

Transformational Leadership and Dynamic Capabilities in Businesses: A Review

İşletmelerde Dönüşümcü Liderlik ve Dinamik Kabiliyetler: Bir İnceleme

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Makale Başvuru Tarihi: 05.09.2022

Makale Kabul Tarihi: 27.12.2022

Makale Türü: Araştırma Makalesi

ÖZET

Anahtar Kelimeler:

Yönetim ve Strateji,
Dönüşümcü Liderlik,
Dinamik Kabiliyetler,
Liderlik Tarzı,
İşletme,

Günümüzde hızla değişen çevre koşulları, bu yeni koşullara uyum sağlayabilecek yeni ve dinamik çalışma gruplarının oluşmasını ve bu gruplara rehberlik edecek yeni liderlik tiplerinin ortaya çıkmasını zorunlu kılmıştır. Bu çalışmada, dönüşümcü liderlik ve dinamik kabiliyetlerin tüm boyutları ile bu kavramların yerine getirilmesinin işletmeler üzerindeki etkisinin incelenmesi amaçlanmaktadır. Bu araştırma, dönüşümcü liderlik ile örgütün dinamik yetenekleri arasındaki ilişkiyi göstermekte ve bunların örgütsel performans üzerindeki doğrudan veya dolaylı etkilerini araştırmaktadır. Araştırma, son liderlik literatürüne dayanmaktadır ve dönüşümcü liderlik ile işletmelerdeki dinamik yetenekler arasındaki ilişkide kullanılan yöntemleri, verileri ve araştırma kaynaklarını incelemektedir. Bu çalışmada kullanılan veriler, son otuz yılda çeşitli araştırmacı ve yazarlar tarafından yürütülen çalışmaların sonuçlarıdır. Araştırmanın bulguları, dönüşümcü liderlerin davranışlarının, çalışanların dinamik yeteneklerini geliştirebileceğini ve yeniliği teşvik edebileceğini göstermiştir. Araştırma bulgularından, dönüşümcü liderlerin özelliklerinin dinamik yeteneklerin yaratılmasına ilham verdiği ve dinamik yetenekler için gerekli kişisel yaklaşımları geliştirdiği görülmektedir. Bu bağlamda tepe yöneticinin dönüşümcü liderlik fonksiyonlarının ve organizasyon yapısının ölçüm dinamiklerini büyük ölçüde etkilemesi beklenmektedir.

ABSTRACT

Keywords:

Management and
Strategy,
Transformational
Leadership,
Dynamic Capabilities,
Leadership Style,
Business,

Today, rapidly changing environmental conditions have necessitated the emergence of new and dynamic working groups that can adapt to these new conditions and the emergence of new leadership types that will guide these groups. In this research, it is aimed to examine all aspects of transformational leadership and dynamic capabilities and the effect of fulfilling these concepts on businesses. This research shows the relationship between the transformational leadership and the dynamic capabilities of the organization and explores their direct or indirect effects on the organizational performance. The research draws on recent leadership literature and examines the methods, data, and research resources used in the relationship between the transformational leadership and the dynamic capabilities in the businesses. The data used in this research are the results of studies conducted by various researchers and authors in the last thirty years. The findings of the research have shown that the behaviour of transformational leaders can enhance the dynamic capabilities of employees and encourage innovation. From the findings of the research, it is seen that the characteristics of the transformational leaders inspire the creation of the dynamic capabilities and develop the necessary personal approaches for the dynamic capabilities. In this context, it is expected that the transformational leadership functions of the top manager and the organizational structure will greatly affect the measurement dynamics.

1. INTRODUCTION

Companies of all types and industries must adapt their strategies to changes in their internal and external environment, and strive to create new systems that allow them to identify trends and current developments (Akkaya, 2020). The survival of the businesses depends on the extent of adaptation to the setting and shaping the behaviors with relation to expectations of the environment on the one hand, and also the harmony of sub-systems on the other hand (Bekmezci, 2013).

While many organizations are engaging with digital transformation, recent analyses of successful projects have indicated that strong organizations enhanced competitive strength is focused not only on the technologies they use but also on the strategies their leaders take (Mariam et al., 2018; Bayram et al., 2022). Efforts to improve the organization make it easier for businesses to respond more quickly to changes and adapt to uncertain environments (Namada, 2018). Given this, there is still a large gap between executives' objectives and the implementation of successful digital transformation programs, requiring the need to illustrate the strategic considerations that support them (Mariam et al., 2018). One of the solutions is to employ experienced and modern leaders (Akkaya, 2020). Organizations face more complex, unpredictable, and uncertain complexities than ever before (Lopez et al., 2017).

Recognizing the organization's external and internal resources and capabilities helps companies perform better. A common definition of dynamic capabilities is the ability of organizations to integrate, create, adjust and configure their strengths and weaknesses according to opportunities and threats (Simon et al., 2015). Strategic capabilities will be useful if the ability to create value for the customer in the organization. A company needs to consequently focus on enhancing those abilities that regard the consumer as a key factor, with a view to maximize the value created for them (Martelo et al., 2012). While other competitors are not able to create such value. Studies on organizational capabilities tend to focus on one aspect of strategic capability or dynamic capability (Simon et al., 2015).

