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Studying the relationship between transformational leadership, organizational learning, organizational innovation, and organizational performance - an empirical study in Vietnamese small and medium enterprises

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Abstract: This study examines how transformational leadership, organizational learning, and organizational innovation influence organizational performance in small and medium-sized enterprises (SMEs) in Vietnam. A quantitative research design was employed, using survey data collected from 283 managers of SMEs across various industries between October 2023 and July 2024. Structural equation modeling was applied to test the proposed relationships among the variables. The results indicate that transformational leadership, organizational learning, and organizational innovation all exert direct and significant positive effects on organizational performance. Among these factors, organizational innovation demonstrates the strongest impact, followed by transformational leadership and organizational learning. In addition, organizational learning and organizational innovation serve as mediators in the relationship between transformational leadership and organizational performance. The study highlights the critical role of leadership, learning, and innovation in improving business outcomes within dynamic and competitive environments. The findings provide valuable insights for enterprise leaders and policymakers seeking to strengthen organizational effectiveness through capability development, knowledge-sharing practices, and innovation-driven strategies.

Keywords: *Innovation, performance, Organizational learning, SMEs, Transformational leadership, Vietnam.*

1. Introduction

In the context of an increasingly complex global economy and fierce competition, small and medium-sized enterprises (SMEs) play a vital role in Vietnam's socio-economic development. According to the General Statistics Office of Vietnam [1], SMEs account for over 97% of all enterprises, create more than 50% of employment, and contribute approximately 40% to the national gross domestic product. These figures highlight the crucial role of SMEs not only as engines of economic growth but also as catalysts for innovation and social stability.

Despite their significance, SMEs in Vietnam continue to face numerous challenges, including limited financial resources, management capacity constraints, and restricted access to domestic and international markets. These barriers hinder their ability to compete effectively and grow sustainably. In this context, improving organizational performance has become an essential concern for both business leaders and policymakers.

Among the various internal factors that influence organizational performance, transformational leadership, organizational learning, and organizational innovation have been recognized as particularly important. Transformational leadership reflects the capacity of leaders to motivate and inspire employees, promote change, and guide organizations through uncertainty. Organizational learning refers to the ability of firms to acquire, disseminate, and apply knowledge to improve and adapt

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continuously. Meanwhile, organizational innovation involves introducing new processes, products, or management approaches that enhance efficiency and competitiveness.

These three elements not only contribute individually to performance enhancement but also interact in complex ways to shape organizational success, particularly within dynamic environments such as those faced by Vietnamese SMEs. While numerous international studies have examined these relationships, research focusing on these factors in the specific context of Vietnamese SMEs remains limited and often inconclusive. Some findings even present contradictory results regarding the strength and direction of these effects.

This growing gap between theoretical understanding and local application underscores the need for deeper investigation into how leadership, learning, and innovation function as performance drivers in Vietnamese SMEs.

2. Literature Review and Hypotheses

2.1. Organizational Innovation and Performance

Innovation has been examined across different levels, including industries, companies, and individuals. The concept of innovation is complex and has been a longstanding subject of inquiry, with numerous attempts to define and describe its essence. The history of innovation research demonstrates that any company requires innovation to succeed, survive, and achieve sustainable competitive advantage [2]. In its most comprehensive definition, the term comes from the Latin word innovare, which translates to "to create something new." Organizational innovation refers to the process of introducing changes in an organization's products, services, or processes to enhance operational efficiency and meet customer needs. Damanpour defines organizational innovation as the implementation of a new idea, process, product, or service within an organization, aimed at creating positive change in the organization's operations. Organizational innovation can encompass various aspects, from adopting new technologies and improving existing processes to developing new business models [3].

