

# Impact of Transformational Leadership on Employee Performance in Small and Medium-Sized Enterprises (SMEs) in Abuja, Nigeria

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**Abstract:** *This study examines the impact of transformational leadership on employee performance in small and medium-sized enterprises (SMEs) in Abuja, Nigeria. It focuses on the dimensions of Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS). The study population included approximately 15,000 SMEs in Abuja, with a sample size of 450 determined using Yamane's formula, which accounts for a 20% non-response rate. Using a survey research design, data were collected through structured questionnaires and analyzed using multiple regression analysis to assess the relationships between leadership dimensions and employee performance outcomes. The findings reveal that IM ( $B = .645, p < .001$ ) and IC ( $B = .314, p < .001$ ) significantly enhance employee performance, fostering engagement, retention, and productivity, while IS ( $B = .011, p = .469$ ) had a minimal impact due to resource and institutional constraints. The study recommends prioritizing IM and IC to address immediate performance challenges and employee retention while progressively incorporating IS as a long-term strategy to promote innovation.*

**Keywords:** transformational leadership, inspirational motivation, individualized consideration, intellectual stimulation, employee performance, leadership strategies

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## INTRODUCTION

The Nigerian SME sector, particularly in Abuja, is vital for economic growth and job creation. However, it continually struggles to optimize employee performance, even after adopting various leadership strategies. Transformational leadership, characterized by inspirational motivation, individualized consideration, intellectual stimulation, and idealized influence, is often regarded as a key approach to addressing performance challenges. Yet, SMEs in Abuja still face high turnover rates, limited innovation, and low productivity, prompting questions about the practical effectiveness of transformational leadership in enhancing employee

performance (Faradillah et al., 2023; Kavitha & Amala, 2022; Nasir et al., 2022). These ongoing challenges emphasize the need to investigate how transformational leadership can be utilized more effectively to meet the specific needs of SMEs in Abuja.

A significant gap exists in the literature regarding transformational leadership and employee performance, as much of the research stems from studies conducted in developed economies or large organizations. Developed countries usually benefit from advanced organizational infrastructures, stable markets, and access to cutting-edge technology, which facilitate the seamless implementation of leadership strategies (Manzoor et al., 2019; Darmadi et al., 2023). In contrast, SMEs in Abuja face a volatile business environment characterized by resource constraints, regulatory uncertainties, and limited access to skilled labor (Meiryani et al., 2022; Garad et al., 2023). Existing studies do not adequately examine how transformational leadership dimensions interact with these local challenges to influence employee performance, underscoring the need for research tailored to the realities of SMEs in Abuja (Faradillah et al., 2023; Nasir et al., 2022).

A practical gap exists in applying transformational leadership within SMEs in Abuja. While studies by Kavitha & Amala (2022) and Darmadi et al. (2023) highlight the importance of inspirational motivation and intellectual stimulation for fostering innovation and employee satisfaction, many SMEs in Abuja struggle to implement these practices consistently. Limited financial resources and inadequate leadership training often result in a superficial application of transformational leadership, leaving its full potential unrealized (Manzoor et al., 2019; Meiryani et al., 2022). Furthermore, existing studies primarily focus on generic leadership frameworks without considering the cultural, economic, and operational nuances of SMEs in Abuja, which are critical for effectively adapting transformational leadership (Nasir et al., 2022; Garad et al., 2023).

There is an empirical gap regarding the mediating factors influencing the relationship between transformational leadership and employee performance in SMEs in Abuja. While studies like Nasir et al. (2022) and Faradillah et al. (2023) demonstrate a direct positive correlation, few have investigated how dimensions such as employee engagement, job satisfaction, and organizational commitment mediate these relationships. For example, intellectual stimulation can enhance performance by fostering creativity, but the mediating role of employee engagement remains underexplored (Darmadi et al., 2023; Kavitha & Amala, 2022). Similarly, individual consideration improves retention, but long-term productivity mechanisms need further investigation (Manzoor et al., 2019; Garad et al., 2023). These empirical gaps hinder a complete understanding of the complex dynamics between transformational leadership and employee performance in SMEs.

The contextual, practical, and empirical gaps identified in the literature underscore the need for a deeper exploration of transformational leadership's impact on employee performance in SMEs in Abuja. This study will address these gaps by examining how the dimensions of transformational leadership, particularly inspirational motivation, individualized consideration, and intellectual stimulation, affect performance. By doing so, it aims to provide

actionable insights into how SMEs in Abuja can adopt and adapt transformational leadership practices to their local context, thereby enhancing employee performance and fostering sustainable business growth. The study seeks to:

- i. Examine the impact of inspirational motivation on employee performance in SMEs in Abuja.
- ii. Analyze how individualized consideration impact of employee performance in SMEs in Abuja.
- iii. Evaluate the impact of intellectual stimulation on employee performance in SMEs in Abuja.