However, in this research, the interest has been given to each aspect of transformational leadership and dynamic capabilities, and its impact on the success of businesses has been considered. In this research, leadership literature, transformational leadership and all related concepts were examined first. Then, the dynamic capabilities of companies, concepts, types and application methods in companies were examined. Finally, the role of transformational leadership and dynamic capabilities in companies and their impact on improving business performance were examined.

2. THE TRANSFORMATIONAL LEADERSHIP

2.1. History of Transformational Leadership

The transformational leadership paradigm dates back to the 16th century, when Machiavelli's research on the king. According to Harris et al. (2000), Machiavelli studied the characteristics and behavior of leaders to develop a leadership publication within the feudal structure of England. In the early part of this century, based on Eliaeson (2012), Weber gave Machiavelli a similar definition of leadership, using leadership as a source of influence for others, leader is someone who directs and supports the leadership of others to achieve lofty goals.

Burns (1978) and Bass (1985) were the first who mentioned the concept of "*transformational leadership*". They defined transformational leaders as those who guide and inspire their followers to achieve organizational goals. Insight, inspiration, courage, etc. are the words that describe transformational leadership. These are the people who make bankrupt organizations thrive. Transformational leaders have high-level goals and ideas. They lead organizations to a future that is very different from their past. They look like people with high integrity. These people can also cause subordinates to act with a very high morale and have a profound impact on the organization (Stewart, 2006).

2.2. The View of Transformational Leadership

This type of leadership in today's organizations requires a significant change in power relations in the organization or other social systems, from hierarchical to horizontal and with equality (Portugal and Yukl, 1994). Transformational leaders are concerned with long-term goals and focus on followers' performance and development to increase their potential capacity (Haslam et al., 2015). Transformational leadership influences employees' behaviors in their in-role as well as extra-role performance. Transformational leadership occurs when managers expand the interests of their subordinates so that they focus on generating awareness in the organization, organizational strengths, accepting group goals, and motivating other employees (Carter et al., 2014).

The purpose of this work is to expand the focus on group interests instead of individual interests in the organization. These leaders expect their followers to question hypotheses, challenge the status quo, and test their tasks in potentially better ways. They train followers in the power of authority in action and individual initiative (Qu et al., 2015). Transformational leadership is recognized as an effective strategy for managing the environmental changes that modern organizations face. Because these leaders are able to define and express a vision for their organization and their leadership style is such that it affects the variables of individual levels (increasing motivation) and variables of organizational levels (mediating conflict between groups and teams) (Salem, 2015).

Given the definitions of transformational leadership, it is worthwhile to examine transformational leaders and their characteristics and performance. Bass defines a transformational leader as one who empowers followers, motivates them to perform beyond their expectations, and encourages them to pursue collective goals rather than immediate personal interests (Bass, 1995; Lin et al., 2019). These leaders articulate the organization's vision for the future (Haslam et al., 2015).

These leaders change the followers and lead them to grow and develop, in a way that meets their needs and leads to the emergence of new tendencies and values in them. Thus, followers may become leaders as they grow and develop transformational leadership is created by creating a hopeful outlook that changes employees' working conditions (Kordnaeij et al., 2012).

A transformational leader fosters communication among employees in such a way that employees feel they have an exciting job, and this motivation is created by creating a hopeful vision that stimulates employees' minds to develop and create new ideas, resulting in the realization of innovation in the organization and special attention is paid to innovation in the organization in this way, both employees and leaders have higher levels of motivation and strong will (Shahjehan et al., 2019).

In fact, transformational leadership needs to involve the employees in making changes and creating a structure and culture, the main emphasis of which is on innovation, which is a basic and principled method of doing business (Evans and Pfister, 2021). Finally, by playing a role model for followers and encouraging them to create constructive and new thought patterns, as well as developing new ideas and independent thinking, these leaders can positively address the issue of self-leadership in individuals (Salem, 2015).

2.3. Tasks and Functions of Transformational Leadership

The effective and transformational leadership includes the following defined tasks and functions (Lin et al., 2019);

- ***Insight and Mission:*** Effective leaders create insights for their followers about a desirable and meaningful future, linking that transcendent vision to the ultimate mission and mission through which the organization pursues its goals.
- ***Common Values:*** Leaders promote and reinforce popular values that support the organization's vision and mission, as well as the participation of its followers in all organizational matters.
- ***Effective Strategy:*** Effective leaders develop, develop, and ensure rational, normative strategies that enable members of the organization to pursue insights and reflections on shared values.
- ***Empowerment of Employees:*** Effective leaders, through empowerment, enable employees to do what the organization really needs.

- ***Influence, Motivation and Inspiration:*** Transformational leaders penetrate deep into the hearts of followers, motivate them, and inspire their people to do things that are necessary for the future of the organization.

2.4. Components of Transformational Leadership

2.4.1. Ideal Influence

The first factor is called as charisma or ideal influence (Nikoloski, 2015). These leaders are trustworthy, and they give insight to the followers. These leaders, who are also charismatic, are private and encourage others to follow their own perspectives (Northouse, 2021).

Charisma has two behavioral components. First one is the ideal influence that leaders use by serving their followers by addressing their needs, expressing their strong beliefs, and acting as a role model with high morale and ethics, without any desire for personal goals. Inspirational motivations, second one, are created when a leader motivates, inspires, and encourages his followers by increasing the value of their work (Aggarwal and Krishnan, 2013).