Organizational innovation is a key driver of financial performance and sustainable market superiority for businesses. It includes innovations in products, processes, and management. Product and service innovation help meet customer needs and expand market reach, leading to increased revenue and profitability. Process innovation optimizes production and business operations, reducing costs and enhancing operational efficiency. Management innovation allows companies to swiftly adjust to shifts in the business landscape, improving performance and reducing risks [4]. The study by Subramaniam and Youndt [5] indicated that organizational innovation not only enhances performance but also creates a sustainable competitive advantage, contributing to improved business effectiveness. When an organization has a strong capacity for innovation, it can seize new market opportunities, minimize risks, and strengthen its competitiveness [5]. Organizations that prioritize innovation are better equipped to align their strategies with the broader objectives of economic, social, and environmental sustainability. By doing so, they not only enhance their operational and financial outcomes but also contribute to broader societal goals, such as job creation and technological advancement. In this sense, organizational innovation is not merely a tool for achieving short-term gains but a transformative force that enables organizations to build a foundation for enduring success and resilience in an increasingly complex and competitive global economy.

2.2. Organizational Learning and Performance

Organizational learning refers to the method by which an organization enhances its capabilities by continually learning from experiences and utilizing new insights to improve processes, products, and services. Garvin defines a learning organization as one that can generate, obtain, and share knowledge while adapting its behavior to incorporate new insights and understanding [6]. Organizational learning extends beyond simply collecting information; it also includes understanding how to utilize that information to generate new value and respond to the evolving requirements of the business landscape

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[7]. According to Senge [7], a learning organization must possess five key elements: systems thinking, personal mastery, mental models, building shared vision, and team learning. (Cited from Sari [8]).

Organizational learning is a critical factor that can significantly enhance organizational performance by fostering adaptability and innovation within an organization. Senge [7] emphasizes that organizations proficient in learning can timely detect and effectively respond to market changes, thus maintaining and improving their performance over time [9]. An organization possessing robust learning capabilities can continuously innovate and improve, reducing waste and boosting production efficiency. Organizational learning is shown to positively influence financial performance by enhancing innovation capabilities [10]. Learning organizations can develop new products, improve work processes, and optimize resources, leading to increased efficiency and organizational competitiveness. Additionally, organizational learning contributes to enhanced employee satisfaction and commitment. When employees are supported and encouraged to learn, they tend to work more effectively and show greater loyalty to the organization, ultimately reducing turnover rates and increasing organizational performance [10]. Organizational learning is a fundamental process that significantly impacts both organizational performance and organizational learning. According to Crossan et al. [11], organizational learning takes place across four distinct levels: intuition, interpretation, integration, and institutionalization, facilitating the transfer of knowledge from individuals to the organization and laying the foundation for innovation outcomes [11]. The authors emphasize that organizational learning motivates employees to explore new ideas, resulting in the creation of products and services aligned with market demands. Studies by Morales et al. [12] and Abbas et al. [13] demonstrate that organizational learning positively impacts organizational performance through innovation [12, 13]. Additionally, Cui et al. [14] propose that organizational learning boosts operational efficiency by expanding knowledge and strengthening the skills of organization members, thereby driving organizational performance [14].

In summary, the literature review reveals that organizational learning is not only an internal process but also a crucial factor in driving innovation and organizational success. From changing mindsets, developing products and services, improving processes, restructuring organizations, building a culture of innovation, to enhancing competitiveness, organizational learning is essential for creating value and maintaining sustainable growth, fostering innovation, improving effectiveness, and driving organizational success.

2.3. Transformational Leadership and Performance

Transformational leadership, as introduced by Bass and Avolio [15], is a leadership style in which the leader collaborates with team members to recognize the necessity for change, develop an inspiring vision to direct this change, and implement it with the full commitment of everyone in the organization. This style emphasizes not only the achievement of immediate objectives but also the promotion of enduring and sustainable change within the organization. Transformational leadership is often associated with four key elements: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration [15].

- Idealized Influence: The leader serves as a role model, earning trust and respect from members of the organization.
- Inspirational Motivation: The leader inspires and encourages employees to strive for higher goals and challenge themselves.
- Intellectual Stimulation: The leader promotes creativity and innovation by encouraging employees to think independently and solve problems in new ways.
- Individualized Consideration: The leader focuses on the needs and personal development of each employee, supporting them in developing their abilities and achieving personal goals.

