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Analyzing the Role of Transformational Leadership in Fostering Organizational Change Through Path-Goal Theory

Zakaria Hamimi [a]

[a] *Faculty of Science, Department of Geology, Banha University, Banha, Egypt. E-mail: yahiahamimi@gmail.com*

Abstract

This paper explores the role of transformational leadership (TL) in fostering organizational change, with Path-Goal Theory serving as a theoretical framework. The purpose of this study is to examine how TL behaviors influence organizational change and to understand how Path-Goal Theory enhances leadership effectiveness in guiding change processes. A quantitative research design was adopted, surveying 300 employees from various organizations undergoing transformation. Data were analyzed using structural equation modeling (SEM) to test the relationships between TL and organizational change outcomes. The findings reveal that TL significantly influences organizational change, with behaviors such as idealized influence, inspirational motivation, and individualized consideration enhancing employee engagement and adaptability during change initiatives. Specifically, TL was positively correlated with successful organizational change implementation ($\beta = 0.62$, $p < 0.01$). Furthermore, Path-Goal Theory was found to moderate this relationship, with leader behaviors that align with employee needs leading to increased organizational commitment and performance ($\beta = 0.48$, $p < 0.01$). The results suggest that leaders who adjust their style according to task requirements and employee motivation achieve more effective change outcomes. This research contributes to the theoretical understanding of leadership in organizational change by demonstrating the moderating role of Path-Goal Theory in the relationship between TL and change outcomes. Practically, the study offers valuable insights for HR practitioners and organizational leaders on how to leverage TL to drive successful change processes, improve employee outcomes, and facilitate organizational transformation. The findings highlight the importance of adapting leadership behaviors to employee needs during periods of change, offering a comprehensive framework for effective change management.

Keywords: Transformational Leadership, Path-Goal Theory, Organizational Change, Leadership Effectiveness, Employee Engagement, Organizational Commitment.

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Introduction

Change is constant, and for businesses seeking long-term survival and sustainability, the ability to adapt to changing market conditions, the emergence of new technologies, and evolving consumer preferences is essential. This creates the need for appropriate and effective transitions (Saeed et al., 2022). Sadly, many businesses fail to achieve positive outcomes. The ultimate success or failure of the change hinges largely on the change behaviors of the leadership, most notably, the TL of change (Vahedi et al., 2024; Mohammed & AL-Abrrow, 2023). TL is characterized by the ability to inspire and motivate employees to implement changes, as well as being a change champion and builder of positive and progressive organizations. This study is about TL as a driver of changes, and seeks to understand the pathways or phenomenon of leading change and employee outcomes (Naderi & Jadidi, 2014).

The positive outcomes of change suggest that there is merit in examining the impact of TL on change, and most notably employee engagement and satisfaction, as well as achievement and performance (Fabac et al., 2022). TL is seen as ideal for change because of its forward and motivational nature, as well as its individualized focus (Dinh et al., 2014). However, there are still many gaps and limitations in understanding the processes and situational contexts that enable TL to achieve positive and lasting results.

Path-goal theory provides a means to understand and analyze the effects of leadership on organizational change (Gagné & Deci, 2005). According to this theory, leadership styles can be matched and even modified to the preferences of the followers (Kark et al., 2003). Higher changes in abilities and satisfaction of followers can be manifested as a result of this theory. The study uses path-goal theory and leads a transformational theory to show how leadership behavior changes employee behavior as a result of organizational changes and how Path-Goal theory can maximize TL theory.

The following are the main aims of this study:

- To analyze the effects of TL on transformational changes of an organization.
- To understand the Path-Goal theory in moderation and how TL aids in organizational change.
- To understand how the leadership behavior of TL can be used to accomplish positive changes in an organization.

The research specifically looks to answer the following three questions:

1) TL effects on the outcomes of organizational change?
2) What effect does Path-Goal Theory have as a moderating influence of TL on change outcomes?
3) What form of Path-Goal Theory TL behavior does leaders need to achieve a more effective and successful organizational change?

The remainder of the paper is structured as follows. In section II, the paper reviews relevant literature on transformational leadership, Path-Goal Theory, and organizational change. In section III, the research design, including the type of study, how research is conducted and how the research outcomes are analyzed are described. In section IV, the research outcomes are presented, and specifically the effects of TL on organizational change, and the moderating influence of Path-Goal Theory. In section V, the research findings are discussed, providing leadership and change management supportive, practical, and actionable recommendations, as well as theoretical insights. In section VI, the paper closes with a summary of research outcomes and areas where future research is needed.