People choose to follow charismatic leaders not because of their official power but also because of their extraordinary powers of perception. Therefore, any judgment of a transformational leader who also has charismatic leadership characteristics can easily shape the followers' perceptions of certain behavioral characteristics of leadership (Ekmekcioglu et al., 2018). Behling and Mcfillen (1996) developed a model of a charismatic leadership process based on the behavioral characteristics of the leader and three sets of beliefs that a follower of the leader has. The six behavioral characteristics of a leader include empathy, showing mission, enhancing self-image, reassuring followers of their competence and ability to achieve great opportunities, providing followers who have the opportunity to succeed, or delegating responsibility and removing barriers to the performance of followers of these traits are a combination of personality traits and behavioral patterns (Ejimabo, 2015).

If leadership is transformative, its charisma or ideal influence is insightful and sets high standards for competition (Bass and Steidlmeier, 1999). According to Permana et al. (2021), ideal influence includes ideal characteristics and ideal behavior. Ideal features (Permana et al., 2021);

- Instill pride in members for cooperation and partnership with the leader
- Giving up individual desires for the sake of the group
- Acting in ways that earn the respect of others
- Demonstrate a sense of power and competence
- Sacrificing personal interests for the sake of others
- Assuring others that obstacles will be removed

Ideal behaviors (Permana et al., 2021);

- Talking about their most important values and beliefs
- Clarify the importance of having a strong sense of purpose
- Paying attention to the spiritual and moral consequences of decisions
- Supporting new exciting facilities
- Conversation about the importance of trust in each other

In general, ideal influence includes the following elements (Permana et al., 2021);

- Proven unusual competence
- Celebrating the successes of the followers
- Facing crises
- The use of power for self-interest (Kirkbride, 2006).

2.4.2. Mental Persuasion

Transformational leaders use mental motivation to challenge followers' thoughts, ideas, and creativity, and to recognize their values and beliefs (Sharma et al., 2012). This requires leaders to persuade followers to retest traditional problem-solving methods, while encouraging them to try new and creative approaches to doing things. Leaders encourage followers to try new ideas, but they also emphasize rationality (Keskes et al., 2018). Those with less traditional values are more likely to be open-minded about transformational leaders (Spreitzer et al., 2005). Proponents of persuasion and innovation may upset traditional managers who see this as a threat to their authority (Kolzow, 2014:233). In general, the key elements of mental motivation are (Robnagel, 2017);

- Re-testing the hypotheses
- Recognizing patterns that are difficult to visualize
- The tendency to accept or apply seemingly irrational ideas
- Encouraging followers to re-examine the problems
- Preparing to make changes in the way of thinking

2.4.3. Individual Considerations

This factor reflects the managers who create a supportive atmosphere for individuals. Leaders as mentors and advisors help individuals achieve self-actualization (Northouse, 2021). Such leaders typically display high levels of ethics, trust, integrity, and honesty (Kirkbride, 2006). In general, the key elements of individual considerations are (Ogola, 2017);

- Recognizing the differences between people in terms of strengths and weaknesses and interests and hatreds
- Being an active listener
- Identifying projects based on individual needs and abilities
- Encouraging the exchange of opinions bilaterally
- Promoting Personal Development.

2.5. Strengths and Weaknesses of Transformational Leadership

Transformational leadership has many strengths. Transformational leadership has been extensively researched from a variety of perspectives since its inception. It has been a focal point for extensive leadership research since the 1970s (Smith, 2015). The intuitive power of the transformational leader is very effective. The transformational perspective, which clearly demonstrates adaptability to changes, matches the leader profile in the minds of its followers. The leader clearly shares a vision consisting of a set of goals that are not easy to reach, but also not dreamy, and makes it possible for all followers to be impressed (Hossain Reza, 2019).

Leadership sees transformational leadership as a process that takes place between leaders and followers. It is not only the responsibility of the leader that matters, but also the interaction between the leader and the followers (Lai et al., 2020). Transformational approach also provides deep information and necessary components to all other modern leaders in today's conditions where change is very rapid. While many non-modern leadership styles focus on reward-performance exchange, leaders with a transformational perspective are closely concerned with the needs and development of their followers (Bass, 1999). The mental health, needs, and values of their followers are a priority for transformational leaders. Burns states that transformational leadership involves the efforts of leaders to establish high standards of moral responsibility in followers (Cohrs et al., 2020).

Transformational leadership also has many weaknesses. The first criticism is that the concept of transformational leadership is not plain. Because transformational leadership encompasses a wide range of perspectives, motivating, transforming, building trust, and nurturing (Macit, 2003). The second criticism is the perception that transformational leadership is seen as an innate quality and cannot be acquired through education (Northouse, 2021). The third criticism is that transformational leadership is elitist and anti-populist.

The transformational leadership often plays a direct role in creating change, building vision, and supporting new directions. This allows the leader to act independently of the followers and prioritize his needs over the needs of the followers. This critique, however, has been rejected so that transformational leadership can be as guiding and participatory as it is democratic and authoritarian (O'Leary, 1999). The fourth criticism is that there is a capacity for misuse in transformational leadership. Transformational leadership deals with changing people's values and creating a new perspective on them. But who determines that this new perspective is good (Northouse, 2021)?

