

Abstract

The study examined the impact of transformational leadership on the performance of SMEs in Nairobi. It explored four characteristics of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Grounded in various Transformational Leadership Theory, the research used a descriptive survey design, focusing on ten SMEs, selected as category winners in the KPMG top 100 SMEs in Kenya for 2022. Data was collected through structured questionnaires, both online and with research assistants, and analysed using SPSS version 20.0, employing descriptive and inferential statistics. The results showed a positive relationship between these leadership traits and SME performance. Intellectual stimulation, idealized influence, and inspirational motivation significantly impacted performance, emphasizing the importance of innovation, role modelling, trust, and team inspiration. Individualized consideration also enhanced performance by addressing employee needs. The study highlighted the crucial role of transformational leadership in improving SME performance in Nairobi, recommending promotion of intellectual stimulation, ethical behavior, clear vision communication, and personalized support to boost organizational success.

Keywords: *Transformational Leadership, Idealized Influence, Inspirational Motivation, Intellectual Stimulation, Individualized Consideration, Organisational Performance, SMEs*