



## The Impact of Transformational Leadership on Organizational Performance: Case Study of Huawei

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### ABSTRACT

This paper investigates the effect of transformational leadership on organizational performance, using Huawei as a case study. As companies grow and aim for increased output, effective leadership plays a crucial role in enabling staff members to accomplish common objectives. Transformational leadership is a vital component in creating an atmosphere that is favorable to constructive and flexible changes, as it is distinguished by its capacity to increase followers' self-assurance and motivation beyond self-interest. The research demonstrates how Huawei's visionary leadership has given a clear strategic direction and inspired a sense of purpose and commitment among employees through an analysis of the company's 2023 Annual Report. A culture of constant innovation has been fostered by the emphasis on intellectual stimulation, as shown by the large R&D investments and the large number of patents. Personalized attention to staff development has also improved job satisfaction and loyalty, which has aided in the success of the organization as a whole. The results highlight how crucial transformational leadership is for negotiating the complexities of the technology industry and attaining long-term success. This study offers insightful information about how transformational leadership can be successfully applied to enhance organizational performance in the technology sector by analyzing Huawei's experience.

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## 1. INTRODUCTION

Leadership becomes increasingly important as businesses expand and as people become more productive at work (Qi et al., 2019; Afsar et al., 2020). Specifically, a leader needs to give his or her followers the tools they require in order to function well and advance a shared goal (Ahmad, 2018; Zhao and Zhou, 2019). According to Jena et al. (2018) and Khan et al. (2021c), transformational leadership is a leadership style that manipulates followers' confidence and motivation to go above and beyond what is expected of them in order to see beyond self-interest. In order to create an environment that is suitable for positive or adaptive changes through an efficient process, organizations that are prepared to anticipate fundamental transitions must have transformational leadership (Khan et al., 2020a; Hai and Park, 2021). The culture of affective organizational commitment is almost directly related to leaders' transformational actions as learning support (Cho et al., 2019; Mwesigwa et al., 2020).

The performance of the organization can be predicted by the leadership style. According to Bisharat (2016), this is one of the key factors influencing how an organization and its employees perform. As per Bushra (2011), transformational leadership is characterized as a leadership approach in which a leader collaborates with teams to identify necessary changes, develops a compelling vision to steer the change, and implements the change in concert with dedicated group members. Because of its substantial and advantageous effects on organizational and employee performance, transformational leadership has drawn the attention of researchers (Manzoor, 2019). In today's environments, where businesses need to be innovative to gain competitive advantages that allow them to increase their results, the relationship between transformational leadership and organizational performance is even more crucial (Donate and Sánchez de Pablo, 2015). In this situation, managers need to be able to persuade staff members to participate in innovation processes in order to gain fresh insights that enable businesses to introduce new products to the market (Para-González, L., Jiménez-Jiménez, D., & Martínez-Lorente, A. R. 2018).

This study will look into the complexities of transformational leadership at Huawei and how it relates to the company's performance. By examining Huawei's case, we hope to provide useful insights into how transformational leadership can be effectively implemented to improve organizational performance in the technology sector.

## 2. LITERATURE REVIEW

### 2.1 Transformational Leadership

Leadership has been examined and defined by numerous researchers. According to Robbins and Coulter (2017), leadership is the act of guiding a group and persuading them to accomplish their objectives. That's what people in leadership roles do. Through self-awareness, self-management, social awareness, and relationship management, leaders with high emotional intelligence can have a positive impact on employees' output (Suifan et al., 2018). The recurrent behavioral patterns displayed by leaders are represented by their leadership styles (Schermerhorn, 2013). As a result of their ability to work with a variety of personalities and foster team engagement, leaders provide a foundation for understanding both transactional and transformational leadership philosophies (Dias and Borges, 2016). To be more precise, a transformational leader inspires subordinates to go above and beyond expectations. According to Burns' 1978 definition, transformational leadership is the process through which leaders and followers work together to reach higher moral and inspirational standards. According to Alsayyed (2020), transformational leaders have the ability to positively impact their subordinates' responses, which in turn leads to high performance.

