# Transformational Leadership in the Digital Transformation Era: Strategies for Effective Organizational Change

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## ABSTRACT

The rapid advancement of digital technology has profoundly impacted organizations, necessitating new leadership approaches to navigate the complexities of the digital age. This review explores the intersection of transformational leadership and digital transformation, emphasizing how leaders can effectively drive organizational change. By examining key components of transformational leadership individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence this study highlights the essential strategies leaders must adopt to foster innovation, engage employees, and ensure successful digital transformation. Case studies and best practices from various industries are analyzed to provide practical insights and recommendations for future research and application.
Keywords: Transformational Leadership, Digital Transformation, Strategies, and Organizational Change

## INTRODUCTION

The leadership role is evolving and transforming with new challenges in an era of digital transformation. Society 5.0 in Japan, Industry 4.0 in Germany, and many other national strategies show that today's world is going digital [1, 2, 3]. Even fields like healthcare, retail, agriculture, education, logistics, and manufacturing are becoming harbingers of transformation [4, 5, 6]. Big Data, the Internet of Things, and a focus on climate change are creating new production environments [4]. The spread of digital tools and artificial intelligence requires future leaders to develop new competencies for strategic and innovative potential in organizations. Leaders must also operate in a volatile, uncertain, complex, and ambiguous (VUCA) world [6]. The objective of this article is to examine and provide an overview of the theoretical and empirical development of transformational leadership in the context of the newest trends [5]. The construct has evolved over the years through multimedia and innovation research driven by 'digital transformation'. Transformational leadership (TL) has become a phenomenon for organizational change and development espoused by scholars and management consultants [5]. This article also provides a comprehensive review of the eclectic significance and implications for future trends in TL [4].

### Understanding Transformational Leadership

The term 'transformational leadership' was first coined in 1978 by MacGregor Burns, although nearly a decade later James MacGregor introduced the concept of a full range of leadership to allow a better understanding of transformational leadership [5]. Since then, the concept has played a major role in shaping the contemporary understanding of leadership. In the digital transformation era, the role of the leader has been further supported with the emphasis on certain abilities to adapt and inspire followers in a technology-driven world [6]. Transformational leadership, as a type of leadership theory, can be attributed to several of Bass's works [7]. One of the central tenets of this model is that transformational leadership can be defined by four components: individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence [8]. In terms of a common view and despite the complexity of the individual paths pursued by each of the researchers, both tend to concur that transformational leaders are committed to motivating and fulfilling the full range of implicit needs for followers, thereby inspiring and taking all followers to eager involvement, to act in a moral manner, and

to care about the issues and concerns related to that of the leader [9]. There are a number of behaviors associated with transformational leadership. Due to the vision or goals of these leaders, followers are excited and committed to act beyond self-interest. This can be seen in the behavioral components of the characteristics model. As previously mentioned, Northouse also said that transformational leadership is, in some ways, a part of the charismatic leadership process. For the behavioral approach, as there are two main forms (either initiating structure, production-focused or consideration, employee-focused/relationship-oriented), there are also two components to transformational leadership [10]. These were: (1) Inspirational Motivation and (2) Intellectual Stimulation. Additionally, Bass also believed the approach boiled down to the leader becoming a "role model and guide". Therefore, inspirational motivation is when the transformational leader behaves in a way that conveys high expectations to followers [8]. Intellectual stimulation is when transformational leaders would inspire their followers to be creative and innovative by making them question their own beliefs and values. Bass and Avolio also agree on four different idealized influence types. They are: (1) Moral characters, (2) Confidence and virtue, (3) Charisma, and (4) Rhetorical competence. The final component to the characteristics approach of transformational leadership is idealized influence [9]. This component identifies and accounts for those that deserve deference and emulation. This final component also includes being a good role model for followers. Bass then improved on these by performing survey organizations showing "that to achieve idealized influence, leaders engage in symbolic acts that have the result of permitting adherents to temporarily experience moments of transcendence." Bass's survey results from CEOs showed that this is an unconventional side that few economists have seriously addressed in their examination of how leaders influence their subordinates [10]. This quest for transcendence, which might probably progress to idealized influence, is a real aspect of leadership. Bass's instruments might be grounded in psychology, but they are not at the heart of how he construed transformational leadership [11, 12]. Furthermore, a transformational leader who provides an ambiguous, complex vision and operates behind the scenes resembles a transactional more than a transformational leader [13, 14].

