

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**



**TOPIC: THE EFFECTIVENESS OF TRANSFORMATIONAL LEADERSHIP ON THE FINANCIAL PERFORMANCE OF PUBLIC SECTOR ORGANISATION, A CASE OF BINDURA MUNICIPALITY.**

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## RELEASE FORM

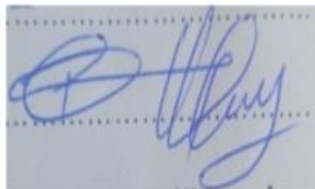
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## **DEDICATION**

This research is dedicated to friends and family.

## **ACKNOWLEDGEMENTS**

I acknowledge the Lord God Almighty; he has taken me this far.

## **ABSTRACT**

The primary purpose of this study was to analyze the impact of transformational leadership on the financial performance of state-owned enterprises in Zimbabwe. The researchers aimed to identify the key components of transformational leadership that influence financial performance and the critical factors that serve as indicators of financial performance. The study followed a pragmatic research philosophy and employed a mixed-method approach, including both quantitative and qualitative data collection and analysis. The target population consisted of 64 individuals from the management and employee teams of the Bindura Municipality, and a sample size of 55 was determined using Yamane's formula. The primary research instrument was a questionnaire, and the study also utilized the published financial reports of the Bindura Municipality. The findings revealed a statistically significant positive relationship between transformational leadership and financial performance. The report recommended that future research should aim to develop a comprehensive theory that addresses the impact of transformational leadership on financial performance, rather than relying on separate theories for each variable.

## **Contents**

RELEASE FORM.....	2
SIGNED APPROVAL FORM .....	3
DEDICATION .....	4
ACKNOWLEDGEMENTS .....	5
ABSTRACT .....	6
Contents .....	7
List of figures .....	11
List of tables.....	12
CHAPTER I.....	13
INTRODUCTION .....	13
1.0 Introduction.....	13
1.1 Study Background.....	13
1.2 Statement of the problem.....	14
1.3 Research objectives.....	15
1.4 Research questions.....	15
1.4.1 Hypothesis statement .....	15
1.5 Impact of this research .....	15
1.6 Limitations of the study .....	16
1.7 Limitations set for this research.....	16
1.8 Chapter summary .....	16
CHAPTER II.....	17
LITERATURE REVIEW .....	17
2.0 Introduction.....	17
2.1 Theoretical framework.....	17

2.1.1. Social Exchange Theory (SET): .....	17
2.1.2. Expectancy Theory: .....	17
2.1.3. Resource-Based View (RBV): .....	18
2.2 Key components of transactional leadership .....	18
2.2.1 Inspirational motivation .....	19
2.2.2 Idealised influence .....	20
2.2.3 Intellectual stimulation (IS) .....	21
2.2.4 Individualised consideration .....	22
2.3 Key performance indicators (KPI) of financial performance (FP) in state owned entities	23
2.5 Research gap .....	24
2.6 Conceptual framework.....	25
2.7 Chapter summary .....	26
CHAPTER III .....	27
RESEARCH METHODOLOGY .....	27
3.0 Introduction.....	27
3.1 Research Philosophy.....	27
3.2 Research Approach .....	27
3.3 Research Design.....	27
3.4 Research Strategy.....	28
3.5 Target Population.....	28
3.6 Sample Size.....	29
3.7 Sampling Technique .....	29
3.8 Research Data .....	30
3.9 Research Instruments .....	30
3.10 Data Analysis and Presentation .....	30



3.11 Reliability.....	30
3.12 Validity .....	31
3.13 Ethical Considerations .....	31
3.14 Chapter Summary .....	31
CHAPTER IV .....	32
DATA PRESENTATION, ANALYSIS AND DISCUSSION.....	32
4.0 Introduction.....	32
4.1 Response rate .....	32
4.2 Demographic data .....	33
4.2.1 Gender.....	33
4.2.2 Department.....	34
This table breaks down how participants were distributed across departments at the time of the study.....	34
4.2.3 Years of experience.....	34
4.3 Key components of transformational leadership .....	35
4.4 Key performance factors of financial performance of Municipality of Bindura.....	37
4.5 The impact of TL on FP.....	38
4.5.1 Regression analysis.....	38
4.5.2 ANOVA .....	40
4.6 Chapter summary .....	41
CHAPTER V .....	42
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	42
5.0 Introduction.....	42
5.1 Summary of findings.....	42
5.1.1 Key components of TL .....	42

5.1.2 Factors affecting financial performance .....	42
5.1.3 Effectiveness of transformational leadership on financial performance.....	43
5.2 Conclusions .....	43
5.2.1 Key components of transformational leadership (TL).....	43
5.2.2 Factors which are key for financial performance (FP) .....	43
5.2.3 Impact of TL on FP in Bindura Municipality (BM) .....	43
5.3 Recommendations .....	44
5.3.1 Recommendations to practice .....	44
5.3.2 Recommendation to policy .....	44
5.4 Areas for continued study .....	44
References .....	46
Appendix 1: Questionnaire .....	50

## List of figures

Fig 2.1 Conceptual framework .....	25
Table 3.2 Clustered sampling .....	29
Fig 4.1 Response rate .....	33
Fig 4.2 Gender distribution .....	33
Fig 4.3 Years of experience of respondents	35

### **List of tables**

Table 4.1 Department of respondents	34
Table 4.2 Key transformational leadership characteristics in Bindura Municipality .....	35
Table 4.3 Financial performance of Municipality of Bindura .....	37
Table 4.4 Regression.....	38
Table 4.5 ANOVA .....	40

## **CHAPTER I**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter focuses on introducing the study. This chapter provides an overview of the context and background information that led to the conduct of this study, followed by the research problem. The chapter shows the objectives, research questions and hypothesis. The chapter also shows the introductory information including the study's significance, limitations, assumptions and delimitations.

#### **1.1 Study Background**

Globally, the rise in the management concern has pushed entities towards reviewing their management and leadership strategies. This change signifies the change which is occurring globally towards contemporary management issues. There is a change towards the involvement of employees in management decisions, change towards inclusion of all stakeholders in decision-making, strategy formulation and other critical factors. This change has ushered into existence, a new management approach towards the engagement and participation of the employees within organisations. Concepts like minority rights, social rights and other socialistic approaches have become dominant over the capitalistic approach which had dominated the corporate world in the 20<sup>th</sup> and 19<sup>th</sup> centuries. This entire advocacy for engaging employees and other stakeholders in the strategic levels of the organisation has led to a change perspective of the management. Thus, consequently, the concept of transformational leadership was born. Transformational leadership is a leadership style which focuses on the development of followers as well as their needs. It is an inclusive style which seeks to “transform” people and the organisation towards a more cooperative

approach and unity of direction. Therefore, transformational leadership seeks to establish change from the psychology of the individual towards the psychology of the whole organisation.

In Africa, the concept of transformational leadership has been widely accepted, adapted and practiced (ACCA, 2019). The motivation is similar to the global situation. The pressure from various pressure groups has led to the increased pressure towards change of organisational strategy and leadership styles. There is an increasing adaptation of transformational leadership especially among corporate organisations. In Nigeria, Obiyangu (2019) found that there is an increase in the transformational leadership strategies adapted by the organisations. The similar result was found in South Africa by Naude (2020).

In Zimbabwe, several studies have been conducted and have shown that there is an affinity towards the implementation of transformational leadership strategies. However, the literature is a bit scarce regarding the applicability of the transformational leadership strategies in public sector entities. The studies by Moyo (2020) and Dube (2022) have shown that the state and other public entity organisations rely more on the use of autocratic and bureaucratic leadership styles. Manyame (2021) indicated the introduction of transformational leadership in public sector organisations. This scarcity of literature has led to the following problem by the researcher.