Aligned with the objectives, the following null hypotheses are proposed:

**H<sub>01</sub>:** Inspirational motivation has no significant impact on employee performance in SMEs in Abuja.

**H<sub>02</sub>:** Individualized consideration does not significantly impact employee performance in SMEs in Abuja.

**H<sub>03</sub>:** Intellectual stimulation does not significantly impact employee performance in SMEs in Abuja.

## LITERATURE REVIEW

### Conceptual Clarification

#### Transformational Leadership

Transformational leadership is an approach that inspires employees to achieve higher performance through vision, motivation, and empowerment. It encompasses four dimensions: Inspirational Motivation, Individualized Consideration, Intellectual Stimulation, and Idealized Influence (Bass & Avolio, 1994). This leadership style is particularly relevant for small and medium-sized enterprises (SMEs), which often operate in dynamic and resource-constrained environments. Transformational leaders promote a sense of purpose, innovation, and adaptability, enabling SMEs to thrive despite challenges (Faradillah et al., 2023; Kavitha & Amala, 2022). In Nigeria, transformational leadership significantly improves employee productivity and engagement, contributing to organizational sustainability (Meiryani et al., 2022; Nasir et al., 2022). This study defines transformational leadership as a style that enhances employee performance by motivating, empowering, and fostering innovation within small and medium-sized enterprises (SMEs).

#### Inspirational Motivation

Inspirational motivation is the ability of leaders to articulate a compelling vision that inspires employees to align their goals with organizational objectives. This dimension fosters a sense of purpose and collective commitment, enhancing job satisfaction and productivity (Nasir et al., 2022; Darmadi et al., 2023). Research in SMEs demonstrates that inspirational motivation directly correlates with higher levels of employee engagement and morale, particularly in environments that require resilience and adaptability (Faradillah et al., 2023; Kavitha & Amala, 2022).

### **Individualized Consideration**

Individualized consideration involves leaders recognizing and addressing employees' unique needs and aspirations. This approach fosters a supportive environment that promotes loyalty, professional growth, and reduced turnover rates (Manzoor et al., 2019; Meiryani et al., 2022). In SMEs, where retaining skilled talent is critical, individualized consideration is pivotal in enhancing employee satisfaction and commitment (Garad et al., 2023; Nasir et al., 2022).

### **Intellectual Stimulation**

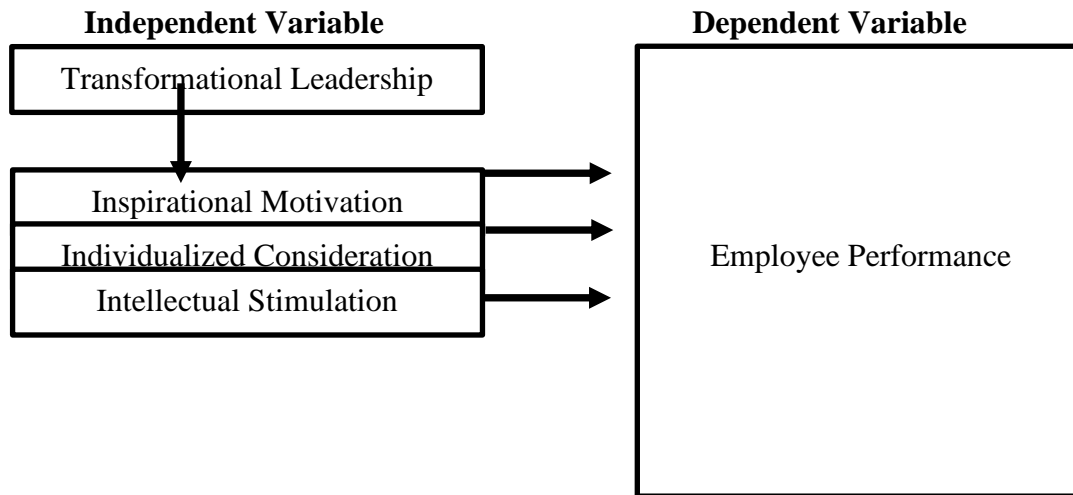
Intellectual stimulation encourages employees to think critically, challenge assumptions, and develop innovative solutions to organizational challenges. This dimension is particularly critical for SMEs operating in competitive markets, where innovation and adaptability are key to survival and growth (Faradillah et al., 2023; Nasir et al., 2022). Research indicates that intellectual stimulation fosters creativity and problem-solving skills, increasing employee performance and organizational success (Darmadi et al., 2023; Kavitha & Amala, 2022).

### **Employee Performance**

Employee performance refers to an employee's ability to meet organizational goals and expectations through productivity, engagement, and output quality. For SMEs, employee performance is a critical determinant of organizational success, particularly in competitive and resource-limited markets like Abuja (Garad et al., 2023; Darmadi et al., 2023). High employee performance is often linked to job satisfaction, commitment, and alignment with the organizational vision, which are significantly influenced by leadership styles (Manzoor et al., 2019). Key indicators of employee performance in SMEs include productivity levels, innovation, retention rates, and job satisfaction (Faradillah et al., 2023; Meiryani et al., 2022). In this study, employee performance is conceptualized as how employees contribute to achieving organizational objectives, driven by transformational leadership practices.

### **SMEs in Abuja**

Small and Medium-sized Enterprises (SMEs) in Abuja are defined by their size, financial capacity, and employment levels. According to SMEDAN (2021), SMEs in Nigeria are categorized as businesses employing between 10 and 199 people, with annual turnovers ranging from 5 million to 500 million Naira. SMEs in Abuja operate in a challenging environment characterized by limited access to finance, regulatory complexities, and high employee turnover (Meiryani et al., 2022; Nasir et al., 2022). Transformational leadership provides SMEs in Abuja a way to enhance employee performance by fostering innovation, improving job satisfaction, and aligning individual and organizational goals. However, the success of this leadership style relies on its adaptation to the region's unique socio-economic and cultural context (Garad et al., 2023; Darmadi et al., 2023). This study defines SMEs as enterprises that operate within these parameters and play an essential role in Abuja's economic ecosystem.