In order to treat followers as individuals and not just group members, the leader uses individualised consideration. This involves coaching and teaching them, assisting them in building on their strengths, and paying close attention to what they have to say. Leaders who practice individualized consideration pay close attention to the needs of their followers, recognize and reward exceptional work, and make an effort to connect followers' personal objectives with those of the organization (Kasasbeh et al., 2015).

Through intellectual stimulation, the leader inspires his followers to think creatively and innovatively, emphasizing problem solving based on logic before acting. The goal of intellectual stimulation is to push followers to come up with original, novel solutions to issues (Jyoti and Dev, 2015). According to Weib and Süb (2016), it alludes to a leader's capacity to empower subordinates to take initiative and reevaluate established norms in novel ways.

With the use of inspirational motivation, a leader can inspire followers to put the greater good ahead of their own interests by supporting them in overcoming obstacles and fostering optimism for the future. The ability of a leader to inspire followers to go above and beyond their own expectations is known as inspirational motivation (Mittal and Dhar, 2015). A leader who inspires followers to challenge themselves and achieve high performance is known for having a clear vision for the future (Hyypia and Parjanen, 2013).

### 2.2 Organizational Performance

According to several scholars (Marzall et al. 2022; Meinhardt et al. 2018; Abubakar et al. 2019; Schwens and Wagner 2019). Organizational performance is the outcome of entrepreneurs' ability to create strategies that match the organization with the increasingly complex and dynamic environmental changes. Organizational performance, according to Laaksonen and Peltoniemi (2018) and Rehman et al. (2019), is a significant indicator of attaining set organizational goals and objectives. Research conducted by Martín-Castro (2015) demonstrated that companies with higher learning efficiency outperform their rivals in the long run. Increasing individual knowledge within the context of an ongoing organizational learning culture can also improve performance.

The use of organizational performance data, according to Nitzl et al. (2019), is meant to make decision-making easier in order to achieve predetermined objectives. These applications (decision facilitators) include strategic decision-making (supporting non-routine decisions), focus of attention (providing guidelines for the organization), and monitoring (setting and monitoring goals, comparing expected and actual results). According to Zehir et al. (2016), the objectives of implementing a planned strategic objective are to achieve efficacy, innovation, and efficiency. According to Wood and Ogbonnaya (2018), a mutual gains model can result in higher organizational performance because it encourages managers to be highly involved and creates a situation where employers and employees can benefit from each other's actions. Because it promotes employee positivity toward the company and yields high levels of employee satisfaction and well-being, it is a unique management strategy.

### 2.3 Transformational leadership and organisational performance

According to Sweis et al. (2017), one of the key elements in the workplace that motivates employees to perform better is leadership. Performance is positively impacted by transformational leadership (Rao and Kareem, 2015). Furthermore, transformational leadership has been associated by Alsayyed (2020) with increased productivity, lower employee turnover, higher assignment satisfaction rates, stronger motivation, and more effective leadership. Prior research elucidated that transformational leadership can also be advantageously implemented within teams. The manifestation of transformational leadership, for instance, can improve team cohesion, effectiveness, empowerment, and learning (Raes et al., 2013).

Gyanchandani (2017) showed that transformational leaders foster a more creative workplace, which has an impact on the general productivity and results of the organization's members. They also set a good example for their followers by establishing a strong organizational culture and value system. According to Tabassi et al. (2017), a transformational leadership style can have a

significant impact on an organization's performance through the workplace environment that leaders foster, including interpersonal relationships, conflict and competition, responsibility and accountability, and member communication and contribution.

### **3. METHODOLOGY AND FINDINGS**

Using a case study approach, this study examines Huawei's 2023 Annual Report to pinpoint the necessary aspects of transformational leadership and how they affect the performance of organizations. Secondary sources such as industry reports and scholarly journals are used to augment the data.