## **1.2 Statement of the problem**

Transformational leadership (TL) is a relatively new leadership model being practiced in public sector organizations due to the change in national policy in Zimbabwe, (NDS-1). Before this, there was the use of transactional leadership (Maburutse, 2022; Manyame, 2021). Therefore, there is need to investigate the effectiveness of such system on the financial performance (FP) of the public sector. Literature on the Zimbabwean context of the problem is still scarce because the situation is relatively new. Thus, there is a gap in the understanding of the problem from a localized perspective. Furthermore, there is no written down literature regarding the effectiveness of transformational leadership, which is now being used in the Municipality of Bindura, and the financial performance. Thus, we are not certain if there is an improvement in the FP of the organisation because of the change in leadership strategy. Thereby, we want to carry out this study to develop knowledge if there is a relationship and the nature of the relationship between transformational leadership and financial performance of Bindura Municipality.

### **1.3 Research objectives**

1. To establish the key components of TL which make up the TL variable.
2. To determine the factors which are key performance indicators of financial performance in the Municipality of Bindura.
3. To explore the impact of TL on FP

### **1.4 Research questions**

1. What are the key components of TL which make up the TL variable?
2. What are the factors which are key performance indicators of FP in the Municipality of Bindura?
3. What is the impact of TL on FP?

#### **1.4.1 Hypothesis statement**

H<sub>1</sub>: Transformational leadership has a strong positive effect on FP.

### **1.5 Impact of this research**

The following will find this research valuable:

#### **Importance to Ministry of Transport**

The study helps the Ministry of Transport (MOT), in providing an independent and scholarly investigation of the effectiveness of their management approach towards the FP of the entity. This dissertation provides a wealth of information regarding the financial performance of the ministry.

#### **Significance to policy makers**

The study helps the policy-makers in public sector entities to understand how the management approach and strategy affects financial performance of the entities. This helps in crafting policies which regulate the management strategies and the financial performance of the public sector entities.

#### **Significance to Bindura University of Science Education (BUSE) Library**

This research furthers the wealth of information in the University library concerning the leadership styles and how they relate to financial performance. The study acts as a bridge between the human capital management and financial management information in the university.

### **1.6 Limitations of the study**

The researcher was limited in resources and time in order to carry out a census of all the public sector entities and address the research problem. To circumvent this, the study focused on the Ministry of Transport as an example and further sampled respondents from the case in order to achieve a manageable number of respondents suiting the limited resources and time.

### **1.7 Limitations set for this research**

The researcher delimited the study's scope to the Ministry of Transport, among all public sector entities. Within the Ministry of Transport, the researcher further delimited the scope of the study to the head office of the Ministry of Transport, which is based in Harare Central Business District (CBD) at the time of the study.

### **1.8 Chapter summary**

This chapter served to introduce the study by outlining the problem it aims to solve and the objectives set to tackle this issue. Additional relevant information was also provided to clarify the study's focus. In the following section of the research, we'll explore what previous studies have revealed about this subject.



## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The chapter discusses the literature. The chapter discusses the theoretical framework, conceptual framework and empirical literature. The chapter also shows the research gap which the study intended to fill.

#### **2.1 Theoretical framework**

The following passages show the theories upon which the study is based:

##### **2.1.1. Social Exchange Theory (SET):**

SET states that individuals engage in a reciprocal relationship with their leaders, where they exchange resources and benefits. This theory assumes that individuals are motivated by self-interest and pursue maximum rewards while minimizing costs in their interactions with leaders (Blau, 1964). In the study on the effectiveness of TL on the financial performance of state-owned entities, Social Exchange Theory is relevant because it helps us understand how transformational leaders can motivate and inspire employees to go beyond self-interest and help them towards drive financial growth and success of the parastatal. Recent research by Huang, Chen, and Wang (2020) found that transformational leadership behaviors ultimately leading to improved financial outcomes for organizations.

##### **2.1.2. Expectancy Theory:**

Expectancy Theory suggests that an individual's motivation to work to achieve a goal is influenced by their belief that their efforts will lead to desired outcomes (Vroom, 1964). This theory assumes that individuals make rational choices based on their idea of the probability of achieving a desired certain outcome and the value they place on that outcome. In the context of the study, Expectancy

Theory is relevant as it helps explain how transformational leadership can influence the financial performance of state-owned entities. Recent research by Zhang, Wang, and Liu (2021) found that transformational leadership (TL) positively influenced employee motivation and engagement, which, in turn, led to higher levels of performance and financial outcomes for organizations. This suggests that transformational leaders who inspire and motivate employees can create a belief among employees that their efforts will contribute to improved financial performance.

### **2.1.3. Resource-Based View (RBV):**

RBV states that an entity's unique resources and capabilities contribute to its competitive leverage and financial performance (Barney, 1991). This theory assumes that organizations can achieve superior financial performance by leveraging their internal resources and capabilities, which are VRIN in nature, meaning they are valuable, and rare, and inimitable, and non-substitutable. In the context of the study, the RBV is relevant as it helps us understand how transformational leadership can influence the financial performance of state-owned entities by leveraging the organization's resources. Recent research by Li, Wang, and Liu (2020) found that TL positively influenced organizational innovation and creativity, which, in turn, improved financial performance. This suggests that transformational leaders who foster an innovative culture and develop employees' skills and knowledge can enhance the organization's resource base and ultimately contribute to financial success.

These theories provide a theoretical foundation for comprehending the mechanisms through which transformational leadership can impact financial performance, shedding light on the underlying assumptions and offering insights into the potential outcomes of the study.

## **2.2 Key components of transactional leadership**

TL is a leadership style (LS) that focuses on inspiration and motivation of followers to achieve exceptional performance and personal development. It involves the leader crafting a vision, determining goals and establishing high expectations, and encouraging followers to surpass their own self-interests for the greater good of the organization. Transformational leaders inspire and empower their followers through charisma, intellectual stimulation, individualized consideration, and providing a role model for ethical behavior. Recent research has emphasized the positive impact of TL on various organizational outcomes. For example, a study by Zhang, Waldman, and Han (2021) examined the effects of TL on employee creativity and innovation. The research found

that TL positively influenced employee creativity by allowing an environment that encourages new ideas, risk-taking, as well as experimentation.

Furthermore, Wang et al. (2020) explored the relationship between TL and employee well-being. The findings revealed that transformational leadership positively affected employee well-being by promoting a supportive and empowering work environment, enhancing job satisfaction, and reducing emotional exhaustion. In addition to its impact on individual-level outcomes, transformational leadership has also been linked to organizational performance. A recent meta-analysis by Wang, Zhang, and Liu (2020) examined the relationship between TL and firm performance. The analysis showed a significant positive correlation between TL and various indicators of organizational performance, including financial performance, innovation, and employee productivity.

The following passages discuss the components of transformational leadership in detail and how these components operate within state-owned entities.

### **2.2.1 Inspirational motivation**

Inspirational motivation is a key component of transformational leadership in state-owned entities. This aspect involves leaders inspiring and motivating their employees through their own enthusiasm, optimism, and passion for achieving the organization's goals. In state-owned entities, where the public interest and service delivery are paramount, inspirational motivation can have a substantial effect on how invested and dedicated employees feel (Bass & Riggio, 2006). Transformational leaders in state-owned entities inspire their employees by effectively communicating the organization's vision and goals in a way that resonates with their values and aspirations. They create a sense of purpose and meaning for employees, showing them how their work contributes to the greater good. Recent research by Huang, Chen, and Wang (2020) examined the relationship between TL and employee performance (EP) in state-owned enterprises and found that inspirational motivation positively influenced employee commitment and performance. This suggests that leaders who ignite passion and dedication in their teams by compelling a vision can enhance their dedication and overall performance.