Source: Authors

### Theoretical Review

This study adopts the Transformational Leadership Theory, introduced by Burns (1978) and further developed by Bass (1985), to examine the impact of leadership practices on employee performance in SMEs in Abuja. This theory provides a robust framework for understanding how leaders influence employees by inspiring a shared vision, addressing individual needs, and fostering innovation. The study specifically focuses on three dimensions of transformational leadership: inspirational motivation, individualized consideration, and intellectual stimulation, aligning with the research objectives of assessing their effects on employee performance, engagement, retention, innovation, and adaptability in SMEs.

The first dimension, Inspirational Motivation, relates to a leader's ability to articulate a compelling vision that inspires employees to align their personal goals with organizational objectives. This study investigates how inspirational motivation affects employee performance by enhancing their sense of purpose and commitment to the organization's success. Research indicates that when leaders communicate a clear vision effectively, employees are more engaged, motivated, and productive, even in resource-constrained environments, such as SMEs in Abuja (Nasir et al., 2022; Faradillah et al., 2023). Here, the focus is on how leaders can use inspirational motivation to overcome challenges, such as low morale and high turnover rates, which are common in SMEs, to drive performance improvements.

The second dimension, Individualized Consideration, addresses employees' unique needs, providing personalized support and opportunities for growth. This study explores how individualized consideration influences employee engagement and retention, two critical factors for the sustainability of SMEs in Abuja. Transformational leaders who practice individualized consideration build stronger relationships with their employees, fostering a supportive work environment that enhances loyalty and reduces turnover (Manzoor et al., 2019;

Garad et al., 2023). For SMEs, where retaining skilled employees is vital, this dimension can directly impact long-term performance by creating a committed and well-developed workforce. Intellectual Stimulation, the third dimension, encourages employees to think critically, challenge assumptions, and propose innovative solutions. This study evaluates how intellectual stimulation fosters innovation and adaptability in SMEs operating in highly dynamic and competitive markets. Leaders who stimulate intellectual curiosity and problem-solving empower employees to develop creative solutions to organizational challenges, enabling SMEs to remain competitive and responsive to market changes (Darmadi et al., 2023; Kavitha & Amala, 2022). The focus is on understanding how intellectual stimulation can enable SMEs in Abuja to cultivate a culture of innovation that supports long-term growth.

Transformational Leadership Theory provides a comprehensive lens for examining how these three dimensions, aligned with the study objectives, drive key employee performance outcomes in SMEs. By analyzing the effects of inspirational motivation, individualized consideration, and intellectual stimulation, this study contributes to a deeper understanding of leadership's role in addressing critical challenges SMEs face in Abuja. Through this theoretical framework, the study aims to offer actionable insights for SME leaders to adopt leadership practices that enhance employee engagement, foster innovation, and achieve sustainable organizational growth.

### **Empirical Review**

The impact of transformational leadership on employee performance has gained significant attention in organizational studies, particularly within small and medium-sized enterprises (SMEs). This review synthesizes recent empirical studies exploring the specific effects of inspirational motivation, individualized consideration, and intellectual stimulation on key employee outcomes such as engagement, retention, innovation, and adaptability.

Inspirational motivation, a dimension of transformational leadership, involves articulating a compelling vision that fosters employee alignment with organizational objectives. Faradillah et al. (2023) examined the role of inspirational motivation in Indonesian SMEs, finding that leaders who effectively communicate organizational goals significantly enhance employee engagement and productivity. However, this study primarily focused on general performance metrics and did not delve into specific mechanisms through which inspirational motivation improves individual performance in resource-constrained environments like Abuja.

Nasir et al. (2022) investigated leadership practices in Pakistani SMEs, highlighting that inspirational motivation positively influences employee morale and organizational commitment. The study emphasized that clear communication of organizational vision fosters a sense of purpose among employees, improving their willingness to exceed performance expectations. While relevant, these findings may not fully account for the unique socio-economic and cultural dynamics influencing SMEs in Abuja.

Meiryani et al. (2022) explored the relationship between transformational leadership and job satisfaction in SMEs, concluding that inspirational motivation is pivotal in addressing high



turnover rates by boosting employee satisfaction. However, the study focused broadly on leadership practices. It did not isolate the specific effects of inspirational motivation on retention and productivity, pointing to a need for further context-specific research.

Individualized consideration involves recognizing and addressing employees' unique needs and aspirations. Manzoor et al. (2019) studied leadership practices in SMEs in developing economies, finding that individualized consideration enhances employee loyalty and reduces turnover by fostering a supportive work environment. While this study underscores the importance of personalized support, it does not explore how such practices influence long-term employee engagement and retention, particularly in Abuja's challenging business environment. Garad et al. (2023) examined leadership strategies in African SMEs, demonstrating that individualized consideration significantly improves job satisfaction and engagement. Leaders who provide tailored mentorship and development opportunities foster a sense of belonging among employees, reducing attrition rates. However, the study lacked a focus on SMEs in Abuja, highlighting a gap in understanding how these dynamics manifest in the Nigerian context.