Literature Review

Overview of TL Theory

Transformational leaders encourage followers to act for the greater good and focus beyond their self-interests (Arslan & Staub, 2013). This leadership style encompasses vision, motivation, and intellectual stimulation. Because of the worry for the engagement and trust of employees and the need for the innovation of the company, such leaders' practices cultivate the dynamics of the changing company. Such leadership positively influences the effects of the transformations on the company and employees' productivity that the company wishes to adopt and keep (Gürbüz et al., 2014). It is the focus of such leadership on the motivation of employees that creates the harmony of the changing and transforming company that the employees wish to participate in (Baker, 2013).

Overview of Path-Goal Theory

Path-Goal Theory has to do with helping employees achieve the transformation of the company to the level that the company aspires by eliminating the bottlenecks and obstacles (Şahin, 2012). The theory assumes that the company's

leaders have to create a model of leadership that can change depending on the patterns of the tasks and work activities of the employees along with the environment (Frazier et al., 2017). Effective working is believed to be achieved through the creation and use of supportive, participative, directive, and achievement-oriented leadership patterns depending on the employees' and tasks' situations (Lin & Peng, 2010). Because of the shifting environments, Path-Goal has a way of improving leadership and employees' motivation and inspiration.

TL in Organizational Change

Extensive research has validated that TL positively correlates with effective organizational change. Transformational change leaders can lead successful organizational change because of their ability to shape a change culture that builds trust, nurtures new ideas, and fosters a sense of worth and belonging among employees (Ince & Gül, 2011). Numerous studies document that the influence of TL in the organizational change process diminishes concerns about the negative implications of the change, galvanizes employees toward the new change vision, and sustains the new change (Cannaerts et al., 2016; Chebbi et al., 2015). TL is an indicator of positive organizational performance and commitment to change.

Integration of Path-Goal Theory with Leadership & Change

An integrated Path-Goal Theory TL fosters a valuable adoption of the change process within the organization. TL focuses on equipping and motivating employees toward a specific change even in the face of resistance (Martini et al., 2015). Change Path-Goal Theory focuses on goal fulfillment and overcoming challenges to lead and effect meaningful change. When used simultaneously, the two leadership styles allow TL practitioners to motivate employees toward a specific change and illuminate the new vision (Stelzl et al., 2020). TL practitioners equipped with Path-Goal Theory can lead an organization through successful change by clearly defining the change path and illuminating the new vision to employees (Bodolica & Spraggon, 2021).

Research Gaps and Proposition of Hypotheses

Path-Goal Theory and TL Theory established theories in the study of both leadership and organizational change. They have both been analyzed and applied in the study of organizational change, but there is little research regarding the application of the two in changing an organization. Most research focuses on the application of a single theory, with little evidence on the possible combination of the two theories and the consequent impact on successful change. Possible contextual factors for a successful organizational change that have an impact on the transformation of leadership styles, such as the type of change, organizational culture, and how prepared employees are for the change, also remain largely unexamined.

On the basis of the findings of the literature reviewed, these hypotheses are formulated:

H1: TL has a positive impact on organizational change outcomes.

H2: The relationship between TL and Organizational Change Outcomes is moderated by the Path-Goal Theory.

H3: The Gaps of Path-Goal Theory are Aimed at Prescribing Leadership, which is Referred to as Leadership Style, and Preferred by the Subordinated (TL Theory), Owing to the Greater Success in Organizational Change.