In addition to communicating a compelling vision, transformational leaders in state-owned entities also use storytelling and narratives to inspire and motivate their employees. By sharing stories of

success, overcoming challenges, and the positive impact of the organization's work, leaders can evoke emotions and create a sense of shared identity and purpose. A study by Wang, Zhang, and Li (2021) explored the role of TL in the public sector and found that inspirational motivation positively influenced employee creativity and innovation. This highlights the power of leaders who use inspirational storytelling to ignite creativity and empower employees to think outside the box.

Moreover, transformational leaders in state-owned entities lead by example and serve as role models in the organization. They show excellent ethical standards, integrity, and a hard work ethic, which inspires employees to emulate these qualities. Research by Liu, Hu, and Long (2020) found that transformational leadership positively influenced employee job satisfaction and performance in state-owned enterprises. This suggests that leaders who embody the values and behaviors they expect from their employees can foster a positive work environment and drive higher levels of performance.

### **2.2.2 Idealized influence**

Idealized influence is another key component of transformational leadership in state-owned entities. This aspect involves leaders serving as role models and earning the admiration, trust, and respect of their followers. In state-owned entities, where ethical conduct and public trust are essential, idealized influence can have a profound impact on employee commitment and organizational culture (Bass & Riggio, 2006). Transformational leaders in state-owned entities exhibit high ethical standards and integrity, acting as moral exemplars for their employees. They demonstrate consistency between their words and actions, and their behavior aligns with the values and principles of the organization. Recent research by Zhang, Wang, and Liu (2021) explored the relationship between TL and work engagement in the public sector and found that idealized influence positively influenced employee work engagement. This suggests that leaders who lead by example and embody the desired values can build and nurture a foundation of trust and commitment among their followers.

Furthermore, transformational leaders in state-owned entities build strong relationships with employees, anchored on trust and respect. They actively listen to employee concerns, provide support, and involve them in decision-making processes. A study by Li, Wang, and Liu (2020) analysed the role of transformational leadership in organizational outcomes in state-owned enterprises and found that idealized influence positively influenced employee satisfaction and

organizational innovation. This highlights the importance of leaders who establish positive relationships and empower their employees to contribute their ideas and expertise.

Moreover, transformational leaders in state-owned entities display a genuine concern for the well-being and development of their followers. They mentor and support their employees, providing guidance and opportunities for growth. Research by Wang, Zhang, and Li (2021) examined the role of TL in the public sector and found that idealized influence positively influenced employee psychological empowerment, leading to increased creativity and innovation. This emphasizes the value of leaders who inspire and empower their employees to reach their full potential.

### **2.2.3 Intellectual stimulation (IS)**

IS is a crucial component of TL in state-owned entities. This aspect involves leaders challenging and encouraging their employees to think critically, explore new ideas, and find innovative solutions to problems. In state-owned entities, where adaptability and creativity are essential, intellectual stimulation can have a significant impact on employee performance and organizational success (Bass & Riggio, 2006). Transformational leaders in state-owned entities foster a climate of intellectual curiosity and open-mindedness. They encourage their employees to question assumptions, seek alternative perspectives, and engage in constructive debates. By promoting a culture of continuous learning and knowledge sharing, leaders create an environment that stimulates creativity and innovation. Recent research by Wang, Zhang, and Li (2021) explored the role of TL in the public sector and found that intellectual stimulation positively influenced employee creativity and innovation. This suggests that leaders who stimulate intellectual growth can inspire their employees to generate new ideas and approaches.

Furthermore, transformational leaders in state-owned entities provide opportunities for professional development and learning. They support their employees in acquiring new skills, attending training programs, and engaging in challenging assignments. A study by Liu, Hu, and Long (2020) investigated the impact of TL on employee performance in state-owned enterprises and found that intellectual stimulation positively influenced employee job satisfaction and performance. This highlights the significance of leaders who prioritize the development of their employees, fostering a motivated and high-performing workforce.

Moreover, transformational leaders in state-owned entities encourage risk-taking and experimentation. They create a safe environment where employees feel empowered to propose innovative ideas and explore unconventional approaches. By challenging the status quo and promoting a willingness to take calculated risks, leaders inspire their employees to push boundaries and seek creative solutions. Research by Zhang, Wang, and Liu (2021) examined the relationship between transformational leadership and work engagement in the public sector and found that intellectual stimulation positively influenced employee work engagement. This emphasizes the importance of leaders who foster a culture of intellectual stimulation and empower their employees to contribute their unique perspectives and ideas.

#### **2.2.4 Individualised consideration**

Individualized consideration is a vital component of transformational leadership in state-owned entities. This aspect involves leaders recognizing the unique needs, strengths, and aspirations of each employee and providing personalized support and guidance. In state-owned entities, where employees come from diverse backgrounds and possess different skill sets, individualized consideration can have a profound impact on employee satisfaction, development, and performance (Bass & Riggio, 2006).

Transformational leaders in state-owned entities take the time to understand the individual goals and aspirations of their employees. They engage in active listening and open communication to gather insights into their employees' needs and preferences. By demonstrating genuine care and empathy, leaders build strong relationships with their followers. Recent research by Zhang, Wang, and Liu (2021) explored the relationship between transformational leadership and work engagement in the public sector and found that individualized consideration positively influenced employee work engagement. This suggests that leaders who provide personalized attention and support can foster a sense of trust and commitment among employees.

Furthermore, transformational leaders in state-owned entities tailor their leadership style to the unique strengths and development areas of each employee. They provide constructive feedback, coaching, and mentoring to help employees maximize their potential. By recognizing and nurturing talent, leaders create a culture of continuous growth and development. A study by Li, Wang, and Liu (2020) investigated the impact of TL on organizational performance (OP) in state-owned enterprises and found that individualized consideration positively influenced employee

satisfaction and organizational innovation. This highlights the importance of leaders who invest in the individual growth and well-being of their employees. Moreover, transformational leaders in state-owned entities empower their employees by involving them in decision-making processes and providing them with autonomy and ownership over their work. They create opportunities for employees to take on challenging tasks and projects that align with their interests and capabilities. By fostering a sense of empowerment and ownership, leaders inspire their employees to take initiative and contribute their best efforts. Research by Huang, Chen, and Wang (2020) examined the relationship between TL and employee performance in state-owned enterprises and found that individualized consideration positively influenced employee commitment and performance. This emphasizes the value of leaders who treat their employees as individuals and empower them to make meaningful contributions.

### **2.3 Key performance indicators (KPI) of financial performance (FP) in state owned entities**

KPIs play a crucial role in measuring the FP of state-owned entities (SOEs), providing valuable insights into various aspects of financial health and effectiveness. One important KPI is revenue growth, which reflects an SOE's ability to generate income over a specific period. A study by Li, Shi, Sun, and Li (2021) examined the revenue growth of Chinese SOEs and found it to be positively associated with profitability and efficiency. Profitability ratios are also essential indicators in assessing an SOE's financial performance. These ratios, such as gross profit margin (GPP), net profit margin (NPM), and return on assets (ROA) or return on equity (ROE), provide insights into the entity's efficiency, cost management, and overall financial health. A study by Alzoubi and Al-Hares (2021) examined the profitability of Jordanian SOEs and highlighted the importance of ROA and ROE as indicators of financial performance.