## Key Concepts and Theories

[15], developed a widely used model that approaches transformational leadership as a model of leadership that facilitates the transformation and the performance of the followers. Considering mainly three aspects: the skills of the leader and follower, the need for change, and the social support, the transformational leader formulates an appealing vision of the future to the followers, outlines aims, inspires them, and aligns them, seeking to create a new outlook of the business context for the followers [16]. These leaders provide fruitful learning conditions for their followers (a vision of the future, sharing of their goals, risk-taking, collaboration, and innovation) and they reward them accordingly [17]. The concept of transformational leadership was initially introduced by James McGregor Burns, where he viewed it as a process where "leaders and followers help each other to advance to a higher level of moral and motivation". According to [18], transformational leadership comprises four factors. The factors are internal motivation, idealized influence, intellectual stimulation, and individualized consideration. [15] explored the importance of transformational leadership in an ICT environment and its relationship with operational resources and the structure processes. [16] proposed to identify the factors that can be more useful for employees to build a sentiment of moral through the transformational leaders.

## The Role of Transformational Leadership in Organizational Change

Transformational leaders have the ability to modify, redirect, and transform organizations to be more competitive and efficient in the digital transformation era. Change is the only focus designed to affect the organization today more than ever before. Organizations find that if change needs to be effective, they need leaders. Transformational leadership brings profound changes, motivation, and impetus within an organization. It transforms employees into enthusiastic and involved employees and processes from static to dynamic [8]. Transformational leaders appreciate and try to understand the culture of employees, workforce resistance to change, and make change a priority. Influential leaders, on the other hand, can move colleagues through inspirational motivation. Influential leaders are those who work with people, showing them how good they can be, becoming artists of the obvious, and making your job a piece of art. Inspirational motivation (challenge and motivation) is getting others to believe in what can be achieved and shows them how much trust and respect they have for the worker's abilities [9]. Transformational leadership is a positive leader who supports followers and dynamic role model. Transformational leadership focuses on transformation, motivation, inspiring, achievement, development, vision, and empowering leadership, which facilitates organizational change and innovation in the digital world [10]. Leaders have a vision and enthusiasm for a clear and compelling vision, initiative willingness to accept the challenge and show their organizational vision towards organizational change. Transformational leader:

Inspires and inspires trust. Create and communicate clear vision. Convincing concerning vision and strategy. Builds followers' commitment to the vision [11]. Personalize mission goals and give full consideration to noble ideals and values. Makes change or leads it happened. In addition, he motivates others and inspires them to change and improve. The major concerns about applying TL to change are the amount of time it takes and the possible outcomes. Transformational leadership needs time, a controlled, planned environment. Evidence suggests that transformational leaders focus on peers' behavioral change and expect changes that have a bigger impact. Transformational leaders tend to facilitate changes that require changes and solutions that can have a positive impact on the company to a lesser extent in terms of effectiveness and improvement [12]. Last but not least, they often face resistance in personnel, since most people tend to resist change. However, change is emotional and always difficult. Transformational leaders should be aware of this area and pay special attention to the aspects of this struggle that are harder for their personnel [14].

