

## The Influence of Transformational Leadership on Firm Outcomes

High performance work systems (HPWS) – bundles of practices and incentives used to motivate employees – are designed by managers, sold by leaders, and used by employees to support firm strategy. Managers and leaders, therefore, are the primary method by which HPWS are implemented within a firm. Transformational leadership – a leadership style designed around individualized inspirational motivation and development – may assist in conveying a firm’s HPWS, and ultimately strategy, to employees. When employees have a clear sense on both what they must do and the strategic reason why they are doing it, employees become better capable to serve customers. Recent research in the *Journal of Management* explored the influence of transformational leadership on employee understanding of HPWS as a means of improving customer satisfaction.

### Key Takeaways:

- Transformational leadership helps employees understand HR practices and policies, which increases job satisfaction
- When employees understand HR policies and practices, but do not like them, job satisfaction decreases
- Job satisfaction directly influences ratings of customer satisfaction

To test the influence of transformational leadership on HPWS, employee job satisfaction, and ultimately customer satisfaction, the authors gathered four years of employee and customer survey data from a German DIY retail franchise system (average of 22 employees and 374 customers per unit each year). The authors analyzed the influence of transformational

leadership on HPWS. The results suggest that transformational leadership helps employees, as a whole, understand the HPWS and become more satisfied in their jobs. Units that had more satisfied employees also had customer survey responses that indicated greater customer satisfaction. The authors found an interesting caveat in that promoting HPWS that employees do not like may seriously backfire and hurt the customer satisfaction ratings.

The authors suggest it is important for firms to understand how employees view HPWS and cultivate a positive image of these practices through the use of transformational leadership. This will lead to happy employees who are satisfied and more engaged with their jobs, and who will provide better service to the customer. The authors conclude that transformational leadership helps to leverage the “employee resource” to achieve the firm’s strategy.

Source: Weller, I., Süß, J., Evanschitzky, H., & von Wangenheim, F. (2019). Transformational Leadership, High-Performance Work System Consensus, and Customer Satisfaction. *Journal of Management*. doi: 10.1177/0149206318817605.