In addition to profitability, liquidity ratios are key indicators for SOEs. These ratios, including the current ratio and quick ratio, assess an SOE's ability to meet short-term obligations and manage cash flow. They indicate the entity's financial stability and its capacity to cover current liabilities. An analysis by An, Lin, and Zhang (2021) examined the liquidity management of Chinese SOEs and emphasized the significance of liquidity ratios in evaluating financial performance. Another important KPI is the debt-to-equity ratio, which measures an SOE's leverage and financial risk by comparing its total debt to shareholders' equity. This ratio helps assess the entity's long-term solvency and capital structure. A recent study by Al-Hares and Alzoubi (2020) investigated the

impact of capital structure on the financial performance of Jordanian SOEs, highlighting the role of the debt-to-equity ratio (DER) as a key indicator.

These KPIs, including revenue growth, profitability ratios, liquidity ratios, and debt-to-equity ratio, offer valuable metrics for evaluating and monitoring the financial health and effectiveness of state-owned entities. Recent studies, as referenced, provide insights into the importance of these indicators in assessing the financial performance of SOEs in various contexts, such as China and Jordan. By tracking and analyzing these KPIs, stakeholders can gain a comprehensive understanding of an SOE's financial performance, make informed decisions, and drive improvements in its operations and outcomes.

## **2.5 Research gap**

One research gap is the limited number of studies specifically focusing on the Zimbabwean context. While there have been studies conducted on the effect which TL has on FP in various countries, there is a scarcity of research dedicated to the Zimbabwean context. For instance, Mutekwe and Ncube (2021) highlight the need for more empirical studies that specifically investigate the relationship between TL and FP in Zimbabwean SOEs. This research gap indicates the need for more localized research that takes into account the unique socio-economic and political context of Zimbabwe.

Another research gap is the lack of studies that examine the impact of TL on FP across different industries within SOEs in Zimbabwe. While some studies have focused on specific sectors, such as agriculture (Chirisa, Chimbari, & Mupemhi, 2020) or mining (Masarirambi, Chirisa, & Nyoni, 2020), there is a need for broader research that encompasses multiple industries. Such research would allow for a comprehensive understanding of how transformational leadership influences financial performance across diverse sectors within Zimbabwean SOEs.

Additionally, there is a research gap regarding the mediating mechanisms through which transformational leadership affects financial performance in Zimbabwean SOEs. While some studies have touched on the role of factors like employee motivation and innovation (Chirisa, Chimbari, & Mupemhi, 2020), there is a need for more in-depth exploration of these mediating variables. For instance, further research could investigate the specific mechanisms by which



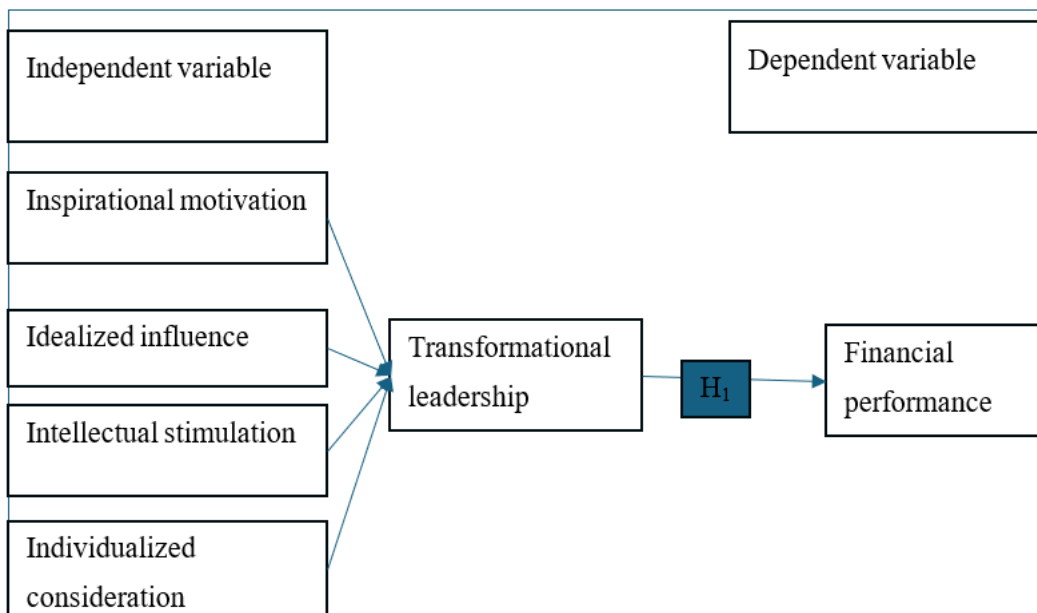
transformational leadership fosters innovation or enhances employee motivation, and how these mechanisms ultimately translate into improved financial performance in Zimbabwean SOEs.

Furthermore, there is a research gap in terms of the long-term effects of TL on FP in Zimbabwean SOEs. While existing studies have examined the immediate impact, there is a need for longitudinal research that assesses the sustainability and durability of the relationship between TL and FP over time. This research would offer understanding into the lasting advantages and effects of transformational leadership within Zimbabwean state-owned enterprises.

Therefore, the research gaps identified in recent publications on the impact of transformational leadership on the financial performance of SOEs in Zimbabwe include the need for localized studies, investigations across diverse industries, deeper exploration of mediating mechanisms, and longitudinal research. Addressing these research gaps will contribute to a more in-depth knowledge of the mechanisms behind how transformational leadership plays a role in financial performance in Zimbabwean SOEs.

## 2.6 Conceptual framework

The study's conceptual framework was established in the following manner:



*Fig 2.1 Conceptual framework*

The preceding framework visually represents how the components of the investigation, including its objectives and the research problem, connect and inform each other. The study perceived the transformational leadership to be a function of intellectual stimulation, idealized influence, inspirational motivation and individualized consideration. The main aim of the study is to understand the impact that these factors have on financial performance of the organisation.

## **2.7 Chapter summary**

This chapter provided a comprehensive overview of the existing scholarship surrounding the study area. The chapter showed that the study was based on the social exchange theory, expectancy theory and the resource-based view as the theoretical framework of the study. Relevant literature was reviewed from a global, African and Zimbabwean perspective. The chapter also showed the conceptual framework of the study from which the hypothesis was shown. The following chapter is the research methodology chapter which aims to discuss the choices made by the study in gathering the research data.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

Chapter three is dedicated towards the research methodology of the study. This chapter outlines the decisions made regarding data collection for the study. The research instruments, target population and sample are discussed in the chapter. The chapter shows considerations for theoretical aspects of the research methodology following the research onion by Saunders et al. (2020).

#### **3.1 Research Philosophy**

The project utilized the pragmatism research philosophy. The pragmatism research philosophy is a research philosophy which addresses the research problem and research questions with any means necessary to solve them (Saunders et al., 2020). This implies that the pragmatism approach includes both aspects of positivism and interpretivism philosophies (Creswell, 2020). The choice for pragmatism was made based on the nature of the study which included both aspects of qualitative and quantitative needs in the research objectives.

#### **3.2 Research Approach**

Due to the choice of the pragmatism research philosophy, the study used the mixed methods approach. The mixed methods approach combines the qualitative and quantitative approaches. In the study, there was more reliance on the quantitative approach and thus the study used a Quantal mixed methods approach. The main reason was because of the intention of the study to find the relationship between TL and FP of which financial performance is a quantitative variable (Lam et al., 2019).

