

AGE OF ULTRON: EXPLORING THE TRANSFORMATIONAL LEADERSHIP INFLUENCE ON MARKETING INNOVATION OF SMEs (AN INVESTIGATION BASED ON THE 4I MODEL OF BURNS)

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Abstract

Leadership is a critical factor in safeguarding the development of SMEs' marketing innovation. The literature shows that the concept of transformational leadership has gained significant scholarly attention recently. However, there is a scarcity of empirical research on the role of transformational leadership style within the context of small and medium-sized enterprises (SMEs). Additionally, existing studies mainly focus on developed countries ignoring the unique contextual setting of developing countries. In line with such a phenomenon, this study addresses the research gaps by investigating the role of transformational leadership in SMEs' marketing innovation strategy. The scope of this study is SMEs in the Makassar region of Indonesia. In addition, this study was conducted from July 2024 to February 2025. Through the analysis of the existing studies and the preceding theoretical frameworks, this study identifies several key characteristics of transformational leadership that contribute to the innovative practices of SMEs in Makassar. As such, for theoretical implications, the finding of this study suggests that transformational leadership enhances creativity, encourages risk-taking, and fosters an organisational culture conducive to innovation, ultimately driving the growth and competitiveness of SMEs in the region. For managerial implications, this study offers several insights that may be beneficial for SME owners, especially in helping SMEs to be more highly innovative.

Keywords: transformational leadership, marketing innovation, SMEs, 4i model, human resource management, marketing management, innovation management

1. INTRODUCTION

In today's highly dynamic and rapidly changing business environment, firms seek innovation competency as a pertinent strategic approach, and a critical capability to achieve business sustainability and competitive advantage in the market (Akbar et al., 2024; Haeruddin et al., 2023; Haeruddin et al., 2022; Mustafa, 2023). Innovation is imperative for the business organization to compete successfully in a dynamic market. For small and medium enterprises (SMEs) innovation competency helps them to overcome the disadvantages as a result of resource limitations compared to larger firms. Within the research stream of organisational and management, leadership is seen to be a vital management tool in stimulating innovation growth (Akbar, 2024; Jensen et al., 2020). This is especially true among SMEs as their smallness means that they rely mainly upon the managers or owners for strategic decisions on firm business activities and competencies. Along this line, one of the critical concepts of leadership styles is transformational leadership, which is defined as the ability of a leader to inspire and motivate people toward a shared vision (Haeruddin, 2017; Korejan & Shahbazi, 2016).

Notwithstanding the growth of empirical research examining the interactions between leadership and innovation, our review of existing literature reveals the scarcity of studies on the effect of transformational leadership on an organisation's innovation development, especially in the research streams of emerging market SMEs. Based on this development,

this study aims to explore the role of transformational leadership in the development of innovation. Our scope of study is SMEs located in the city of Makassar, Indonesia. We chose specifically Makassar because it is one of the biggest cities in Indonesia with many business establishments. Meanwhile, Indonesia is a big emerging market that experienced rapid growth in the economy in recent years. SMEs play a significant role in the nation's economy in terms of employment opportunities, economic growth, and community development. Consequently, this study emphasizes the SMEs' transformational leadership style and innovation through the application of a qualitative approach of literature-based analysis. The findings of this study help to fill in the literature gaps and provide practical suggestions and guidance to the SME owners or managers, especially from Makassar, to develop a more effective organisational strategy to survive under competitive, uncertain, and rapid changes in the markets.

2. MATERIAL AND METHOD

Transformational leadership is a leadership style that inspires and motivates followers to exceed people's self-interests for the sake of the organisation and its goals. The concept of transformational leadership was first introduced by James MacGregor Burns in 1978. The author focuses on the conceptual differences between transactional and transformational leadership. While transactional leaders are centered on exchanges and rewards, transformational leaders, on the other hand, engage with followers to raise their awareness about the importance of their tasks and the value of achieving higher goals (Burns, 1978). Although both styles of leadership have merits and benefits for SME innovation development, this study focuses on transformational leadership because of the engagement of employees and members of the organization who are responsible for carrying out business activities and implementing strategic plans.