3. THE DYNAMIC CAPABILITIES

3.1. History of Dynamic Capabilities

The term dynamic capability was first coined by Pisano, Shuen and Teece in the 1990s and later by Helfat. With the development of dynamic capability theory, he opened a new horizon in resource-based theory. Dynamic capability, like the resource-based approach, emphasizes the performance and competencies of the institution (Theriou et al., 2009). The difference is that dynamic capability emphasizes dynamism, and thus in today's context where change is happening at breakneck speed, only dynamic capability can properly understand and explain how an institution can achieve a sustainable competitive advantage (Ambrosini and Bowman, 2009).

Research shows that dynamic capability is rooted in a resource-based perspective. As Winter (2003) states, dynamic capabilities control the rate at which an organization's resources change, including valuable, scarce, and irreplaceable resources. These resources are very critical for the business to achieve a sustainable competitive advantage. Resource in its broadest sense is the activities, capabilities, capabilities and possibilities that allow organizations to create benefits (Protojerou et al., 2012).

3.2. The View of Dynamic Capability

Regrading switching external environments, with the purpose to consolidate competitive advantage, the organization must renew its valuable resources. Dynamic capabilities enable organizations to influence these ongoing changes and, by creating, expanding and protecting intangible assets, lead to the long-term survival of organizations (Teece, 2007). The basis of dynamic capability is distinctive skills, organizational processes, methods and structures, decision rules and required principles that strengthen the level of recognition, acquisition and reshaping of organizational vessels, is not something that can be easily laid and be created (Teece et al., 1997). In other words, although common components of business success, such as motivation, acquisition of intangible assets, cost control, quality maintenance, inventory and inventory optimization, and others, are essential to success, but in and of themselves (Tseng and Lee, 2014). They will not meet the need to maintain the company's competitive advantage alone. In addition to creativity and innovation and the preservation of intellectual property, access to complementary assets that are essential to maintaining a sustainable success process is essential, and dynamic capability is not in the sense of adapting to the environment but in the sense of adapting and changing it (Ambrosini and Bowman, 2009).

These clarities display those dynamic capabilities are in the common experience of organizational approaches and their function is to alternate the simple supplies of the corporation. The history of the issue suggests that dynamic capabilities are created in the corporation and depend on the movement path of the corporation. It shows that dynamic capability is not an impromptu solution or a spontaneous reaction, and must contain a certain sum of designed facets, that is, it must be reproducible (Abrell, 2007; Schriag, 2007). Zulu and Winter (2007) additionally show that dynamic capabilities are maintainable and that a corporation that creatively but discretely adapts to a set of crises does not use dynamic capabilities. Other definitions also make it clear that the use of dynamic capabilities requires determination and is associated with strategic change. The discussion is about a kind of modification: the purposeful alternation of fundamental resources.

3.3. The Importance of Dynamic Capability

Organizations equipped with dynamic capability weapons are at the forefront of the competitive world. Such organizations not only quickly adapt to the business environment in the first step, but also change and shape the environment in the next steps through their innovations and interactions with other organizations, entities and tools (Day and Schoemaker, 2016). The organization protects, adapts and develops its resources with the power

of dynamic capabilities against the rapidly changing environment and helps maintain the organization's competitive advantage (Protogerou et al., 2012).

Dynamic capabilities enable companies to create, expand and protect intangible assets that lead to the long-term survival of organizations, and organizations equipped with this weapon are constantly at the forefront of the competitive world (Teece, 2007). Such organizations not only quickly adapt to the business environment, but also transform and shape the environment through their innovations and interactions with other organizations, entities, and tools. It is vital to observe that this view does no longer particularly specifies how upcoming important assets are created and the way they scarce, irreplaceable and irreplaceable existing resources are stored and renewed in a changing environment (Ferreira et al., 2020). This is a matter of concern for the dynamic capability landscape. In fact, this perspective is the same resource-based developed perspective and has common features that help us understand how to develop an organization's resource inventory over time and how to maintain competitive advantage (Protogerou et al., 2012).

3.4. Factors Affecting Dynamic Capability

Teece (2007) explains that dynamic capabilities are methods that can be formed through conditions and paths. These strategies consist of coordination and integration, studying, and re-formulation. Positions and paths are internal and external forces that set off and prevent dynamic capabilities. Situations have two parts. The internal position is related to the organization's assets, i.e., technological assets, complementary assets, financial assets, credit assets and structural assets.

On the other hand, the external position refers to the position of the organization in relation to the organizational environment and the market. Teece et al. explain how an organization's position affects the organization's strategic position and how competitive advantage is achieved. Paths are about the past events of the organization and whether the past and present of the organization guide or limit its future (Teece et al., 1997; Shamim et al., 2019).

3.4.1. External Factors

The dynamic capabilities literature acknowledges that dynamic capabilities are essential for coping with changing environments. Of course, they can also be used in environments with mild changes (Teece, 2007). In such environments, capabilities have the details and analysis of stable processes that have predictable results, while in highly variable environments, Simple, noticeably experimental, and fragile strategies with uncertain results. According to this approach, the rate of variability in the external environment affects the dynamic capability of the organization (Winter, 2003).

If it is believed that dynamic capabilities can perform in quite solid environments, some tasks aimed toward growing improvement or growing existing sources may be taken into consideration as dynamic capabilities (Atista-Foguet et al., 2021). For example, it will be expected a scenario in which a corporation begins a chain of commercials to expand its brand. Due to the discovered balance in the corporation's environment, there may be a robust perception related to the previous research that media marketing has an effective role and predictable impact on the brand (Celsi and Gilly, 2010).