#### **3.3 Research Design**

The research design used in the study was the descriptive research design. The design seeks to describe the state of affairs between two variables (Saunders et al., 2020) and by so doing, establish

a notion regarding the status quo of the variables. In this study, the study sought to describe the relationship between TL and FP of public entities in Zimbabwe.

### **3.4 Research Strategy**

In order to achieve the above-mentioned research design, the study used case study research strategy. The use of case study research strategy allowed the study to implement the descriptive research design on a particular case. The motivation behind the use of case study was that the research problem was witnessed in the particular case and thus, the study focused on the case of Bindura Municipality which in itself, was a public sector organisation during the period of the study. The advantage of focusing on a case was the pinpoint accuracy and problem-solving capacity which the study had on the problem being faced in the particular case. Thus, case study approach allowed the study to address a real-life problem and attempt to solve it.

### **3.5 Target Population**

of Bindura Municipality who possessed some competent knowledge of transformational leadership and financial performance. The deliberations led to the target population being all management and employees from the human resources, finance and accounting, operations and marketing departments. Thus, there was a total of 64 people with the potential to provide relevant and competent information regarding the needs of the study. The population of the study was therefore made up of 64 potential respondents. The following table shows a breakdown of the potential participants:

Table 3.1 Target population

CLASS	NUMBER
Management	8
Finance & accounting	12
Human capital	16
Operations	14
Marketing	14
Total	64

### 3.6 Sample Size

Yamane's formula was used for the sample size and the following calculations show how the sample size was obtained. The study used a 5% level of significance for the formula.

$$Y = N / (1 + N(e^2))$$

Where Y represented the sample size, N is the population size (64), and e represented the level of significance or tolerated error (5% or 0.05).

$$Y = 64 / (1 + 64(0.05^2))$$

$$Y = 55.1724$$

Y= 55 respondents.

### 3.7 Sampling Technique

The desired sample size was 55. The study used the clustered random sampling technique as a desired sampling technique and chose the clusters to be management, finance & accounting department, human resources department, marketing department and operations department. The clustering was done proportionally since the sizes of the clusters were not uniform. This was done to achieve equity for selecting participants from the clusters. The general rule of rounding off was adopted where numbers found were not whole numbers. The following table shows the sampling which was done:

*Table 3.2 Clustered sampling*

CLUSTER	TOTAL	PROPORTION	SAMPLE	SAMPLE
Management	8	$8/64*55$	6.875	7
Accounting & finance	12	$12/64*55$	10.3125	10
Human resources	16	$16/64*55$	13.75	14
Operations	14	$14/64*55$	12.03	12
Marketing	14	$14/64*55$	12.03	12

### **3.8 Research Data**

The research data for the study was primary data. The study, through case study research strategy utilized primary data in order to achieve the objectives of this study. The researcher also utilized secondary data in the form of financial records of Bindura Municipality in order to perform other quantitative analyses in the study.

### **3.9 Research Instruments**

In order to achieve the research data needs of the study, the questionnaire was used as a primary research instrument. The study used a structured questionnaire which was made of closed ended questions which were ranked using a Likert scale. These deliberations made it effective for the study to collect a wider range of responses and to facilitate the understanding of opinions of the respondents better.

The other research instrument which was used in the study were the published financial report of Bindura Municipality. The financial reports were considered because they contained vital information for understanding the financial performance of the Municipality and to perform other critical quantitative analyses for the study.

### **3.10 Data Analysis and Presentation**

Data analysis was done with the assistance of Microsoft Excel 2016 and SPSS v.29. These statistical applications were leveraged for their competent quantitative analysis of data. The data was sorted and cleaned through Microsoft Excel and the statistical analysis was done through SPSS. Regression, correlation and ANOVA testing was done in testing the data. The presentation of the test results was done using methods of data presentation which were available in both SPSS and Microsoft Excel.

### **3.11 Reliability**

The reliability of the data was verified through a pilot test. The research instrument was pilot tested for reliability through the Cronbach's Alpha test. An alpha of above 0.75 was to be considered for internal consistency of the research instrument as proposed by Creswell (2020).

### **3.12 Validity**

The validity of the research instrument was ensured through a series of back-and-forth refinements interaction between the researcher and the thesis supervisor who is an expert in research. The researcher gave the instruments to the supervisor, prior to deploying them and continually improved them until they were approved for validity by the supervisor.

### **3.13 Ethical Considerations**

The study considered confidentiality and ensured that privacy and data protection was upheld. The study sought consent from participants before engaging them to answer the questionnaire. Consent was also sought to access financial records of the Municipality at the time of the study. Collected questionnaires were stored securely for three years after the study's end and then destroyed through incineration

### **3.14 Chapter Summary**

This chapter focused on discussing the research methodology which was employed in the study. The chapter showed that the study utilised a pragmatism research philosophy, a mixed methods approach, a descriptive research design and case study research strategy. The chapter also showed that the study the target population was made up of 64 potential participants and the sample comprised of 55 targeted participants. The study used primary evidence and secondary evidence. Primary evidence was gathered through a questionnaire and secondary data was extracted from the financial statements of the organisation. The next chapter presents the findings of research.

## CHAPTER IV

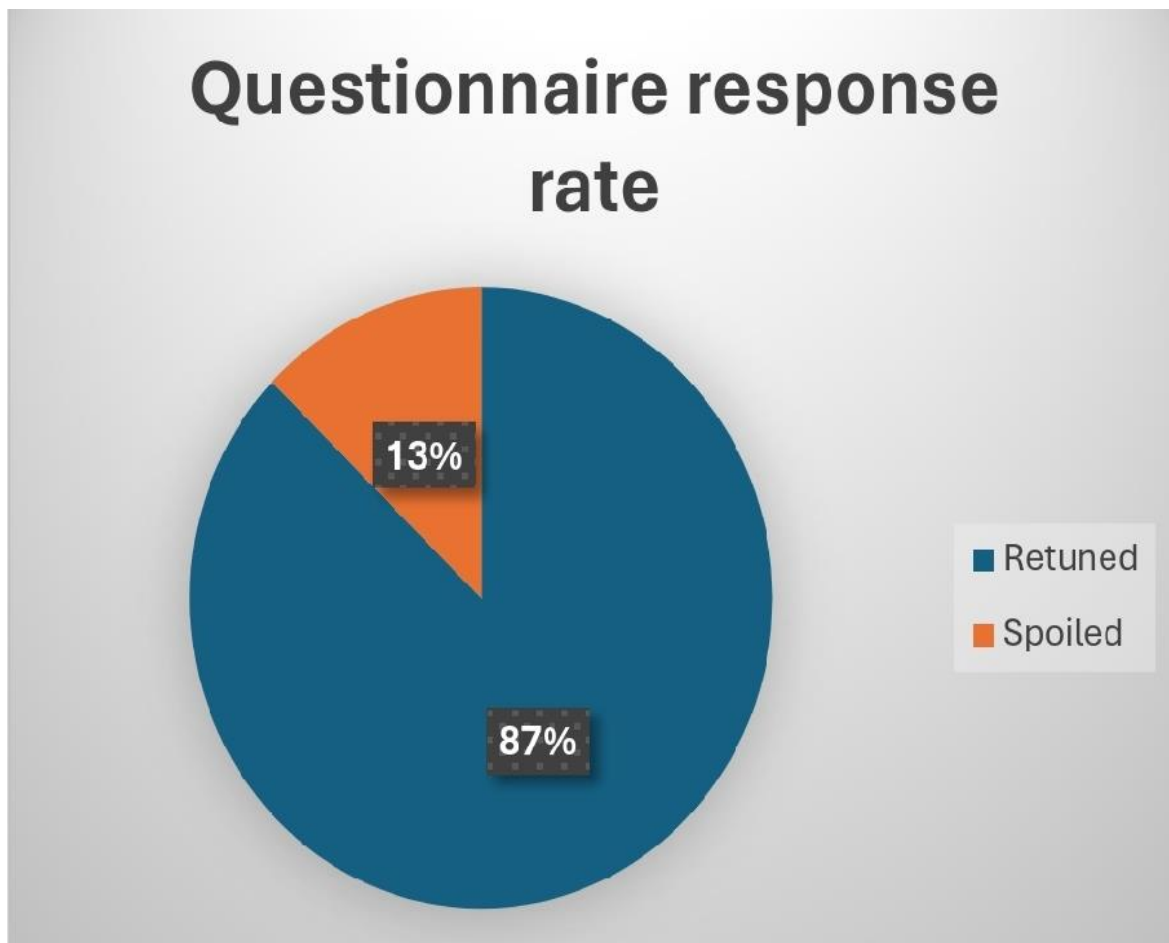
### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.0 Introduction