#### **3.1 Transformational Leadership at Huawei**

The ability to inspire and motivate staff members to put the needs of the organization ahead of their own is a hallmark of transformational leadership. This type of leader is inspiring, visionary, and skilled at enacting change. Ren Zhengfei, the company founder, and the senior management group at Huawei are examples of transformational leadership.

##### **3.1.1 Visionary Leadership**

The leadership of Huawei has continuously shown that they have a compelling and distinct vision. The company's dedication to innovation, customer-centricity, and sustainable growth is highlighted in the 2023 Annual Report. This vision has served as the organization's compass, directing every worker toward shared objectives.

Huawei has made considerable investments in research and development (R&D), which has resulted in notable advancements in 5G technology and artificial intelligence (AI). Huawei's vision is to build a fully connected, intelligent world.

##### **3.1.2 Inspirational Motivation**

Huawei's transformational leaders motivate their staff members by using strategies that create a feeling of purpose and community. This is accomplished by providing chances for professional development, acknowledging accomplishments, and maintaining open lines of communication.

Huawei's efforts to establish a positive work environment are highlighted in the 2023 Annual Report. These efforts include competitive compensation, extensive training programs, and chances for career advancement. As a result of these initiatives, staff loyalty and morale are high.

##### **3.1.3 Intellectual Stimulation**

Huawei's leadership promotes creativity and innovation by questioning the status quo and creating a welcoming atmosphere for fresh concepts. In the technology industry, where ongoing innovation is crucial, this strategy is crucial.

Huawei has demonstrated its dedication to intellectual stimulation through its significant investment in research and development, as detailed in the 2023 Annual Report. The company invested a large amount of its earnings in research and development, which produced many ground-breaking technologies and over 100,000 patents.

##### **3.1.4 Individualized Consideration**

At Huawei, transformational leaders prioritize the personal growth and well-being of their staff members. They offer opportunities, support, and mentoring based on each person's strengths and career goals.

According to the 2023 Annual Report, Huawei offers customized career development plans, leadership development courses, and mentorship programs as part of its talent development initiatives. These programs make sure that workers feel appreciated and are prepared to make a meaningful contribution to the company's success.

#### **3.2 Impact of Transformational Leadership on Huawei's Organizational Performance**

Huawei's organizational performance has been significantly impacted by its transformational leadership style. This is apparent in a number of important areas that the 2023 Annual Report emphasizes.

##### **3.2.1 Financial Performance**

Huawei has consistently increased its revenue and made a profit, demonstrating its strong financial performance. The company's financial success has been largely attributed to its capacity for innovation and market adaptation.

(CNY Million)	2023	2022	YoY
Revenue	704,174	642,338	9.6%
Gross profit	325,364	281,925	15.4%
- Gross profit margin	46.2%	43.9%	2.3%
Total operating expenses	(283,644)	(271,279)	4.6%
- as % of revenue	40.3%	42.2%	(1.9)%
Other income, net	62,681	31,570	98.5%
Operating profit	104,401	42,216	147.3%
- as % of revenue	14.8%	6.6%	8.2%
Net finance expenses	(6,659)	1,018	(754.1)%
Income tax	(10,646)	(8,384)	27.0%
Net profit	86,950	35,562	144.5%

Figure 1: Huawei's 2023 Financial Performance

Huawei recorded CNY704,174 million in revenue and CNY86,950 million in net profit in 2023, showcasing the success of its leadership and strategic initiatives.

**3.2.2 Market Leadership**

In the telecommunications sector, Huawei has made a name for itself as a market leader, especially in 5G technology. The company's visionary leadership and dedication to innovation have directly contributed to its strong market position.