Kavitha & Amala (2022) explored leadership practices in Indian SMEs, emphasizing that individualized consideration is critical for addressing diverse employee needs and fostering professional growth. While the study provides valuable insights, it does not account for resource limitations and high employee turnover prevalent in Abuja, necessitating more region-specific research.

Intellectual stimulation, a key dimension of transformational leadership, encourages employees to think critically and develop innovative solutions to organizational challenges. Darmadi et al. (2023) studied the impact of intellectual stimulation on organizational innovation in SMEs, finding that leaders who foster creativity and adaptability drive significant improvements in employee performance. However, the study focused on larger organizations, leaving a gap in understanding how intellectual stimulation influences innovation in SMEs with constrained resources.

Kavitha and Amala (2022) also highlighted the role of intellectual stimulation in enhancing problem-solving skills and innovation among employees of Indian SMEs. The study noted that intellectual stimulation is critical for SMEs operating in competitive markets. Despite these findings, the research did not explore how this leadership dimension interacts with Abuja's unique socio-economic conditions.

Nasir et al. (2022) investigated intellectual stimulation in Pakistani SMEs, concluding that it promotes organizational adaptability by encouraging employees to challenge conventional approaches and explore creative solutions. While relevant, the study lacked a focus on the specific pathways through which intellectual stimulation influences innovation in SMEs facing regulatory and financial constraints, such as those in Abuja.

While existing studies provide valuable insights into the relationship between transformational leadership and employee performance, much of the research focuses on general organizational outcomes or regions with differing socio-economic conditions. For example, studies by Faradillah et al. (2023) and Darmadi et al. (2023) highlight the importance of inspirational motivation and intellectual stimulation but fail to address how these dimensions can be adapted to the unique challenges SMEs face in Abuja. Similarly, research by Meiryani et al. (2022) and Garad et al. (2023) emphasizes the role of individualized consideration in reducing turnover but does not examine its specific impact on engagement and retention in the Nigerian context. Empirical evidence suggests that while transformational leadership positively impacts employee performance, its practical application often falls short in SMEs due to resource constraints and inadequate leadership training. Studies by Manzoor et al. (2019) and Kavitha & Amala (2022) highlight these challenges but do not provide actionable strategies for addressing them in Abuja's SMEs. This practical gap underscores the need for research that examines how SMEs in Abuja can tailor transformational leadership practices to their unique operational realities.

## **METHODOLOGY**

This study employs a survey research design to explore the impact of transformational leadership dimensions—Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS)—on employee performance in small and medium-sized enterprises (SMEs) in Abuja. This design was chosen for its ability to collect detailed quantitative data, enabling a robust analysis of the relationships between leadership practices and employee performance outcomes such as engagement, retention, and innovation. The target population consists of SMEs in Abuja, which, according to SMEDAN (2021), are defined as businesses employing between 10 and 199 individuals and generating annual revenues between 5 million and 500 million Naira. Abuja's SME sector is estimated to include 15,000 enterprises, operating across industries such as services, retail, and manufacturing. This study uses a simple random sampling technique to ensure that each SME in Abuja has an equal chance of being selected. This reduces sampling bias and increases the representativeness of the findings. Using Yamane's formula for sample size, the study determined a required sample size of 375, adjusted to 450 to account for a 20% non-response rate.

The primary data collection tool is a structured questionnaire designed to measure the three dimensions of transformational leadership (IM, IC, and IS) and their effects on employee performance. The questionnaire consists of closed-ended questions that utilize a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) to capture respondents' perceptions. Questions were adapted from validated instruments such as Bass and Riggio (2006) for transformational leadership and Armstrong (2012) for employee performance. To ensure contextual relevance, the questionnaire was pretested on a sample of 30 SME employees and managers in Abuja to ensure contextual relevance. Feedback from this pre-test was used to refine the questionnaire for clarity and to align it with local organizational dynamics. The reliability and validity of the questionnaire were rigorously tested.



**Reliability:** Cronbach's Alpha was used to assess internal consistency, with all constructs achieving values above **0.7**, indicating high reliability.

**Content Validity:** Leadership and SME management experts reviewed the questionnaire to ensure comprehensive coverage of the constructs.

**Construct Validity:** The Average Variance Extracted (AVE) scores exceeded **0.5**, confirming good convergent validity.

**Discriminant Validity:** The Fornell-Larcker criterion confirmed that the constructs were sufficiently distinct.

The questionnaires were distributed using both in-person and electronic methods. A team of ten trained research assistants conducted field visits to ensure participation from SMEs without reliable internet access. Participants were assured of confidentiality and anonymity to encourage honest responses. The data collection process lasted four weeks, providing ample time for follow-up on responses and achieving the target sample size.

The collected data were analysed using descriptive and inferential statistics:

**Descriptive Statistics:** Measures such as means, frequencies, and standard deviations were calculated to summarize demographic characteristics and response patterns.

**Inferential Statistics:** Multiple regression analysis was utilized to test the hypothesized relationships between the dimensions of transformational leadership (IM, IC, IS) and employee performance outcomes. Multiple regression was selected because it estimates the influence of various independent variables on a dependent variable simultaneously.