The concluding chapter analyses the key findings of the research. The chapter presented the results of the study in the manner of text, diagrams and other related figures including tables. The chapter also showed the analysis which was made for the results obtained. From these results, a discussion ensued, comparing the findings to the past studies and deriving conclusive findings for the study. The chapter sought to address the research problem and answer the research questions.

#### 4.1 Response rate

The following details the percentage of participants who responded to the study:





:

*Fig 4.1 Response rate*

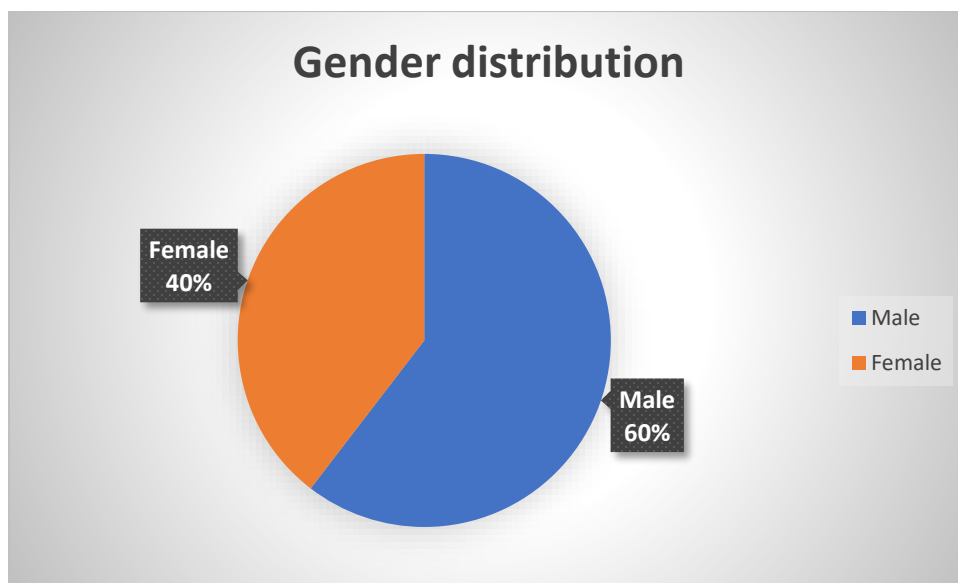
This chart illustrates the study's response rate. 87% of the research instruments which were issued were returned (a total of 55 was issued and 48 were returned with 7 being spoiled or not returned). This response rate is significantly high according to Saunders et al. (2022) who propounded that a response rate higher than 50% is sufficient for a study.

## **4.2 Demographic data**

The demographic data for the study was as follows:

### **4.2.1 Gender**

The gender in the study was distributed as follows:



*Fig 4.2 Gender distribution*

The gender in the study was distributed as follows, male respondents (60%) and female respondents (40%). The research revealed a predominantly male demographic among respondents. This was a mirror image of the distribution of the employees of Bindura Municipality who also have a higher concentration of male employees than female employees. Obtaining responses from

both male and female participants increased the reliability of the results of the study since there was no bias in the responses towards a particular gender.

#### **4.2.2 Department**

This table breaks down how participants were distributed across departments at the time of the study

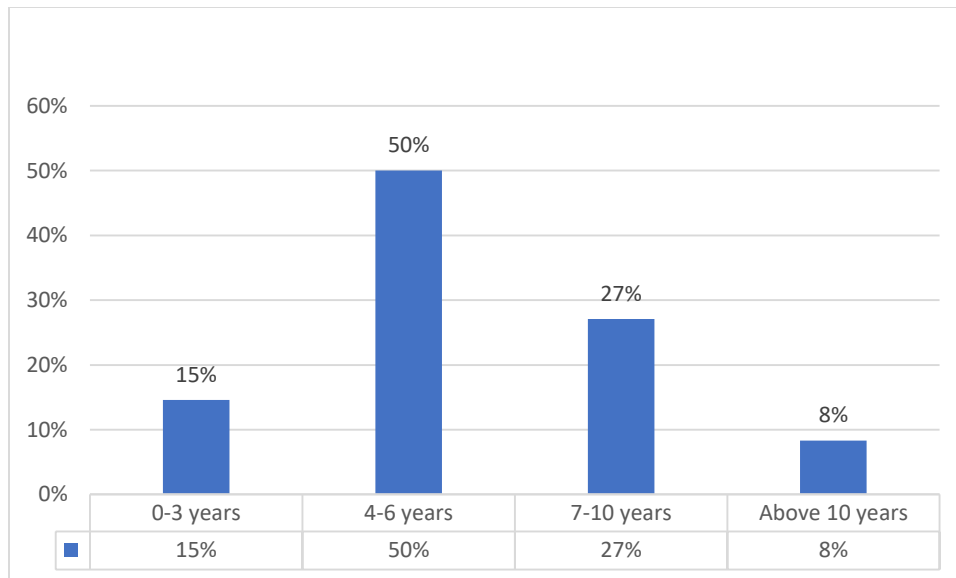
*Table 4.1 Department of respondents*

Department	
Management	10%
Accounting & finance	15%
Human Resources	27%
Operations	29%
Sales & marketing	19%

The table shows that the responses were obtained from the management, finance, human resources, operations and marketing personnel. These were considered by the study to be the ones knowledgeable about the transformational leadership and financial performance of the organisation. Thus, the study obtained valid responses from the participants in order to understand the research questions and research problem.

#### **4.2.3 Years of experience**

Below is a figure showing years of experience the participants:



*Fig 4.3 Years of experience of respondents*

The above figure shows the distribution of the respondents regarding their years of experience. The distribution follows a normal distribution which is positively skewed. This indicates that the respondents were concentrated around the 4-6 and 7-10 years of experience range. The normal distribution of the years of experience adds to the reassurance of reliability and validity of the responses of the participants because the responses were rich in experience. Therefore, the participants of the study could be considered as rich sources using the criteria for experience as set out by Creswell (2022).

### 4.3 Key components of transformational leadership

To fulfil the first objective of examining TL practices within Bindura Municipality at the time of the study, this research yielded the following results.