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Transformational leadership is a key concept in management research as it addresses both the technical aspects of management while highlighting the importance of human factors and employee development within the organization.

Transformational leadership has been shown to positively impact organizational performance through various mechanisms. A key mechanism is enhancing employee motivation and commitment. Transformational leadership is recognized for fostering a supportive work setting that inspires and motivates employees to achieve their full potential [16]. A significant number of previous studies support the view that transformational leadership has a positive relationship with the financial performance and growth of an organization [17-19]. This leadership style has been shown to significantly enhance financial performance, underscoring its importance in driving organizational success [19]. Additionally, the study by Amokomoyen [17], highlights the advantages of transformational leadership for organizational performance, including increased productivity and higher sales, ultimately leading to improved financial performance [17].

Moreover, transformational leadership can also cultivate creativity and innovation in the workplace. By motivating employees to think outside the box and try new approaches, transformational leadership assists the organization in swiftly adapting to market fluctuations and enhancing work processes [20]. This is especially crucial for SMEs, which often rely on flexibility and the capacity to innovate to sustain and grow in a competitive environment. The study by Morales et al. [12] emphasizes that transformational leadership positively impacts organizational performance by fostering innovation among employees, leading to improved operational and financial outcomes [12]. This is supported by studies such as Gumusluoglu and Ilsev [21], Kim and Park [22], Alrowwad et al. [23] and Sarros et al. [24]. These studies highlight how transformational leadership stimulates creativity, organizational learning, and knowledge sharing, creating a conducive environment for innovation [21, 22]. These studies collectively emphasize the significant impact of transformational leadership on organizational performance through its positive effects on organizational innovation, organizational learning, and employee motivation. By fostering creativity and continuous improvement, transformational leadership is vital in driving organizational achievement [25].

Transformational leadership is essential for promoting organizational learning by cultivating an environment that stimulates curiosity, creativity, and information exchange [12]. This leadership style encourages employees to engage in continuous learning, thereby enhancing individual capabilities and the organization's agility in addressing new challenges. Studies have shown that transformational leadership positively impacts organizational performance via organizational learning and organizational innovation [12, 26]. Studies have demonstrated that organizational learning serves as a crucial intermediary in the connection between transformational leadership and organizational performance. When transformational leadership promotes learning and development within the organization, this not only enhances employee capabilities but also improves business processes and strategies [27]. Consequently, these organizations are more inclined to achieve improved financial outcomes and enhance long-term sustainability and growth. Therefore, transformational leadership is vital in promoting organizational learning and enhancing organizational performance.

In summary, the literature suggests that transformational leadership serves as a catalyst for organizational learning and innovation, both of which are critical for improving organizational performance. Organizational learning supports continuous improvement and employee development, while innovation enables firms to adapt to market dynamics and maintain competitive advantages. The interplay among these factors is particularly relevant in the SME context, where resource constraints and environmental uncertainty demand integrated leadership and learning strategies. Despite the individual significance of each factor, there is a lack of empirical studies investigating their combined impact on performance within a single, cohesive framework, especially in developing economies like Vietnam.

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2.4. Hypothesis Development

The objective of this study is to elucidate the relationship between transformational leadership, organizational learning, organizational innovation, and organizational performance, and to test the direct effects and the mediating role of organizational learning and organizational innovation in these relationships. Based on the literature review as well as fundamental theories such as the Theory of Innovation, the Theory of Organizational Learning, and the Theory of Transformational Leadership, the hypotheses that will be tested in the study include:

H_1: Organizational innovation directly and positively influences organizational performance.
H_2: Organizational learning directly and positively influences organizational performance.
H_3: Organizational learning directly and positively influences organizational innovation.
H_4: Transformational leadership directly and positively influences organizational performance.
H_5: Transformational leadership directly and positively influences organizational learning.
H_6: Transformational leadership directly and positively influences organizational innovation.

