. Widiyanto and Harsanto (2017) studied the link between cultures, transformational leadership, entrepreneurial organization and performance of firm and concluded that both culture and transformational leadership are driving force of entrepreneurial organization which leads to firm performance. Transformational leadership enhance temporal flexibility by improving leader's abilities in terms of stimulation development, visionary leadership, management by exception and contingent reward (Mesu, 2013).

Various examinations conjecture that transformational leadership is connected to good performance contrasted with transactional leadership as they will motivate workers to deliver high performance. Boedker et al., (2011) added more that transformational leadership might lead to a superior- performance firm because of participative, supportive, collaborative, follower-leadership relationship that develops in a firm. The workers are enabled and feel committed and compelled to helping with achieving the objectives and goals of the association.

Organizational Learning and Innovative Behavior

A constant pressure from intense competitors at marketplace force SMEs to innovate. Due to this the capacity to contend in innovation is considered as a vital component of their competitiveness. (Lesáková, 2014; Ng and Kee, 2018). Innovative actions of followers have incredible significance for firm's survival and effectiveness (Choi et al., 2015). The presence of innovative culture and creativity in work environment motivates followers to voluntarily generate value-added ideas, especially in SMEs (Maladzhi and Yan, 2014; Mittal and Dhar, 2015). Afriyie, (2019) stated that transformational leadership act as a moderator in relationship of marketing performance and innovation in SMEs. The examination results stated that organizational learning impacted organizational performance indirectly through the organizational innovation and knowledge management and directly as well. Innovation is straightforwardly identified with firm performance. Increment in business performance influence the competitiveness, chances of survival and expansion (Sheshi and Kërçini, 2017). Transformational leadership is committed with and encourage organizational learning by accelerating the process to address the hindrances that might disrupt this learning process. Organizational learning is intending to make a way for professional advancement to obtain aptitudes and abilities that leads to sustainable advantages through innovation. The innovative enterprise understands and learns the way to become competent. Organization learnability and transformational leadership are very important pointers of the inner conditions that organizations need to become innovative (Begum et al., 2020).

Transformational leaders promote the striving of their followers regarding creativity, performance and innovation. They evoke regular re-examination of parameters, invigorate in the way of considering issues, and exhort utilization of metaphor and analogy among others. It might hence give the idea that they have the chance to get creative and innovative ideas for resolving issues from the followers. On the occasions if the idea and the solutions of issues suggested by followers is distinct from the views recommended by leader, the followers are not condemned and at any cost supervisor's thoughts are not implemented (Ogola et al., 2017). Transformational leadership's basic assertion is that the supervisor can create effective associations with subordinates in the environment, where each of them endeavors to achieve firm's goals important to satisfy the vision. An interdependent and reciprocal connection follows, enhancing sense of belonging and trust. Innovation is the "pre-condition for survival and enterprise's success, reflects in the shape of learning orientation, market orientation and entrepreneurship and transformational leader has significant contribution in innovation (Aslan et al., 2011).

Ogola et al., (2017) conducted research on leadership style of CEOs of top100 Kenyan SMEs and come up with finding that leadership style of successful entrepreneurs is intellectual stimulation (Transformational leadership). Leaders always motivated their followers to think critically before making decision and followers performed their tasks efficiently and effectively. Leaders which intellectually stimulate their subordinates impacted them to inspect things fundamentally and discover new solutions to work related problems and, in the process, urges them to remain positive and motivated. Intellectual stimulation is strongly related with additional exertion done by employees. So Successful entrepreneurs use transformational leadership to encourage innovation and in turn success of firm.

Aslan et al., (2011) conducted research on SMEs in Konya (Turkey) and stated that strategic transformational leadership impacts innovation and strategic change through the analysis of uncertainty in external environment. Leadership behaviors concentrated on human resources and transformation is significantly more fruitful at innovation. Employees with high perceived organizational support through inspirational, motivational and charismatic leadership are more inclined towards innovative performance in Malaysian SMEs (Liao et al., 2017; Theodore, 2013).

İşcan et al., (2014) conducted research on relationship of different leadership style, innovation and perceived organizational support and concluded that transformational leadership has more meaningful influence on both innovation and perceived organizational support than transactional leadership and further they found a significantly positive relationship between innovation and enterprise performance in Turkish SMEs.

Cortes and Herrmann (2020) argued that in Ecuadorian SMEs, transformational leadership provide basis for in promoting innovation in SMEs either directly or may be indirectly through increasing the enterprise's level of social capital and performance. Seyal and Rahman (2014) selected 100 private SMEs from a key business directory of Brunei Darussalam for analysis and concluded that two components of transformation leadership Inspirational motivation and individualized considerations are most important predictor of enterprise resource planning (ERP) adoption in SMEs of Brunei Darussalam. Those leaders who use these leadership behaviors can reap advantages of ERP including increased productivity (Seyal and Rahman, 2014).

Tan et al., 2014 analyzed a comprehensive model that links transformational leadership, HR practices and organizational climate and organizational climate in fast- growing SMEs in Australia. Results demonstrated that these factors contribute fundamentally to the development of learning organization, particularly transformational leadership influenced learning organization by creating open and supportive climate, bringing flexibility into task related HR systems, stressing upon employee motivation and satisfaction. Interestingly bonuses and rewards relevant to performance does not have significant contribution in learning organization.

Conclusion

This study used the literature review method to analyze the role of transformational leadership in SMEs, it is concluded that among all advanced leadership practices which include transformational leadership, transactional leader and laissez-faire leadership, and transformational leadership style is most suitable for SMEs. Although few studies stated transactional leadership style more appropriate for SMEs (Hayat and Riaz, 2011) but most of studies which compared leadership styles in context of SMEs argued that transformational leadership is perfectly related with survival and goals achievement of SMEs in current situation where SMEs are facing strong competitors, changing trends, products out dating and obsoleting, unstable and vulnerable external environment and scarcity of resources which all force SMEs to change and innovate. (Trajkoet al., 2014; İşcan et al., 2014). Change and innovation is facilitated by transformational leadership only which in turn increase chances of survival and firm performance. SMEs should consider those individual as potential CEOs and leader who demonstrate transformational leadership qualities (Samson and Ilesanmi, 2019).

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