Likewise, organizations that fund in R&D hope that resource excellence will result in excellent product design or productive processes. If this works, it will result in a change in underlying resources, and it can be seen how dynamic capabilities can be considered as fixed, repetitive functions (Shamim et al., 2019). Winter (2003) also believes that the rate of alternation in the organization's behavior is a random element in the decision-making to expand and increase dynamic capabilities.

3.4.2. Internal Factors

3.4.2.1. Managers

Many researchers spotlight the main function of managers in their corporation's capacity to conform to new situations. They assert that skilled managers are essential indicators in the improvement of diverse types of dynamic capability. Harold et al. (2007) believe that one of the principal factors of the administration function is the improvement of dynamic corporational capabilities. They argue that managers should be capable of carrying

out tasks: first, they should be capable of well-recognizing modifications of their competitive environment, which include ability modifications in technology, competition, customers, and rules, and second, they should be capable of taking some measurement opposed to them. These are threats and opportunities, which means they are able to reach through the reshaping of tangible and intangible resources to fulfill new challenges.

This focus on the position of managers of how they understand their environment and their frost is an important factor in understanding why and how to develop dynamic capabilities (Shamim et al., 2019). For example, managers who see the environment as complex may have difficulty identifying Which dynamic function to apply and might be avoided to perform it. put simply, dynamic capabilities rely on the dynamics of the environment and managers' perception of their enterprise environment. This shows that the important factor is not the function of the manager or his role in improving dynamic capabilities but also their understanding of which dynamic capabilities, how and where to develop to be important for the ultimate successful implementation of dynamic capabilities (Teece, 2007).

3.4.2.2. Locations and Routes

Situations and paths, as mentioned, depend on both internal and external factors. When it comes to internal factors, organizational and individual learning and being able to master and adapt existing resources are two dimensions that are highly influential in the optimal development of dynamic capabilities.

The discovery and reinforcement of dynamic capabilities can be accomplished by path-based learning systems. Experience and continuous learning have critical value in developing dynamic capabilities (Eisenhart and Martin, 2000). Zulu and Winter (2002) give an explanation for that the understanding evolution cycle allows businesses to alternate the approach they do their work. They argue that the advance of dynamic capabilities comes from the concurrent evolution of the strategies of a hinted aggregate of experience and the activities of creating and articulating explicit knowledge.

According to Teece, the past and the present affect and limit the future, also Teece states that an organization's existing resources and the effect of complexity, causal ambiguity, integration, and interdependence on performance are affected by a variety of dynamic capabilities (Teece ,1990).

3.4.2.3. Other Factors

Dynamic capabilities can also be affected by intra-organizational factors such as trust, leadership and social capital. Other research shows that leadership, being able to design and break dedication, adventure and creating a culture of organizational learning are the factors affecting dynamic capabilities (Torres et al., 2018).

It is important to note that organizations need to find ways to acquire dynamic capabilities. Making the change has always been costly (Fainshmidt et al., 2019); Therefore, if organizations want to keep pace with environmental change and make changes, they must be able to carefully, under the microscope to evaluate their competitors through professional markets and in the process of changing and re-integrating skills from Let others go ahead; But this has not been the case so far; Growing opportunities, then, involve dynamic capabilities that are directly related to current skills and competencies. The dynamism of an institution means its ability to change resources in order to adapt to changing environmental conditions (Teece ,1990).

3.5. Dynamic Capability Components

According to Teece's views, if it is looked at the issue of dynamic capability from a logical perception, it can be classified and outlined as the subsequent components (Teece, 1990);

- *Identify opportunities and environmental threats:* This concept of dynamic capability could be taken into consideration as the process and abilities that make the corporation purposefully and constantly become aware of environmental opportunities and threats.
- *Take benefit of opportunities in the environment:* This concept of dynamic capabilities could be taken into consideration as the strategies, approaches, and abilities that allow the corporation to apply and knowingly use environmental opportunities so as that keep and make a competitive benefit.

- Manage uncertainty and maintain a competitive situation by increasing combinations and rearranging assets (Torres et al., 2018).

The visible and invisible of the organization; Threat control refers to the strategies, approaches, and abilities that allow the corporation to knowingly and constantly manage the threats dealing with its advantages and rearrange the ability to combine assets to increase resilience and the organization responds quickly to threats and environmental movements (Teece, 1997).

According to what has been mentioned and based on the presented division, the dynamic capability is the mechanisms, strategies and capabilities that reason the corporation to consciously and constantly discover opportunities and environmental uncertainties (Khan and Khaliq, 2014).

Using the organization and ensuring the conscious use of environmental opportunities in order to create and maintain competitive advantage, and in addition to the threats ahead, control its advantages and, by combining assets, make itself resistant to environmental threats (Da-Yuan and Liu, 2014). Three important components of dynamic capability are (Chuan and Lu 2000; Tseng and Lee, 2014);

- Having capabilities (for example, having distinct resources)
- Deployment of capabilities (e.g allocation of distinct resources),
- Capability upgrades (for example, dynamic learning and acquiring new capabilities).

Wang and Ahmed considered the three components of adaptability, absorption and innovation as the main dynamic factors (Wang and Ahmed, 2007).

3.6. Types of Dynamic Capabilities

Numerous studies have been conducted to identify dynamic capabilities at the institutional level, and a review of the research literature shows six dynamic capabilities as potential sources for creating a sustainable competitive advantage in small and medium enterprises, which are; perceptibility, absorbability, and capability. Adaptability, innovation capability, networking capability and integration (Tseng and Lee, 2014).