#### Model Specification

$$EP = \beta_0 + \beta_1(IM) + \beta_2(IC) + \beta_3(IS) + \epsilon$$

Where: EP: Employee Performance; IM: Inspirational Motivation; IC: Individualized Consideration; IS: Intellectual Stimulation;  $\beta_0$ : Intercept;  $\beta_1, \beta_2, \beta_3$ : Coefficients for IM, IC, and IS, respectively;  $\epsilon$ : Error term accounting for unexplained variance

## DATA ANALYSIS AND DISCUSSIONS

The study achieved a 96.2% response rate, with 663 valid responses from 7,710 individuals across 15 MDAs. Thus, it ensured reliable and representative findings on transformative leadership and employee performance.

**Table 1: Descriptive Statistics**

	N	Mean	Std. Deviation	Variance	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Std. Error
EP	425	2.0800	1.39345	1.942	1.044	.118	-.338	.236
IM	425	2.1271	1.44322	2.083	.968	.118	-.567	.236
IC	425	2.0141	1.45524	2.118	1.147	.118	-.296	.236
IS	425	2.6047	1.40046	1.961	.444	.118	-1.098	.236
Valid (listwise)	N 425							

**SOURCE: SPSS, 2024**

The descriptive statistics reveal critical insights into the dimensions of transformational leadership and their effects on employee performance in Abuja's SMEs. The mean values show low levels across all variables, with Employee Performance (EP) at 2.0800, indicating suboptimal productivity and engagement. Similarly, Inspirational Motivation (IM) and Individualized Consideration (IC) have means of 2.1271 and 2.0141, respectively, reflecting inadequate leadership strategies to inspire and address employee needs. Intellectual Stimulation (IS) has the highest mean of 2.6047, suggesting that it is the most prominent leadership dimension, but still below optimal levels for fostering innovation.

The standard deviations and variances reveal significant variability across responses, with values for EP, IM, IC, and IS exceeding 1.39 and variances nearing 2.0. This indicates inconsistent application of leadership practices among SMEs. The positive skewness of EP (1.044), IM (0.968), and IC (1.147) suggests that most responses cluster below the mean, highlighting prevalent perceptions of underperformance and inadequate leadership. In contrast, IS (0.444) shows less skewness, indicating a more balanced implementation across SMEs.

Negative kurtosis for all variables indicates flatter distributions, suggesting diverse experiences among respondents. This broad variability highlights inconsistent leadership practices that fail to address employee performance challenges uniformly. The results underscore the need for SME leaders in Abuja to enhance transformational leadership practices, particularly inspirational motivation and individualized consideration, to effectively drive employee engagement, innovation, and overall productivity.

**Table 2: Correlations**

		EP	IM	IC	IS
EP	Pearson Correlation	1	.952**	.902**	.552**
	Sig. (2-tailed)		.000	.000	.000
	N	425	425	425	425
IM	Pearson Correlation	.952**	1	.848**	.495**
	Sig. (2-tailed)	.000		.000	.000
	N	425	425	425	425
IC	Pearson Correlation	.902**	.848**	1	.638**
	Sig. (2-tailed)	.000	.000		.000
	N	425	425	425	425
IS	Pearson Correlation	.552**	.495**	.638**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	425	425	425	425

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**SOURCE: SPSS, 2024**

The correlation matrix in Table 2 provides an insightful overview of the relationships between Employee Performance (EP), Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS). Pearson correlation coefficients (r) quantify the strength

and direction of these relationships, and the results indicate statistically significant correlations ( $p < .01$ ) across all variables.

EP shows a strong positive correlation with Inspirational Motivation (IM) ( $r = .952, p < .01$ ) and Individualized Consideration (IC) ( $r = .902, p < .01$ ). These findings suggest that as leaders enhance their ability to inspire employees through a clear vision and address individual needs, employee performance significantly improves. The moderate correlation between EP and Intellectual Stimulation (IS) ( $r = .552, p < .01$ ) indicates that while promoting innovation and creativity positively influences performance, it has a less direct impact compared to IM and IC. IM exhibits strong positive correlations with EP ( $r = .952, p < .01$ ) and IC ( $r = .848, p < .01$ ), highlighting its role in driving performance and individualized employee engagement. The moderate correlation between IM and IS ( $r = .495, p < .01$ ) suggests that while inspirational leadership fosters some creativity, its primary strength lies in aligning employees with organizational goals and boosting overall morale.

IC is strongly correlated with both EP ( $r = .902, p < .01$ ) and IM ( $r = .848, p < .01$ ), reinforcing the importance of personalized support in enhancing performance and motivating employees. Its moderate correlation with IS ( $r = .638, p < .01$ ) suggests that leaders who address individual employee needs are also more likely to stimulate innovative thinking, although this is a secondary effect. IS shows moderate positive correlations with EP ( $r = .552, p < .01$ ), IM ( $r = .495, p < .01$ ), and IC ( $r = .638, p < .01$ ). These results indicate that while IS contributes to improving performance, its influence is less pronounced compared to IM and IC. This finding aligns with the understanding that SMEs often prioritize immediate performance outcomes over longer-term innovation and adaptability due to resource constraints.