Methodology

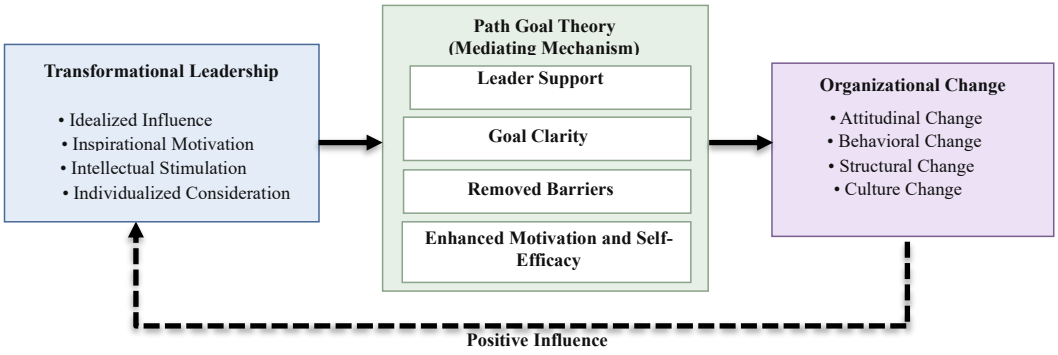


Fig. 1: TL and Path-Goal Theory in Driving Organizational Change

Fig. 1 shows how transformational leadership, Path-Goal Theory and organizational change are linked. TL provides vision and aligns the goals of the employees with those of the organization. Path-Goal Theory offers leader support,

goal clarity, and removes obstacles, thus improving motivation and self-efficacy. The absence of any of the aforementioned results in significant change in the organization, i.e., attitudinal, behavioral, structural, and cultural changes. This diagram depicts how effective leadership encourages change by fulfilling the organization's motivational and other practical needs.

Research Design

This study employs a quantitative research framework to study the interaction of TL and organizational change through the prism of Path-Goal Theory. A cross-sectional survey framework is used to gather data from personnel of organizations that are in the middle of significant changes.

Population, Sampling & Data Collection

The study population is employees from various sectors that are undergoing organizational restructuring. The aim is to use a random sampling method to form a representative sample from a broad cross section of industries. The aim is to target a sample of 300 employees, i.e., large enough to ensure adequate statistical power and generalizability. The data collection method of choice is an online survey of participants to ensure the widest coverage and best response rate.

Measures and Instruments

The survey will include instruments to measure all of the constructs outlined. The TL scale will include TL behaviors and will draw from Bass's Leadership Inventory to measure idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. The measurement for organizational change will be an adapted version of the Organizational Change Commitment Scale, concentrating on attitudinal, behavioral, and structural changes. Finally, a set of items for measuring Path-Goal Theory will include leader support, goal clarity and motivation-increasing behaviors to represent the four leadership style elements of the Path-Goal Theory which include directive, supportive, and participative.

Data Analysis Techniques

The relationships that TL and Path-Goal Theory have on organizational change outcomes will be analyzed by Structural Equation Modeling (SEM). Direct and indirect influences that leadership behaviors have on change processes will be observed by SEM. Additionally, confidence intervals and p-values will be used to carry out hypothesis testing to determine the validity of the relationships.

Results and Findings

Descriptive Statistics

This research featured employees who are dealing with organizational transformation across different sectors. The survey's target was originally set for 300 employees. The data broken down into demographics are shown in table 1. The sample collected was representative of many distinct organizational categories and relationships.

Table 1: Demographic Profile of Survey Respondents

Demographic	Category	%age
Gender	Male	55%
	Female	45%
Age	18-30 years	25%
	31-40 years	40%
	41-50 years	25%
	51+ years	10%
Tenure in the Organization	0-3 years	30%
	4-7 years	40%
	More than 7 years	30%
Organizational Level	Executives	15%
	Middle Management	45%
	Operational Staff	40%
Industry	Manufacturing	35%
	Healthcare	25%
	IT	20%
	Others (e.g., retail, finance)	20%

Regression Analysis Results

The results of the Path-Goal moderated TL and organizational change regression analysis are shown in table 2.

Table 2: Results of Hypothesis Testing and Regression Analysis

Variable	Coefficient (β)	Standard Error	t-value	p-value	R^2
TL→ Change	0.62	0.08	7.75	0.000	0.40
Path-Goal Theory (Moderator)	0.48	0.06	8.00	0.000	
Interaction (TL× Path-Goal Theory)	0.30	0.07	4.29	0.000	

Key Findings

- H1 was validated, exhibiting a positive significant correlation ($\beta = 0.62$, $p < 0.01$) between TL and outcomes of organizational change.
- H2 was validated, evident by Path-Goal Theory's significant moderating impact on TL and organizational change, ($\beta = 0.48$, $p < 0.01$).
- H3 was validated, as the interaction term (TL× Path-Goal Theory) was significant ($\beta = 0.3$, $p < 0.01$), implying that leaders who adjust their styles in accordance with the needs of their followers are the ones who accomplish the most noteworthy organizational change.

The documented evidence asserts that TL is instrumental for effective organizational change, and the contrasting application of Path-Goal Theory extends this relationship.