3.6.1. Perceptibility

Perceptibility as one of the major sources of competitive advantage refers to the ability of the organization to learn immediately about customers, competitors and the business environment before competitors (Hosseini et al., 2018). The ability of the organization in the field of learning plays an important role in creating a sustainable competitive advantage and is considered as a resource for recreating the resources of the organization. Also, the ability of the organization in the field of learning plays an important role in the effective implementation of the organization's strategy in practice (Lindblom et al., 2008).

In this regard, the organization seeks to use existing knowledge and on the other hand to develop new knowledge and skills. Having a high level of understanding allows small and medium enterprises to understand the needs of their customers before competitors (Morone and Testa, 2005). Perceptibility basically refers to the ability of the company to apply market intelligence and awareness of market change trends, which in turn allows the company to more accurately predict customer responses to changes. In other words, perceptibility allows institutions to gather valuable market-related information and interpret it in order to achieve sustainable competitive advantage and excellent performance (Alshanty and Emeagwali, 2019).

3.6.2. Absorbency

Ideally, institutions move to the ability to absorb Hayes after achieving perceptibility. Absorption capacity indicates the ability of the institution to identify new information, integrate them and use them in line with the activities of the institution. Absorption capacity is in the field of organizational learning and knowledge management and refers to the ability of the institute to identify, develop and apply external knowledge to create new knowledge (Fan-Yun and Hung-Fan, 2013).

At the level of institutions, the ability to absorb increases through various channels, research shows that institutions with research and development units have a high level of absorption. Other research shows that

adsorption can be a by-product of the institution's production process. Because the institutions that are directly involved in the production process, have a higher absorption capacity than other institutions. Institutions may also invest directly in the ability to attract investment (Alshanty and Emeagwali, 2019).

For example, when an organization invests in teaching new techniques to its staff, they are actually enhancing the absorption capacity of the organization. In other words, organizations that place more emphasis on learning processes have the ability to absorb a high level. Dynamic environments in which newly acquired knowledge becomes usable knowledge will have a higher absorption capacity to create a competitive advantage (Kaur and Mehta, 2016). In addition, the ability to be absorbed through the organizational learning process makes it possible to apply acquired knowledge of the environment to improve business strategies (Volberda et al., 2010).

3.6.3. Adaptability

Adaptability refers to the institution's ability to reshape and coordinate its resources in response to rapid changes in the environment. In other words, adaptability refers to the ability of an organization to reshape its internal processes and resources in response to changes in the pre-competitor environment. In another definition, adaptability is the ability of an institution to identify market opportunities and use them to make a profit (Murta et al., 2012).

In order to increase the adaptability of organizations, it emphasizes features such as increasing the level of compliance of production and business goals of organizations with environmental opportunities, environmental monitoring, analysis of competitors and customers, resource expertise to business activities and rapid response to changes in market conditions (Pisano, 2017).

3.6.4. Innovation Capability

The organization demonstrates dynamic capability by adapting its existing strategies to innovative processes and behaviors, thus demonstrating its innovation capabilities by developing and bringing innovations to the market. In another description, having the knowledge and skills necessary to follow and build on existing technologies and to create newer types means innovation capability (Yilmaz and Akman, 2008).

In principle, innovation is a major competitive advantage in dynamic and changing environments, and research divides the effective factors in improving the innovation of institutions into two categories of external and internal factors (Pisano, 2017). Based on Murta et al. (2012) Internal factors include;

- Knowledge brought to the organization by the workforce and the entrepreneur through previous experience
- Continuous technological advances that enhance the learning process (such as departmental activities)
- Research and Development
- Investment in technology licenses and privileges.

External factors influencing the improvement of the innovative capabilities of the institute are;

- The extent of the organization's communication and interaction with suppliers, customers and government agencies.
- Other institutions can complement the learning circle in the organization.
- Spatial aggregation in the form of clusters leads to cost reduction and specialization of organizations and provides the conditions for further innovation.

3.6.5. Networking Capability

The ability of an individual or organization to build and use relationships to bring about new benefits can be expressed as networking ability. Organizations with desirable networking capabilities, by being in strategic positions of the network, establish beneficial relationships with other partners (Mitrega et al., 2011).

The ability of the organization in the development and application of inter organizational relationships or the so-called network-building ability, is composed of components that are (Walter et al., 2009);

- The activities of the organization in the field of coordination with other partner organizations
- Relative skills of organizations that are acquired as a result of exchanges between individuals.
- Partners' knowledge such as their organized information about competitors
- Internal communication of the company in order to achieve organizational learning during participation.

3.6.6. Integration Capability

Integration capability refers to the ability of the organization to integrate and integrate all the capabilities and advantages that the organization has gained through the processes of perception, absorption, adaptation, innovation and networking and coordinate them in order to achieve competitive advantage in changing environmental conditions (Duchek, 2020).

Slowly Ability to integrate, while improving the performance of the organization, by aligning the internal and external knowledge resources of the organization to achieve the goals and ideals of the organization. The integration enables organizations to effectively manage internal and external change (Parnell, 2015).