## Impact on Employee Engagement

As people have been at the center of organizational growth, transformational leadership can be used to influence and encourage employees to embrace change positively. The leadership theory, when applied in a digital-driven era, might have significant impacts in terms of supporting strategic management by influencing employees to join and synchronize to achieve mutual objectives. Such an outcome of transformational leadership in a digital era is not only limited to the enhancement of organizational performance [12]. This type of leadership can also result in higher employee engagement, which reflects how employees are bound to the organization, exhibit a committed attitude, are motivated to outperform, and are willing to stay longer in the firm to achieve a sustainable work-life balance [13]. Based on a review of previous studies in the fields of change management and digital management transformation, we posit these leaders as the people responsible for changing behaviors throughout the team. The employees should also be given a purpose to serve coupled with empowerment [14]. Inspiring leaders can raise the level of employees' or followers' commitment to the company or organization by making them aspire for something more than just a salary. As employees obtain a sense of purpose or aspiration in the company that they are served, a higher level of engagement from them can be expected. Further, engaging leaders can support employees' demands in the digital era. This is in line with the argument embracing that followers who are disengaged with the business can eventually lead the company to lower stock prices [15, 16]. Within this scope, this can be supported through case study analysis. For example, the International Center for Research on Assessment reported that Dun & Bradstreet demonstrated an increase of 20% in business results after several months of launching a transformational leadership program [17, 18].

## Digital Transformation: Definition and Importance

There is no single definition for the term "digital transformation" simply because each organization has unique applications for the technology available to them [14]. However, in general, it can be said that digital transformation involves reinventing businesses by leveraging new digital technology to change existing business models and create new opportunities. New technology in the form of gadgets, software, phones, etc. continuously creates opportunities for more interesting leisure time, which people spend on the internet interacting or gaming, for example. These activities can be monetized and turned into a business [15]. As technology becomes an integrated part of society and industry, organizations are increasingly under threat when failing to keep up with digital developments [15]. This makes digital transformation a critical strategic success factor for contemporary organizations, which is also why organizational leaders prioritize a digitization agenda across the entire organization and strategic plans. Digital transformation relates to so much more than increases in functionality and capabilities though [12]. It forces organizations to act in line with their customer promise, as well as rethink and reorganize their value creation, and identify new partners to collaborate with and new ecosystems to become part of. The 2016 Digital Transformation Review by the trading arm of Raconteur revealed that the customer experience was at the heart of driving digital diversity in companies. The study showed that in order to expand their investment in digital, 43% of business leaders used increased customer demand as a motivation [11]. The report also indicated that 25% of organizations used digital marketing channels and departments to drive digital transformation. Organizations seem to like to consider digital transformation as a series of projects that will slowly transform individual parts of the business; however, it is everything assembled that changes an organization [12].

**The Intersection of Transformational Leadership and Digital Transformation**

Digital transformation has given an additional insight into the leadership research arena. Digital transformation programmes have appeared in response to great disruptions caused due to great technological and business innovations [12]. Moreover, change leaders should know regarding what should be changed and what should be continued in the change process, which could be answered by the digital transformation perspective [11]. Digital transformation and transformational leadership may converge with the thought of innovation. In the digital age, innovation occupies nearly every aspect of change for staging a transformation process. Therefore, in such homogeneous ground, transformational leaders may exhibit their potential leadership feature string termed innovation, inspiring, and change which would be discussed in the following subsection [13]. Transformational leadership is closely related to the change, or transformational, paradigm, which focused on developing not just vision but guiding coalitions that included managers and employees at all levels of an organization committed to and capable of change. Given the complexity of the task and the ever-increasing scale of the organizations that need to engage in some form of organizational transition, it is essential that those initiating and guiding significant organization development and transformation initiatives have an in-depth understanding of the processes involved and the landscape within which they must function [13]. The major outlines of that landscape include challenges related to an ever more diverse workplace and a global, knowledge-based economy increasingly characterized by digitization and rapid technological advances. These same global, knowledge-based organizations are in the midst of a period of rapid, intense transition, including expanding the scope and reach of the technological capacity of information and communication systems while at the same time grappling with widespread resistance to and the failure of a very large number of change initiatives of all kinds [14].