*Table 4.2 Key transformational leadership characteristics in Bindura Municipality*

Descriptive Statistics			
	N	Mean	Std. Deviation
The leaders at Bindura Municipality act in ways that build my respect	48	3.0833	1.39655

The leaders at Bindura Municipality display a sense of power and confidence	48	2.9792	1.50869
The leaders at Bindura Municipality go beyond self-interest for the good of the organisation	48	3.2500	1.19396
The leaders at Bindura Municipality articulate a compelling vision of the future	48	2.8333	1.43413
The leaders at Bindura Municipality express optimism about future goals	48	2.8958	1.49096
The leaders at Bindura Municipality encourage me to see changing environments as situations full of opportunities	48	3.2708	1.46940
The leaders at Bindura Municipality re-examine critical assumptions to question whether they are appropriate	48	2.8125	1.36298
The leaders at Bindura Municipality get me to look at problems in new ways	48	3.1250	1.42359
The leaders at Bindura Municipality think about old problems in different angles	48	3.1250	1.28204
The leaders at Bindura Municipality spend time teaching and coaching me	48	2.8958	1.43274
The leaders at Bindura Municipality treat me as an individual rather than just a member of the group	48	3.0000	1.33687
The leaders at Bindura Municipality consider my individual needs, abilities and aspirations	48	3.0417	1.44338
Valid N (listwise)	48		

The above table shows, the responses obtained showed that transformational leadership is being practiced within Bindura Municipality. The results show a relatively low variability through the

standard deviations which are below 1.5. This implies that the means of the results can be used to estimate almost accurately, the opinions of the overall population including outliers. In that stride, the study found that inspirational motivation (IM), intellectual stimulation (IS), individualised consideration (IC) and idealised influence (II) are being practiced within the organisation. The practice of these four paradigms points towards the implementation of transformation leadership within organisations as purported by Boies et al. (2015), Caillier (2016) and Chatiza et al. (2022). Therefore, the study's findings agree with the previous studies which also show a coherence in the application of transformational leadership. This study further agrees with the previous findings by Gunda and Musafari (2023) who also found that the local authorities in Zimbabwe are using transformational leadership within their ranks as a leadership strategy.

#### 4.4 Key performance factors of financial performance of Municipality of Bindura

In order to understand the current financial performance of Municipality of Bindura, as was stated in the second objective, the following table shows the results.

*Table 4.3 Financial performance of Municipality of Bindura*

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
The revenue growth of Bindura Municipality has been on a rising trajectory over the past 3 years	48	2.6042	1.12495
The profitability of Bindura Municipality has been competent over the past 3 years	48	2.6458	1.17581
There is competent cost management within Bindura Municipality during the course of the last 3 years	48	2.7500	1.04168
Bindura Municipality has had good liquidity in the past 3 years	48	2.5833	1.16388
The debt management by Bindura Municipality has shown great strategic consideration in the past 3 years	48	2.7083	1.03056

Valid N (listwise)	48		
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The study found that there was relatively low variability in the responses as was indicated by the standard deviations which were less than 1.5. Creswell (2022) stated that for a Likert scale in a questionnaire, if the standard deviations are less than 2 there is generally ample statistical justification to rely on the mean as an accurate measure of the general response of the population. Thus, this understanding was implored by this research. The writer found that the FP of Bindura Municipality is generally struggling and average at best. The means are revenue (2.6), profitability (2.6), cost management (2.8), liquidity (2.6) and debt management (2.7). The means reflect an average performing organisation financially. These findings agree with Hamandishe (2022) who also found, in an independent study that state-owned entities are performing averagely in terms of financial performance. Across the globe, the situation is almost the same as Hamstra et al. (2014) found similar results in a study in India. Li et al. (2020) also found that state-owned entities were underperforming in China. The study does not agree with Podsakoff et al. (2016) who found that state-owned entities were doing well in Central Europe. Therefore, the study opined that Bindura Municipality, as a state-owned entity, was doing averagely in terms of financial performance.

#### **4.5 The impact of TL on FP**

The following passages show the effort which was made by the study in determining the relationship between transformational leadership and financial performance of Bindura Municipality. The relationship was tested using the linear regression modelling and analysis of variance (ANOVA) test.

##### **4.5.1 Regression analysis**

The linear regression analysis performed for the study produced the following findings.

*Table 4.4 Regression*

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.544 <sup>a</sup>	.296	.055	.60200
a. Predictors: (Constant), The leaders at Bindura Municipality consider my individual needs, abilities and aspirations, The leaders at Bindura Municipality display a sense of power and confidence, The leaders at Bindura Municipality re-examine critical assumptions to question whether they are appropriate, The leaders at Bindura Municipality articulate a compelling vision of the future, The leaders at Bindura Municipality spend time teaching and coaching me, The leaders at Bindura Municipality express optimism about future goals, The leaders at Bindura Municipality encourage me to see changing environments as situations full of opportunities, The leaders at Bindura Municipality get me to look at problems in new ways, The leaders at Bindura Municipality treat me as an individual rather than just a member of the group, The leaders at Bindura Municipality act in ways that build my respect, The leaders at Bindura Municipality think about old problems in different angles, The leaders at Bindura Municipality go beyond self-interest for the good of the organisation				

The above table shows the regression analysis which was done on the data available. The data analysis was aimed at understanding the regressive relationship between financial performance (dependent variable) and the transformational leadership within the organisation (independent variable). The regression equation was analyzed in the manner  $Y = ax + b$ , where Y was the independent variable, x was the dependent variable, a was the regression coefficient and b was the constant. The regression equation was found to be  $Y = 0.296x + 0.602$ . This implies that for any unit change in transformational leadership efforts of the organisation, there is a subsequent 29.6% improvement in the financial performance of the organisation. thus, the study found a strong positive relationship between financial performance and transformational leadership in Bindura Municipality.

The results of this study corroborate previous findings on which also it was found to be a positive relationship between financial performance and transformational leadership within organisations. Banda (2021) also found that the relationship between financial performance of organisations and transformational leadership is positive, though the study was focused on entities trading on the

stock exchange of Zimbabwe, it can be generally understood that the overall relationship between transformational leadership and financial performance is positive. In the same breath, Chatiza et al. (2022), Cheung & Wong (2011) and Gong et al. (2017) also found there to be a positive relationship between FP and TL and thus, their studies agree with the current study.

#### 4.5.2 ANOVA

In order to further understand the relationship between transformational leadership and financial performance of Bindura Municipality, the study carried out an analysis of variance test. For a detailed look at the outcomes, refer to the table below.

*Table 4.5 ANOVA*

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.343	12	.445	1.229	.303 <sup>b</sup>
	Residual	12.684	35	.362		
	Total	18.027	47			
a. Dependent Variable: average_performance						

From the ANOVA test done above, the study was able to test the hypothesis of the study. The underlying assumptions made in the test was that if the difference in the means was to be greater than 1, then the null hypothesis would be rejected and the alternative hypothesis would be adopted. A significance of less than 0.5 would be considered significant enough to adopt the result of the ANOVA.

With the above assumptions in consideration, the study found the f-value (difference is means) to be greater than 1 at 1.229. This difference was accompanied by a significance level of 0.303 which was lower than 0.5. As a result, the study rejected the null hypothesis and opted for the alternative



hypothesis which stated that the transformational leadership has a statistically significant positive impact on the FP of Bindura Municipality. Therefore, the conclusion of the research was that, there is a statistically significant positive relationship between transformational leadership and financial performance of Bindura Municipality which is determined by the regressive equation  $Y = 0.296x + 0.602$ .