4. THE RELATION BETWEEN TRANSFORMATIONAL LEADERSHIP AND DYNAMIC CAPABILITIES IN BUSINESSES

In order to understand the relationship between transformational leadership and dynamic capabilities to improve business performance, a good understanding of dynamic capabilities must first be established. Then, by expressing the existing challenges that were discussed in detail in the previous sections, the role of leadership and in particular, transformational leadership is discussed (Teece et al., 1997). When companies are faced with unpredictable and changing markets, having an adequate provision of assets and approaches isn't always sufficient to preserve a competitive benefit (Eisenhardt and Martin, 2000). The intention of the dynamic capabilities technique is to recognize and give an explanation for the competitive benefit of corporations over time. Dynamic capabilities are taken into consideration as a company's capacity to alternate the useful resource base to cope with converting environments (Teece et al., 1997). Similarly, dynamic capabilities consist of the capacity to preserve a wonderful change (Soparnot, 2011). Dynamic capabilities are path-structured and inserted into the organization (Ambrosini et al., 2009). Hence, they're very hard to examine and it's even harder for different corporations to follow them.

The first element of dynamic capability, Sensing, implies a corporation's quickness in examining the situations to discover new marketplace chances. To do this, companies must constantly monitor the effects of environmental changes on customer needs and analyze their product portfolio to ensure that it is consistent with customer demands (Franco et al., 2021).

Second, it is essential to enable the company to make the necessary investments to strengthen the procedures it has. That is, organizations must have policies that align with innovation and leaders who successfully manage innovation processes. Otherwise, it would be quite possible for the organization to be vulnerable to threats and be unable to anticipate potential opportunities and be deprived of competitive advantage (Teece, 2007).

Finally, reassembly needs efficiency in performing modifications that make new product improvements to combine all current strategies with new approaches without missing performance. Displacement and reconfiguration might also contain remodeling of the enterprise version in addition to asset reforming (Capron et al., 1998).

The most important question in this regard is how to develop dynamic capabilities in an organization or company. The answer to this question depends on a correct understanding of the role of managers and their leadership styles in an organization (Salleh and Grunewald, 2013). Ambrosini et al. (2009) pointed that the related function of managerial perception of situational dynamics in defining response to change. Also, according to Helfat et al. (2009), managers' perceptions affect their behavior towards updating their company's resource base, due to the fact it's important to take into account what managers understand related to their surroundings and assets and act accordingly. Generally, managerial functions and leadership methods are crucial factors for dynamic capabilities, and it could be discussed that how senior managers transfer messages affect the regulations and ways they implement to develop the capabilities they want. From this perspective, how

managers behave and their followers' perceptions can be understood using a transformational framework at the strategic level of the organization (Antonakis and Day, 2018).

In the meantime, transformational leadership is considered as a promoter of organizational change with the aim of achieving the identification of followers with the values, mission and vision of the organization (Yılmaz Kozcu and Özmen, 2021). Transformational leadership, which is one of the unique types of strategic leadership, enables both the members of the organization and the organization itself to adapt to change and makes it possible to harmonize the interests of the business and individuals (Antonakis and Day, 2018). By applying transformational leadership ideas, a leader motivates his employees beyond his personal interests. This kind of leadership focus on the significance of leaders' connection with employees, which uses its effect through (1) charismatic behavior. (2) Motivate inspiration for followers. (3) creates intellectual stimulation, and ultimately, (4) provides individual considerations to employees and leads to the flourishing of their capabilities (Cannella and Monroe, 1997).

In general, transformational leadership is much more effective in group situations than in individuals (Junquera and Brío, 2017). Also, the effectiveness of the leader is understandable and observable when the characteristics of the employees are in line with it (Afsar et al., 2017). Therefore, in general, the impact of transformational leadership on the dynamic capabilities of employees in businesses may be due to the role of mediators. For example, Hong (2012) stated in his paper that such efforts (in mediation analysis) are fundamentally important for knowledge creation. Ng and Sears (2012) recommend that social advantages impact the effect of transformational leadership on creative performance. Hernandez-Spalardo et al. (2018) additionally indicated the main mediating function of employees' job-related beliefs is related to the connection between harmonious abilities and company presentation. In addition, different research has proven that aiming at attitude can affect the behavioral approaches that people select to follow their innovation goals (Tung and Yu, 2016). An individual's observation of awareness displays this kind of purpose intention. People who emphasize development are inspired by standards that can be formed through goals or desires, at the same time individuals who pay attention to self-prevention are motivated by tasks, commitments, responsibilities, and avoidance of undesirable things (Lai et al., 2018).

Tung and Yu (2016) additionally studied the mediating function of regulatory emphasis among innovation leadership, consisting of participatory, protective, and fundamental leadership. When organizations are faced with a changing and unpredictable economic climate, sufficient sources and strategies aren't enough to preserve a competitive advantage (Eisenhardt and Martin, 2000). The purpose of the dynamic capabilities method is to recognize and provide an explanation for the competitive advantage of businesses over time (Lopez-Cabrals et al., 2017). The issue is less information is available on how to develop such capabilities. Therefore, it is assumed that leadership, relating to the leadership types of leaders, plays a vital role in this process. Transformational leadership encourages followers to acquire self-oversight and self-management in order to get knowledge of the significance of corporations' aims (Yashuo et al., 2018). Moreover, transformational leaders evaluate the ideas and spiritual desires of their personnel that improves their innovation, and results in corporational changes, and then evaluate the improvement of dynamic capabilities (Schweitzer, 2014).