The results highlight the interdependence of transformational leadership dimensions in enhancing employee performance within SMEs in Abuja. Inspirational motivation and individualized consideration are the most influential factors, suggesting that leadership strategies focusing on vision articulation and personalized engagement are critical for improving performance. Intellectual stimulation, while important, has a comparatively weaker influence, indicating that its benefits may be more indirect or long-term. These findings provide actionable insights for SME leaders, emphasizing the need to prioritize motivational and individualized approaches while gradually incorporating strategies that foster creativity and adaptability.

**Table 3: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.969 <sup>a</sup>	.938	.938	.34781	.938	2128.123	3	421	.000	1.603

a. Predictors: (Constant), IS, IM, IC

b. Dependent Variable: EP

**SOURCE: SPSS, 2024**

Table 3 summarises the regression analysis for the dependent variable Employee Performance (EP) and the predictors Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS).  $R = .969$  indicates a strong positive relationship between the independent variables (IM, IC, IS) and the dependent variable (EP). This suggests that transformational leadership dimensions highly predict employee performance in SMEs in Abuja.  $R\text{ Square} = .938$  reveals that IM, IC, and IS can explain 93.8% of the variance in EP. This high value demonstrates the model's excellent fit and indicates that transformational leadership dimensions collectively account for nearly all variations in employee performance. The Adjusted  $R\text{ Square} = .938$  confirms the consistency of the model, showing no substantial loss in explanatory power when adjusting for the number of predictors. This reinforces the robustness of the model in predicting employee performance.

The Standard Error of the Estimate = .34781 represents the average distance between the observed EP values and the values predicted by the model. A smaller value reflects greater precision in the model's predictions. The  $R\text{ Square Change} = .938$  confirms that including IM, IC, and IS explains 93.8% of the variance in EP, with an  $F\text{ Change} = 2128.123$ . This high  $F$ -statistic, combined with a  $p\text{-value} < .001$ , indicates that the model is statistically significant and the predictors substantially impact EP. The Durbin-Watson value = 1.603 is within the acceptable range (1.5–2.5), suggesting no significant autocorrelation in the residuals. This indicates that the independence of errors assumption is met, supporting the reliability of the regression analysis.

The model demonstrates that transformational leadership dimensions (IM, IC, IS) highly predict employee performance in Abuja's SMEs and explain a significant proportion of the variance. Inspirational motivation, individualized consideration, and intellectual stimulation collectively play a critical role in improving performance outcomes. The high  $R\text{ Square}$  and Adjusted  $R\text{ Square}$  values validate the model's effectiveness, while the Durbin-Watson statistic confirms the reliability of the results. This analysis underscores the importance of transformational leadership as a key strategy for addressing employee performance challenges in SMEs.

**Table 4: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	772.350	3	257.450	2128.123	.000 <sup>b</sup>
	Residual	50.930	421	.121		
	Total	823.280	424			

a. Dependent Variable: EP

b. Predictors: (Constant), IS, IM, IC

**SOURCE: SPSS, 2024**

Table 4 presents the results of Analysis of Variance (ANOVA) for the regression model that examines the relationship between Employee Performance (EP) and the predictors: Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS). The Regression Sum of Squares (SS Regression) = 772.350 shows the portion of total

variability in EP explained by the predictors (IM, IC, and IS). This high value reflects the strong contribution of these variables in explaining changes in employee performance. The Residual Sum of Squares (SS Residual) = 50.930 indicates the portion of variability in EP that remains unexplained by the model. This relatively small value further emphasizes the model's effectiveness. The model has  $df = 3$  for the regression, representing the three predictors. The residual has  $df = 421$ , corresponding to the sample size ( $N = 425$ ) minus the number of predictors and the constant. The Total  $df = 424$  is the sum of the regression and residual degrees of freedom, aligning with the sample size minus one.

The Mean Square for Regression (257.450) is obtained by dividing the SS Regression by its degrees of freedom ( $772.350 \div 3$ ). This value measures the average variability explained by each predictor. The Mean Square for Residual (0.121) is calculated by dividing the SS Residual by its degrees of freedom ( $50.930 \div 421$ ). This value represents the average unexplained variability in EP. The F-value (2128.123) is obtained by dividing the Mean Square for Regression (257.450) by the Mean Square for Residual (0.121). This extremely high F-value indicates that the predictors significantly explain the variance in EP. The p-value = .000 confirms that the regression model is statistically significant at the 0.01 level. This means there is less than a 0.1% probability that the observed relationships occurred by chance, validating the model's strong predictive power.

The ANOVA results confirm that the overall regression model is highly significant, indicating that Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS) collectively explain a substantial and statistically significant proportion of variance in employee performance (EP). The high F-value and low residual variability highlight the strong contribution of transformational leadership dimensions in predicting employee outcomes in SMEs in Abuja. These findings reinforce the importance of leadership strategies tailored to the unique needs of this context.

**Table 5 Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.046	.038		1.204	.229
	IM	.645	.022	.668	29.001	.000
	IC	.314	.025	.328	12.636	.000
	IS	.011	.016	.011	.725	.469

a. Dependent Variable: EP

**SOURCE: SPSS, 2024**

The coefficients table 5 reveal critical insights into the relationships between the dimensions of transformational leadership: Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS) and employee performance (EP) in SMEs in Abuja. The constant ( $B = .046$ ,  $p = .229$ ), representing the predicted value of EP when all predictors are zero, is not statistically significant ( $p > .05$ ). This result implies that baseline employee

performance is not meaningful without the contribution of leadership dimensions. This aligns with the understanding that leadership practices drive performance outcomes in organizational settings, especially in SMEs operating in resource-constrained environments like Abuja.