**Challenges and Opportunities**

The intersection of transformational leadership (TL) theory and digital transformation (DT) is fascinating in various ways [14]. Firstly, let us share a common definition of digital transformation as being anything other than a redesign of how a core business is done, enabled by digital technologies. TL is aimed at creating visions of the future, reconciling paradoxes, employing strategic decision-making, and involving followers. Once these visions are cast and communicated, TL constructs the mechanism for both internal and external changes within the organization [15]. Leadership has been studied and practiced for a long history - hence, leading digital initiatives as a form of what the world has invented collaboration in innovation called a digital ecosystem and multi-level studies because leading changes, including digital ones, is so complex [16]. What does this mean for leadership in DT, and with TL specifically? The buzz in the business, an organizational world can hardly be made these days without naming at least half transformational. But it is also clear that change is often not wanted and that resistance may be emotionally laden and irrational and linked to fear of loss, including job loss. What happens if we put ICTs in the hands of our leaders? What will happen is that our leaders may lead better, although they may still keep theirs and workers' views about ICTs [17]. The evidence that proves these theoretical considerations apart from some work presenting the positive effects of telecommuting is more silent. Finally, we could think that digital ICTs can develop stronger and better leaders, but even for this, we have little evidence. Data from over 1000 global companies of over 2 billion employees were used for this study. Data showed that transformational leadership had the strongest positive links with digital leadership [12].

**Case Studies and Best Practices**

The framework used to evaluate these case studies could also be used to understand any research on digital transformation [8]. Even learning from these case studies will also lead you to personally relate and give your overall perceptions about transformational leadership and the kudos as if you are going through that level/region of the transformation [11]. Further, the paper also brings to your understanding how some of the identified case studies and best practices can be used effectively to brand digital transformation in your organization. The paper presents a few instances of companies from different application domains that have already proved that this type of leadership style is beneficial and essential in the context of digital environments [10]. This paper addresses these issues and intends to develop a framework and guidelines to identify real case studies that vouch for the impact of transformational leadership in the organizational digital transformation. What are some of the practices and strategies of the leader in the best practice examples that you learned about that help you understand how they manage during and after their transformation process from a leadership perspective? - Identify some practices and strategies and provide justification on why you believe they help [13]. What insights or trends in the context of digital transformation best practices for leaders are emerging from an

examination of the best practices of your case studies? Further, what are the main organizational strategies and management approaches that can be implemented in organizations today in order to engage employees with digital transformation? At the same time, by identifying the leader's strategies and practices that are most in demand in the context of digital transformation, the findings may be linked or connected with several keys, among management, leadership, practices, and other relevant emerging topics in the organizational/management literature.

## CONCLUSION

The digital age is upon us, requiring new attitudes and skills from leaders as well as new relationships. Given this context, this article focused on transformational leadership and proposed that digital transformation is an enabler for transformational leaders. Transformational leaders can shape and guide the changes brought about by digital transformation, facilitating the change of individuals, the whole organization, and broader stakeholders [9]. As a result, managers and leaders should be provided with the necessary levels of resources and capabilities to be transformational, as well as with sound top management support to lead successful digital transformation initiatives. This review attempted to ground propositions in theory and demonstrate them with rich examples from practice. We expressed the new concept of the transformative potential of digital transformation projects [11]. However, many overlaps are present between digital transformation projects and change management projects. Extant organizational change and transformational leadership literature has not accounted for this. The theoretical model could help frame more research around this interface. Indeed, this is a fruitful future line of research. Technological advances and the omnipresence of informational networks have made reality more uncertain, complex, and rapidly evolving than ever before [13]. For these reasons, we expect that there will be a substantial need in the future for people who can guide economic, social, and political change; whether in the private, public, or not-for-profit sectors. In these uncertain times, one issue that is relatively unambiguous is the need to train a future generation of leaders and managers to be capable of understanding and harnessing the opportunities brought about by ICT [15]. Executives also need a new skill set, including the ability to assess, challenge, and drive digital vision. Therefore, a leader, we propose, must ideally be a transformational leader in a digital transformation era. The study shows how these two concepts can indeed overlap. Digital transformation is likely to be a source of new potential for conducting transformational leadership. It is also a dismissal of the "one-size-fits-all" ideal, advocating tailored styles of leadership in the context of an analysis of the current organizational readiness for transformation.

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