Dynamic capabilities, in another word, express the corporation's ability to build, expand, and change a set of assets for the ability to respond to rapid change (Helfat et al., 2009). According to Teece (2007), there are three types of dynamic capabilities, including (1) measuring and formulating changes, (2) seizing changes, rearranging resources, and (3) the he corporation's intangible assets to remain competitive. These dynamic capabilities are influenced by leadership in the organization in the form of three basic concepts, namely measurement capability, recording capability and reconfiguration capability (Daniel et al., 2013).

Yao et al. (2007) showed that the absence of praise and confirmation is an obstacle to understanding sharing. Liao (2008) discovered that employees 'beliefs of employers' control over the area and a certain degree of praise were notably associated with the predicted knowledge-sharing function in their reports. During the coordination process, transformational leadership is highly powerful leadership behavior. Thus, with coordination and connection, followers are being encouraged to achieve the organization's goal with leadership support.

5. METHODOLOGY

5.1. Introduction

In each research, a special and unique method should be adopted in the field of data collection and analysis using research sources in line with the research objectives. This section provides the methods, data, and research resources used in the relationship between Transformational Leadership and Dynamic Capabilities in Businesses.

5.2. Purpose of the Research

In this research, in line with the success of businesses, the relationship between transformational leadership and dynamic capabilities will be examined. Therefore, the main purpose of this research is the role of transformational leadership and the dynamic capabilities of organizations and their impact on improving business performance. Therefore, provide a new framework for assessing leadership competencies that is related to the dynamic capabilities of organizations.

5.3. Research Approach and Data Sources

This research is descriptive, qualitative and analytical research based on the collection of secondary data, taken from valid scientific articles. Therefore, the data used are articles and results presented by various researchers and authors in recent years.

5.4. Ethical Considerations

All sources from which the information was obtained are listed with links as possible. All collected data were expressed and processed until the end result emphasized the importance of transformational leadership and dynamic capabilities and their impact on business success, a conclusion that this research seeks to confirm.

6. CONCLUSION

Globalization, mass production and surplus capacity in most markets, time-based competition, mass information and the efficiency of communications and knowledge, as well as the growing power of the customer, are characteristics of contemporary economics and commerce that integrate global markets, complexity and, of course, dynamism. Organizations and businesses that produce and serve are faced with unknown environmental conditions. Organizations are trying to identify, strengthen and improve their capabilities, in order to adapt and complete their knowledge and skills to adapt to this turbulent environment (Manyika et al., 2020).

In such a complex and competitive environment, which is characterized by market saturation and tight competition, lack of strategy on the one hand puts industries in a weak competitive position and ultimately a failure, and on the other hand, the use of the usual approach in strategic planning will be associated with high risks. Therefore, it is necessary to review this process, considering the fundamental factors and new leadership concepts (Bekmezci, 2013).

Knowing the organization's own resources and capabilities can help them perform more successfully. Now, modern businesses believe that they need to integrate the resources of the organization with external factors in order to adapt to the changing environment and that they can make this possible thanks to dynamic capabilities (Teece et al., 1997).

Assessing internal and external conditions and the flourishing of talent and motivation among employees to reach the main goals of an organisation, requires a special style of leadership that is known as transformational leadership. This leadership is a type in which the interests and interests of subordinates are developed and they develop a sense of awareness and acceptance of the goals and missions of the organization (Macit, 2003). Leaders who, by creating new perspectives, formulating and developing insights and inspiring change and innovation, and by motivating followers and creating commitment, responsibility and coordination in them, use organizational factors and elements in such a way that they guarantee the survival of the organization and enable them to grow. These leaders have the ability to act effectively in complex and risky situations and create a sense

in themselves and their subordinates to respond appropriately to potential challenges and opportunities (Abbas and Asghar, 2010).

By changing the attitudes, beliefs, and goals of followers, as well as creating better conditions for understanding leadership perspectives, mission, and goals, transformational leaders make employees more inclined to work hard and challenge, and have a greater sense of cohesion and organizational identity. Thus, the behavior of transformational leadership, by changing the attitudes, beliefs and values of followers, defines their identity based on the organization (Macit, 2003).

Therefore, in this research, the relationship between transformational leadership and dynamic capabilities in organizations and companies was examined and evaluated. Accordingly, by researching the scientific articles published in the last 30 years, first, each of the concepts of "*transformational leadership*" and "*dynamic capabilities*" was examined and evaluated separately, and then their relationship with each other was examined.

Research has shown that leaders with their transformational behaviors can foster innovation among employees and identify innovative ideas given to them by all employees by creating a safe psychological atmosphere. Transformational leaders' attitudes towards developing dynamic capabilities and inspiring their followers in this direction make individuals think that they should focus more on this type of leadership (Asad, 2019). By collecting and filtering information and ideas from their employees, transformational managers choose the ideas that lead to the advent of technologies, client needs, and market feedback. This mission consists of examining and supervising internal and external technological tactics and is defined through investigating, being able to take risks, testing, and creativities (Ojha et al., 2018). In this regard, the CEO's transformational leadership functions are supposed to highly impact the measurement dynamics. In addition, in order to acquire the capability needed to change existing practices, managers must, under conditions of uncertainty, make unbiased judgments not only about the ongoing need and competitive feedback to various growth ways, but also its returns (Teece, 2007). Therefore, the particular degree of transformational leadership and desire related to the behavior is needed to increase any dynamic capability.

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