#### **4.6 Chapter summary**

This chapter delved into a discussion of the results. This chapter highlights a strong response rate of 87% from participants. The chapter shows the results regarding the demographic data of the study. The chapter shows that the transformational leadership in the organisation include inspirational motivation, individualized consideration, intellectual stimulation and idealized influence. The chapter also shows that the financial performance is mainly indicated by revenue, profit, liquidity, debt management and cost management. The study found that Bindura Municipality is performing poorly in its financial performance. The chapter also reveal that transformational leadership in Bindura Municipality has a substantial, positive link to financial success, as evidenced by the research. The subsequent chapter summarizes the outcomes, draws conclusions and presents suggested actions based on the research.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This final chapter presents a comprehensive summary of the study's key findings, addressing each of the main objectives. It outlines the conclusions drawn from the research and provides recommendations for practical applications, policy improvements, and future studies. These recommendations aim to translate the study's insights into actionable steps for stakeholders, contributing to meaningful impact and progress in the field.

#### **5.1 Summary of findings**

The research revealed the following findings in relation to the objectives of the study

##### **5.1.1 Key components of TL**

The key components of transformational leadership include considerations made for inspirational motivation, idealized influence, individualized considerations and intellectual stimulation. The study showed that a significant number of participants believed that TL was present in their organization, but its effectiveness was moderate. The study found that in Bindura Municipality (BM).

##### **5.1.2 Factors affecting financial performance**

The study found that the major factors in determining the financial performance (FP) of BM are revenue generated, profit made, liquidity, cost management and debt management. Majority of the respondents overwhelmingly agreed that the financial performance of BM is determined by revenue, profit, debt management, liquidity and cost management.

The study also found that BM is performing poorly in terms of financial performance. The respondents in the study agreed that the performance is rather low for BM.

### **5.1.3 Effectiveness of transformational leadership on financial performance**

The study discovered a positive relationship and statistically significant link between TL and FP. This research ultimately found that the regression relationship between TL and FP for BM is determined by the regressive equation  $Y=ax+b$ , where Y is the independent variable TL and a is the regression coefficient and x is the dependent variable FP and the constant b. the relationship was found to be  $Y= 0.296x +0.602$ . The study found that there was enough evidence from the data for the study to decide that the relationship is statistically significant. The ANOVA test was made and it showed an f-value greater than 1.

## **5.2 Conclusions**

The research yielded the following the conclusions:

### **5.2.1 Key components of transformational leadership (TL)**

The study concluded that the key components of TL in BM include inspirational motivation, idealized influence, intellectual stimulation and individualized consideration. These are the four key areas which make up TL at BM. The study also concludes that the TL being practiced at BM is similar to the TL which is recorded in literature which presents these four paradigms. Therefore, the study concludes that the TL in BM is affected by the same factors which affect TL across the literature divide.

### **5.2.2 Factors which are key for financial performance (FP)**

The study concluded that FP of BM is low. The organisation is not performing well financially using the measures of revenue, profit, cost management, liquidity and debt management. The study concluded that BM is showing signs of struggling in its FP. The reason for the poor performance was beyond the scope of the study since the study only focused on understanding the relationship between TL and FP.

### **5.2.3 Impact of TL on FP in Bindura Municipality (BM)**

The study concluded that TL has a statistically significant positive impact on the FP of the organisation. the study concluded that increasing TL by a single unit leads to a subsequent increase in th FP of about 30%. The study concluded that the regression equation  $Y= 0.29x+0.602$  is significant to predict the relationship between TL and FP. Thus, the study concluded that the effectiveness of TL on FP of BM is significantly positive.

### **5.3 Recommendations**

Following the analysis of the research, the study recommended the key stakeholders as follows:

#### **5.3.1 Recommendations to practice**

The study recommends that Bindura Municipality should seek to extend its practice of transformational leadership. This recommendation comes backed by the fact that increasing TL leads to increasing financial performance (FP). Therefore, the study recommends that Bindura Municipality should intensify its implementation of TL characteristics, especially the characteristics which were used in this study on the research instrument (questionnaire), because it is these aspects which were found to have a significant positive relationship with FP.

#### **5.3.2 Recommendation to policy**

The study recommends the policymakers in the public sector entities, who are the government and the local authorities, to carefully reconsider the leadership styles which they are advocating and mandating for these entities. The study recommends that policymakers need to push for a change towards TL in order to improve FP of SOEs. This change in the policy stance will lead to increased FP on the organisation.

### **5.4 Areas for continued study**

The findings of this study indicate a need for additional research that seeks to expand the participants of the study beyond a single entity. The study recommends that future studies should focus on a multiple case study approach rather than single case study. This will widen the perspective of the impact of transformational leadership on the financial performance of the public sector.

The study also recommends that future studies should seek to develop a theory which addresses the impact of transformational leadership on financial performance rather than having to rely on separate theories for each variable.

The study also recommends that future studies should seek to perform a time-series analysis of the data in multiple organisations in order to conclude that, over time, there has been an increase/decrease or no change in the financial performance of public sector entities due to transformational leadership.



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## Appendix 1:

### Questionnaire



Bindura University of Science Education

### QUESTIONNAIRE

#### Introduction

My name is B200507B, I am an undergraduate student at Bindura University of Science Education (BUSE) pursuing a degree in Accountancy. In partial fulfilment of my program, I am tasked to complete a dissertation study of which this questionnaire serves to assist me. You have been selected to participate in the study through responding to this questionnaire. Your consent is being sought, please tick the box below if you consent:

Consent: ☐

The study is based on understanding the impact which transformational leadership has on the financial performance of state-owned entities, particularly the Municipality of Bindura. The main objectives of the study are to examine the key components of transformational leadership, to examine the key performance indicators and to determine the impact which transformational leadership has on the financial performance of Bindura Municipality.

You are reminded that participation in this study is not forced. Your responses are treated as confidential and the information is for academic use only. Do not indicate your identity in any way on this questionnaire.

For questions which have a range of answers, please use the key below:

**SD=Strongly disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly agree**

## Section A: Demographic data

1. Please indicate your gender

Male		Female	
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2. Indicate your department

Finance	
Administration & Human Resources	
Marketing & sales	
Operations	
Other	

3. Years of experience

0-3 years		4-6 years		7-10 years		Above 10 years	
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## Section B: Transformational leadership

ASPECT	QUESTION	SD	D	N	A	SA
Idealised influence	The leaders at Bindura Municipality act in ways that build my respect					
	The leaders at Bindura Municipality display a sense of power and confidence					
	The leaders at Bindura Municipality go beyond self-interest for the good of the organisation					
Inspirational motivation	The leaders at Bindura Municipality articulate a compelling vision of the future					
	The leaders at Bindura Municipality express optimism about future goals					

	The leaders at Bindura Municipality encourage me to see changing environments as situations full of opportunities					
Intellectual stimulation	The leaders at Bindura Municipality re-examine critical assumptions to question whether they are appropriate					
	The leaders at Bindura Municipality get me to look at problems in new ways					
	The leaders at Bindura Municipality think about old problems in new ways					
Individualized consideration	The leaders at Bindura Municipality spend time teaching and coaching me					
	The leaders at Bindura Municipality treat me as an individual rather than just a member of the group					
	The leaders at Bindura Municipality consider my individual needs, abilities and aspirations					

### Section C: Financial performance

Question/phrase	SD	D	N	A	SA
The revenue growth of Bindura Municipality has been on a rising trajectory over the past 3 years					
The profitability of Bindura Municipality has been competent over the past 3 years					
There is competent cost management within Bindura Municipality during the course of the last 3 years					
Bindura Municipality has had good liquidity in the past 3 years					
The debt management by Bindura Municipality has shown great strategic consideration in the past 3 years					

### Section D: Other information

If there is any other information which you feel can assist the study in achieving the objectives of the study, please indicate it in the passages below:

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