Transformational leadership is characterized by four core components, also known as 4Is, which are: (1) idealised influence: Leaders serve as role models for their followers, earning their trust and respect through ethical behaviour and a strong sense of values (de Araujo et al., 2021); (2) inspirational motivation: Transformational leaders articulate a compelling vision and inspire followers to commit to that vision, fostering enthusiasm and optimism (Gathenya, 2022); (3) intellectual stimulation: Leaders encourage creativity and innovation by challenging existing beliefs and fostering an environment where questioning and exploration are welcome (Sun, 2018); and (4) individualised consideration: Transformational leaders provide personalized support and mentorship, recognizing the unique needs and contributions of each follower (Burns, 1978).

According to Schumpeter (1934), innovation is defined as a key driver of economic growth and competitive advantage. Downs Jr. and Mohr (1979) assert that innovation can take various forms, which are product innovation, process innovation, business model innovation, and organisational innovation. Product innovation can take place in many ways such as the introduction of smartphones, which revolutionised personal communication and computing, whereas process innovation can be seen in the adoption of automation technologies in manufacturing processes, enhancing efficiency and reducing costs. As for business model and organisational innovation, these two forms of innovation can be seen in Netflix and Airbnb business models that have successfully disrupted the traditional business models through innovative service delivery and the adoption of new management practices and/or the enhancement of collaborative efforts within teams (Kotler, 2020; Kotler & Armstrong, 2014; Kotler & Keller, 2012).

Moreover, although innovation is essential for SMEs' growth, such organisations are seen to potentially face several challenges that later hinder the innovation efforts, e.g., the employees' resistance to the unknown and/or discomfort with new processes or technologies that later leads SMEs to be unable to be more adaptable to the changes, especially the uncertainty of the market situation.

Subsequently, this study adopts a qualitative research approach, which emphasises an in-depth understanding of the subject matter rather than relying solely on numerical data. The focus is on reviewing a variety of existing academic resources, including scholarly

articles, case studies, and theoretical frameworks (Mustafa et al., 2024), that pertain to two main concepts: transformational leadership and innovation within SMEs in Makassar, from July 2024 to February 2025. The qualitative method also allows this study to explore more comprehensively the complexities surrounding transformational leadership and innovation.

In addition, for the review of academic articles, this study contains an analysis of scholarly articles that discuss transformational leadership and innovation. The researched articles encompass research findings, theoretical discussions, and empirical evidence on SMEs. As for the case studies, this study aims to incorporate a case study approach that may allow this study to examine specific instances of SMEs that have successfully implemented transformational leadership practices or innovative strategies, which accordingly may help this study to illustrate the practical implications of discussed theories and to offer relevant contexts to the findings. Furthermore, the conceptual framework (Figure 1) of this study offers a structured model that explains the relationships between transformational leadership and innovation, which accordingly helps this study to draw the relevant established theories.

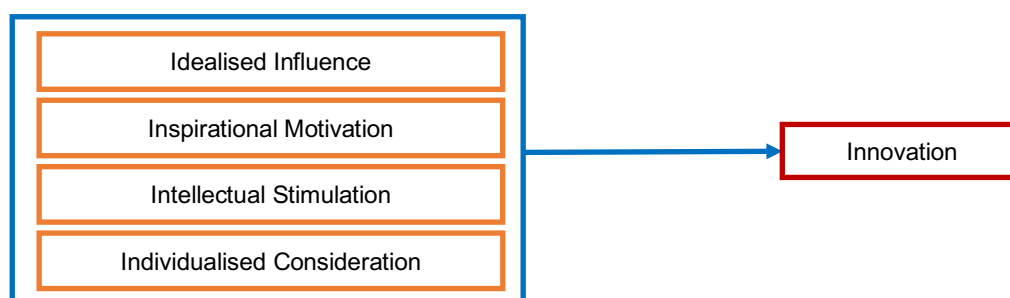


Figure 1: Conceptual Model (Data Generated, 2025)

3. FINDING AND DISCUSSION

Moreover,

This study aims to examine the insight into the interaction between transformational leadership and innovation among SMEs in the emerging market of Indonesia. This study reveals several important findings that benefit in terms of filling the literature gaps, providing avenues for future study, and providing practical suggestions for the owners and managers of SMEs. Through the critical and close examination of articles on case studies of SMEs in Makassar, this study finds that several SMEs in Makassar have successfully fostered their innovation capabilities, such as a unique marketing strategy on social media, distinctive culinary product packaging, etc., due to the collaboration with some local technology start-ups, which adopted a transformational leadership style. This finding then demonstrates how transformational leadership can lead to tangible outcomes and the opportunity for innovation, especially through creativity enhancement and innovation culture promotion. In creativity enhancement, transformational leaders foster an environment in which the employees feel safe in communicating their ideas which eventually leads to increased creativity, while, through innovation culture promotion, which values experimentation, transformational leaders enable people to discover a new opportunity and innovative solutions.