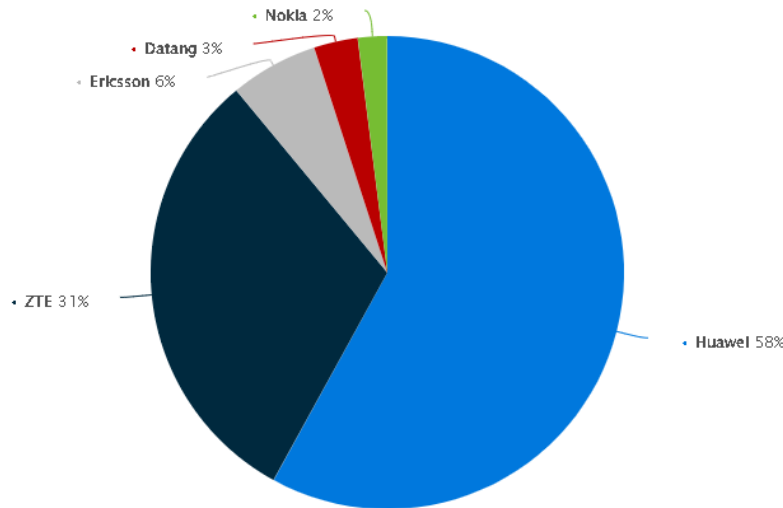


Figure 2: Market share of 5G base station manufacturers in China in 2023

According to the 2023 Annual Report, Huawei is the market leader in 5G infrastructure, having signed major contracts and deployed large amounts of equipment all over the world.

**3.2.3 Customer Satisfaction**

Customer satisfaction is emphasized as a major result of transformational leadership within the company in the Huawei 2023 Annual Report. Huawei's leadership is a driving force behind its dedication to a customer-centric approach, which emphasizes the significance of comprehending and exceeding customer needs. Huawei makes sure that its goods and services are up to par by cultivating a culture of innovation, quality, and dependability. This raises customer satisfaction levels. By putting a high priority on and attaining high levels of customer satisfaction, Huawei's transformational leadership positively impacts organizational performance. Strong after-sales support and ongoing feedback mechanisms further reinforce this satisfaction.

According to the 2023 Annual Report, Huawei's customer satisfaction ratings have steadily increased, which is indicative of the company's efforts to provide top-notch goods and services.

### 3.2.4 Employee Engagement

It is emphasized that one important aspect that transformational leadership influences is employee engagement. The management of Huawei creates a welcoming and inspiring work atmosphere where staff members are inspired to innovate and support the company's mission. This leadership approach prioritizes upholding open lines of communication, acknowledging and rewarding contributions, and fostering both professional and personal growth. Higher levels of engagement follow as a result of employees feeling appreciated and in line with the organization's objectives. Huawei's competitive advantage and organizational performance are largely dependent on its engaged workforce.

According to the 2023 Annual Report, Huawei has some of the best employee engagement ratings in the business, along with very high job satisfaction and low employee turnover.

## 3 CONCLUSION

In conclusion, the analysis of Huawei's 2023 Annual Report shows how transformational leadership has a significant effect on organizational performance. The senior management team and Ren Zhengfei, as representatives of Huawei's visionary leadership, have continuously shared a bold and distinct vision that has been essential in leading the company toward its strategic goals. By means of inspirational motivation, the leaders have cultivated a feeling of purpose and camaraderie within the workforce, thereby augmenting their dedication and morale.

The focus on intellectual stimulation has fostered a culture of ongoing innovation, which is essential in the cutthroat technology industry. This is demonstrated by Huawei's significant R&D expenditures, which have produced ground-breaking discoveries and a plethora of patents. High levels of job satisfaction and loyalty have also been facilitated by the individual attention given to each employee's development and well-being, which has further fueled organizational success. All things considered, Huawei's transformational leadership has helped the business reach important technological benchmarks and has fostered a dynamic and encouraging work environment that improves organizational performance in general. The importance of transformational leadership in navigating intricate industry landscapes and achieving sustainable growth is highlighted by this case study.

## APPENDIX (ANNUAL REPORT)



Building a Fully Connected,  
Intelligent World



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