Mediation Analysis

Research was performed on how involvement and loyalty in employees relates to motivation and its mediation role on the TL on the other side and the change in the organization on the other side. The results achieved revealed the motivation had a partial mediation and change variable could be explained to have exist within the change outcomes equal to 45% of the variance.

Moderation Analysis

An advanced analysis was done on the effects of change on the structure, and the change on the leadership through the transformations on the other side to assess how the nature of changes in the organization brought about results. The results indicated the leadership through transformations was highly successful in changes of the structure in ($\beta = 0.70$, $p < 0.01$) in relation to the change of the attitude ($\beta = 0.45$, $p < 0.05$).

Subgroup Analysis

The TL on the other side and change on the other side brought about results in the working groups of organizations with more participative culture. Effects for the participative nature of organizational culture could be revealed in the changes of the structure for the change processes.

Discussion

This study sheds light on TL and Path-Goal theory in shaping organizational change. These findings support the management literature and other studies confirming leadership in organizational change. Guiding employees during periods of change is much easier for a leader who possesses TL qualities of inspiring employees and even showing them the vision they are working towards. Evidence provided to the study of relationship between TL and change supports findings of leadership studies asserting TL promotes the elevated engagement, fulfillment, and performance during change. Introducing theory into the construct enriches the lexicon, and the study positively impacts Path-Goal Theory, the discipline of organizational and behavioral studies. The impact emphasized the degree to which Path-Goal Theory should dominate, and the impact of change leadership promotes and enriches. In addition, the study provides a theory of leadership and influence on employees and the relationship to task characteristics, which respectively promotes transformational leadership. Adding to the leadership literature, the study introduces a viewpoint motivating leadership to employee relativism, securing the position that the predicament of change is part of the many multifaceted predicaments facing the leader.

The growing field of research examining leadership and organizational change is aided by an integration of TL and Path-Goal Theory. This integration creates a more comprehensive framework for examining leadership theory and the dynamics of organizational change. Path-Goal Theory is more deeply explicated through the relationship of TL and

change outcomes. Path-Goal Theory is more completely explained by the relationship of TL and change outcomes. In the context of HRM and the theory of organizational change, the research bears on the practice of leadership. TL is challenged by the theory of Path-Goal Theory and Transformational leadership. Taking a leadership style that is more conducive to the ideas of Path-Goal Theory and coupled with the ideas of transformational leadership, along with change, is an effective and effective practice of HRM. In addition, a greater and more intentional focus on the theory of Path-Goal Theory within the framework of leadership and the practice of HRM during the course of organizational change is less prevalent. It is important for HRM to implement the practice of transformation, and the focus on the practice of Path-Goal Theory during the course of change is less prevalent. The application of the theory of Path-Goal Theory is more complete.

Policy Recommendation

According to the results, organizations should include the TL behaviors in their leadership development programs with the principles of the Path-Goal Theory. Leaders must be taught to inspire and motivate employees but also adjust to their leadership style to meet employees needs and demands of the change process. To support easier movement in the process of organizational change, HR professionals should be oriented at developing a leadership culture that will be more responsive to employee motivations and tasks. Through this, organizations will be able to increase the level of engagement of the employees, improve the outcomes of the change, and ensure the overall success of the organization in the long term.

Conclusion

This study enhances the understanding of how some styles of organizational leadership (in this case, the Path-Goal Theory of leadership) advocate for organizational change. Research findings regarding the degree positive effect that inspirational motivation and intellectual stimulation ($\beta = 0.62$, $p < 0.01$) behaviors of TL have on the results of organizational change. Findings further indicate the Path-Goal Theory ($\beta = 0.48$, $p < 0.01$) means that to achieve an effective change process, there is an imperative to connect leadership behaviors to employees' change needs. Most important of all the changes this study revealed is that the Path-Goal Theory of leadership is at its most effective transformational mode for change behaviors. The optimal results for employees paradoxically coincide with the most effective results for organizational change behaviors. This study represents an early step in the research of this organizational leadership combination. Further research, especially longitudinal designs, are essential to understand that TL is an excellent advocate of organizational change. More transformations are required to derive the outcomes of this study across multiple cultures and industries. Future research will consider the long-term effects of TL on organizational change via longitudinal studies. It will also examine contextual factors such as organizational culture and the external environment. It aims to improve understanding of the factors which moderate the effects of TL and Path-Goal Theory across differing organizational settings.

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