Inspirational Motivation (IM) is the most significant predictor of employee performance in this model, with an unstandardized coefficient of  $B = .645$  and a standardized coefficient of  $Beta = .668$ . This means that a one-unit increase in IM leads to a 0.645-unit improvement in Employee Performance (EP), holding other factors constant. The t-value of 29.001 and p-value of .000 confirm that IM's impact is highly significant. These results highlight the critical role of IM in driving performance by articulating a compelling vision and inspiring employees to align their efforts with organizational objectives. SMEs in Abuja can leverage this dimension by fostering a shared sense of purpose to counteract challenges such as high turnover and limited innovation.

Individualized Consideration (IC) significantly predicts employee performance, with an unstandardized coefficient of  $B = .314$  and a standardized coefficient of  $Beta = .328$ . This indicates that a one-unit increase in IC leads to a 0.314-unit improvement in EP, making it the second most impactful dimension. The t-value of 12.636 and p-value of .000 establish IC as a statistically significant contributor to performance. These results underscore the importance of leaders addressing individual employee needs and aspirations, creating a supportive environment that enhances retention and job satisfaction. For SMEs in Abuja, where retaining skilled employees is a significant challenge, prioritizing IC can foster loyalty and long-term organizational commitment.

In contrast, Intellectual Stimulation (IS), with an unstandardized coefficient of  $B = .011$  and a standardized coefficient of  $Beta = .011$ , has a minimal effect on EP. The t-value of .725 and p-value of .469 indicate that IS is not statistically significant in this model. This suggests that encouraging critical thinking and innovation may not directly translate into performance gains in the current context. While IS is essential in dynamic and competitive markets, small and medium-sized enterprises (SMEs) in Abuja may lack the resources or institutional structures necessary to fully benefit from this aspect. Therefore, IS should not be the primary focus for immediate performance improvement, but may still hold value in long-term strategic initiatives.

The findings from the coefficients table indicate that Inspirational Motivation (IM) and Individualized Consideration (IC) are the most effective dimensions of transformational leadership for improving employee performance in SMEs in Abuja. The minor impact of Intellectual Stimulation (IS) suggests that practical, motivational, and individualized approaches are more effective than promoting creativity in the short term. These results offer actionable insights for SME leaders, who should prioritize motivational strategies and personalized engagement to enhance productivity and address the unique challenges of operating in Abuja's unstable business environment.



## Hypotheses Testing

### **H<sub>01</sub>: Inspirational motivation has no significant impact on employee performance in SMEs in Abuja.**

The results strongly reject the null hypothesis, as Inspirational Motivation (IM) is shown to have a highly significant impact on employee performance. With an unstandardized coefficient of  $B = .645$  and a standardized coefficient of  $Beta = .668$ , IM is the most influential predictor in this model. The t-value of 29.001 and p-value of .000 indicate a highly significant relationship. For every one-unit increase in IM, employee performance improves by 0.645 units, holding other factors constant. This substantial effect demonstrates the critical importance of articulating a compelling vision and inspiring employees to align their personal goals with organizational objectives. For SMEs in Abuja, fostering IM could address persistent issues such as high turnover and low productivity by building a shared sense of purpose and commitment.

### **H<sub>02</sub>: Individualized consideration does not significantly impact employee performance in SMEs in Abuja.**

The null hypothesis is rejected for Individualized Consideration (IC), as the results indicate a significant positive impact on employee performance. The unstandardized coefficient of  $B = .314$  and the standardized coefficient of  $Beta = .328$  highlight that a one-unit increase in IC results in a 0.314-unit improvement in employee performance. This relationship is further supported by the t-value of 12.636 and p-value of .000, confirming statistical significance. These findings underscore the importance of leaders addressing individual employee needs, providing personalized mentorship, and creating supportive environments. For SMEs in Abuja, prioritizing IC could enhance employee satisfaction, improve retention rates, and build long-term loyalty, which are critical factors for organizational sustainability in resource-limited contexts.

### **H<sub>03</sub>: Intellectual stimulation does not significantly impact employee performance in SMEs in Abuja.**

The null hypothesis for Intellectual Stimulation (IS) cannot be rejected, as the results indicate an insignificant relationship with employee performance. The unstandardized coefficient of  $B = .011$  and the standardized coefficient of  $Beta = .011$  suggest a minimal effect, with a t-value of .725 and p-value of .469, which exceeds the 0.05 threshold for significance. This implies that a one-unit increase in IS would lead to a negligible 0.011-unit improvement in employee performance, which is statistically insignificant. While IS encourages critical thinking and creativity, its limited impact in this context suggests that SMEs in Abuja may lack the resources or institutional support necessary to translate intellectual stimulation into performance gains. Therefore, IS should not be the primary focus for immediate improvement but could hold strategic value in fostering innovation over the long term.

## DISCUSSION OF FINDINGS

This study's findings significantly contribute to the growing body of literature on transformational leadership and its influence on employee performance, particularly within the context of SMEs in Abuja, Nigeria. By examining the dimensions of transformational leadership—Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS)—this study provides a nuanced understanding of their respective impacts on key employee outcomes, including engagement, productivity, and innovation.