Subsequently, despite the positive results mentioned above, the transformational leadership implementation within SMEs from Makassar is assumed to potentially face several obstacles. For example, SMEs frequently operate with constrained resources, especially financial resources, and accordingly, it may be difficult for SMEs to invest financially in leadership development programs. As a result, within circumstances, SMEs may face a lack of training programs for their current and future leaders, and finally, under this condition, SMEs may be hindered from the effective adoption of transformational leadership practices. Based on the discussion above, this study discovers a model in order to explain the role of transformational leadership in the marketing innovation of SMEs, which is displayed in Figure 2:

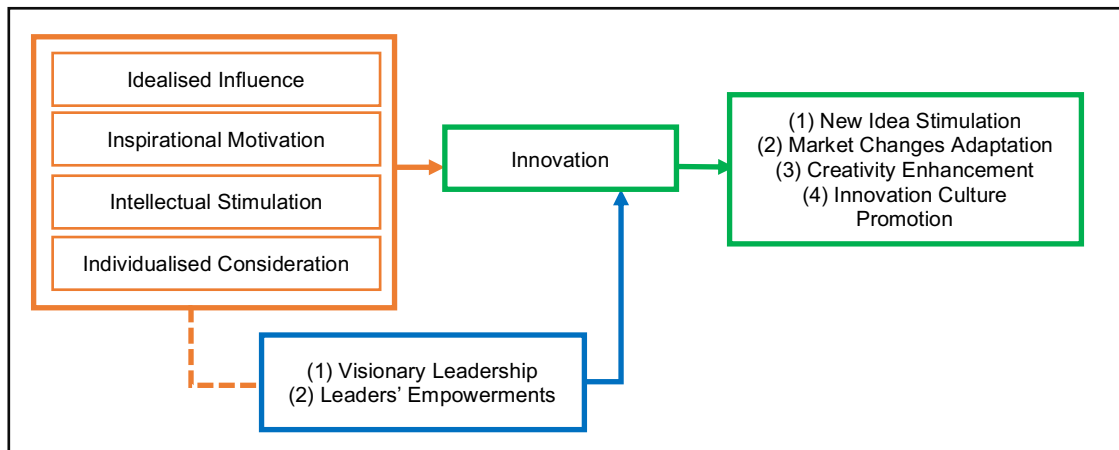


Figure 2: The 4I Model of Burns on SMEs' Marketing Innovation (Data Processed, 2025)

4. CONCLUSIONS

Transformational leadership is pivotal in driving innovation within SMEs particularly in the city of Makassar. This unique leadership style significantly contributes to the development of new ideas, products, and processes by creating a supportive environment that nurtures innovation. As for the role of transformational leadership in innovation, this study concludes that the role of transformational leadership on SMEs' innovation in Makassar, this study proposes several conclusions. The first conclusion is that transformational leaders actively promote a culture of creativity within the organisation. By encouraging employees to think outside the box and explore new possibilities, the leaders indirectly create an atmosphere where innovative ideas can flourish. This can involve providing tools and resources that inspire creativity, as well as recognising and rewarding innovative contributions. The second conclusion is that to encourage risk-taking action, means that innovation inherently involves a degree of risk. Transformational leaders help mitigate the fear of failure by promoting a mindset that views setbacks as learning opportunities. By encouraging the teams to take calculated risks, such leaders empower employees to experiment with new concepts and approaches, which can potentially lead the company to be a more highly innovative firm, especially in leadership and marketing strategy.

As for recommendations, this study proposes several future research directions, which are: (1) To maximise the benefits of transformational leadership in SMEs, future research is strongly suggested to focus on SMEs that are in a sufficient financial condition, that are promising to invest in and to conduct some training programs for the fulfilment of specific needs of current and future leaders. In other words, the emphasis on training programs may help future research to propose and/or explore the conceptual models for training programs that can help SME leaders acquire the necessary skills and competencies to practice transformational leadership effectively. These programs might cover areas such as communication, team building, conflict resolution, and innovation management training. By investing in the development of leadership capabilities, SMEs can enhance their overall innovative capacity.

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