### Inspirational Motivation

The results confirm that Inspirational Motivation is the most impactful dimension of transformational leadership in driving employee performance, with a statistically significant unstandardized coefficient of  $B = .645$  ( $p < .001$ ). This finding aligns with empirical evidence from Faradillah et al. (2023), who highlighted that leaders who effectively communicate a compelling vision inspire employees to align their efforts with organizational goals. Similarly, Nasir et al. (2022) underscored the role of Inspirational Motivation in fostering employee morale and organizational commitment. However, this study advances the literature by demonstrating the specific magnitude of Inspirational Motivation's influence within the unique socio-economic and cultural dynamics of Abuja SMEs, where high turnover and limited innovation are pervasive challenges.

The substantial impact of Inspirational Motivation suggests that articulating a clear vision and fostering a shared sense of purpose are critical for overcoming resource constraints in Abuja's SMEs. These findings imply that leaders who inspire confidence and align employee goals with organizational objectives can mitigate performance challenges and improve retention. This is particularly relevant in contexts with high economic volatility, where employees require motivation to sustain engagement and productivity.

### Individualized Consideration

Individualized Consideration emerged as the second most significant predictor of employee performance, with an unstandardized coefficient of  $B = .314$  ( $p < .001$ ). This supports the findings of Garad et al. (2023) and Kavitha & Amala (2022), who demonstrated the importance of tailored mentorship and development opportunities in fostering job satisfaction and reducing turnover. Unlike previous studies discussing IC's role in general organizational contexts, this research situates its findings within Abuja's SME landscape, emphasizing how IC addresses critical challenges such as skill retention and employee disengagement.

The results indicate that personalized attention to employee needs can significantly enhance engagement and loyalty in SMEs in Abuja. This aligns with Manzoor et al. (2019), who highlighted that supportive leadership promotes organizational commitment and long-term employee retention. The findings also suggest that SMEs in Abuja can optimize intellectual capital by prioritizing employee development initiatives and creating inclusive workplace environments, even with limited financial and operational resources.

### **Intellectual Stimulation**

Contrary to expectations, Intellectual Stimulation did not significantly influence employee performance in Abuja's SMEs, as evidenced by an unstandardized coefficient of  $B = .011$  ( $p = .469$ ). While intellectual stimulation has been shown to foster creativity and adaptability in other contexts (Darmadi et al., 2023; Kavitha & Amala, 2022), its limited impact in this study may reflect the practical challenges faced by SMEs in Abuja, such as inadequate resources, regulatory constraints, and limited technological infrastructure. These factors may hinder the translation of innovative ideas into tangible performance improvements.

This finding suggests that Intellectual Stimulation, while theoretically valuable, may require a more supportive organizational framework to yield significant outcomes in Abuja's SMEs. Nasir et al. (2022) similarly highlighted that the effectiveness of IS depends on the availability of institutional support and access to resources. For SMEs in Abuja, the focus should initially be on addressing immediate performance challenges through motivational and individualized strategies. Once foundational issues are resolved, IS should be a long-term strategic priority for fostering innovation.

### **Theoretical and Practical Implications**

The study's findings reinforce the relevance of Transformational Leadership Theory (Bass & Avolio, 1994) in explaining how leadership practices influence employee outcomes. Inspirational Motivation and Individualized Consideration align closely with the theory's emphasis on motivating employees and addressing individual needs to achieve organizational goals. However, the limited impact of Intellectual Stimulation suggests that contextual factors play a critical role in moderating the effectiveness of transformational leadership dimensions. This aligns with empirical studies by Meiryani et al. (2022) and Garad et al. (2023), highlighting the importance of tailoring leadership practices to the specific challenges of resource-constrained environments.

From a practical perspective, the findings provide actionable insights for SME leaders in Abuja. By prioritizing Inspirational Motivation and Individualized Consideration, leaders can significantly enhance employee performance, addressing critical issues such as high turnover, low morale, and limited productivity. The limited role of Intellectual Stimulation underscores the need for a phased approach to leadership development, focusing first on immediate motivational and retention strategies before fostering innovation and adaptability.

### **CONCLUSION AND RECOMMENDATION**

This study underscores the critical role of transformational leadership in enhancing employee performance within small and medium-sized enterprises (SMEs) in Abuja, Nigeria. By examining the dimensions of Inspirational Motivation (IM), Individualized Consideration (IC), and Intellectual Stimulation (IS), this research highlights how transformational leadership practices can address persistent challenges such as high turnover, limited innovation, and low productivity in Abuja's volatile business environment. The findings reveal that Inspirational Motivation and Individualized Consideration significantly and positively impact employee

performance, demonstrating their effectiveness in fostering engagement, retention, and productivity. Conversely, although theoretically significant, Intellectual Stimulation showed limited direct impact in the current context, reflecting resource constraints and the pressing need for foundational performance improvements before fostering innovation.

SME leaders in Abuja should focus on Inspirational Motivation to inspire alignment with goals and Individualized Consideration to foster employee loyalty and retention, as these have the most significant impact on performance. Although Intellectual Stimulation showed limited immediate effects, its long-term role in fostering innovation should not be overlooked. Leadership development programs and supportive policies are essential to optimize these practices effectively.

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