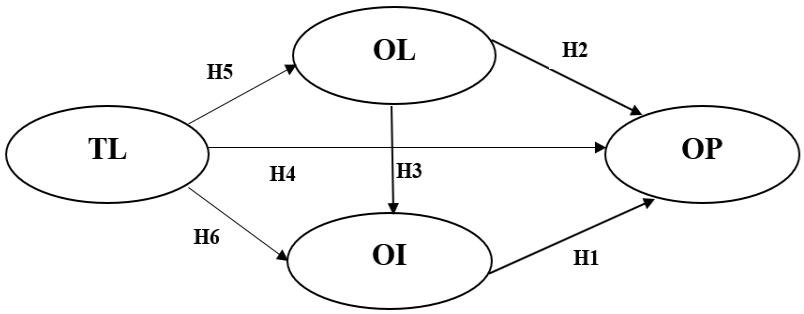

Figure 1.
Research Model and Hypotheses.

3. Methodology

The data for this study were obtained through surveys. Information was obtained from SMEs in Vietnam. Among them, 86 businesses had been operating for 1 to 10 years at the time of the survey, accounting for 30.4%, while the remaining 197 businesses had been in operation for over 10 years, making up 69.6%. The survey respondents were either business managers or department managers within the company. Among the participants, 63.6% were male and 36.4% were female, with 80.9% of them aged between 31 and 60 years. Only 4.2% of respondents had attended short-term training courses, 9.9% had completed vocational or college education, and the remaining had completed university or postgraduate education. The survey was conducted from October 2023 to July 2024, with 283 valid responses used as data for this study.

Drawing from the review of literature and the theories of innovation, organizational learning, and transformational leadership, the study proposes a theoretical model. This study used qualitative data quantified using a 1-5 Likert scale, with the research variables including transformational leadership (TL), organizational learning (OL), organizational innovation (OI), and organizational performance (OP). The study includes six research hypotheses (presented earlier), specifically depicted in Figure 1.

The authors conducted interviews with experts to gather their opinions on the content, presentation, and language of the questionnaire. All feedback was considered when designing a precise, clear, and easy-to-understand questionnaire. Additionally, the questions were reviewed to refine the language (when translated into Vietnamese) and to adjust the content as necessary. Following this, the finalized questionnaire was approved and utilized in the surveys.

The study utilized variables and measurement scales inherited from previous research. To measure transformational leadership, this study adopted the transformational leadership scale from Chen et al. [28]. The authors employed four items developed by García-Morales et al. [20] (based on Bass and

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Bass Bernard [29] definition) to measure the transformational leadership factor [28]. In order to assess organizational learning, the study utilized the scale created by García-Morales et al. [30] and García-Morales et al. [20]. For the organizational innovation factor, this study adopted the organizational innovation scale from Miller and Friesen [31] and the adjusted scale by García-Morales et al. [20] and Miller and Friesen [31]. For the dependent variable, the study adopted the organizational performance scale from García-Morales et al. [30] and Soomro et al. [32]. These studies examined how organizational performance was measured, including a set of eight items following the studies of García-Morales et al. [30] and Soomro et al. [32]. A five-point scale was used for all survey items (from 1: strongly disagree to 5: strongly agree).

The analysis used was to test the reliability of the scale, exploratory factor analysis (using SPSS software), followed by confirmatory factor analysis and testing the linear structural equation model (with the help of AMOS software).

4. Results

To measure the internal consistency among observed variables, a reliability analysis of the scale was conducted, as illustrated in Table 1. The results show that the Cronbach's Alpha values are all greater than 0.70, indicating good internal consistency. During the reliability analysis, observed variables with low item-total correlation coefficients (less than 0.3) were removed. For this reason, one observed variable (OP8) was excluded from the analysis.

Table 1.
Scale reliability and factor loadings.

	Cronbach's Alpha	Item	Factor loading
Transformational leadership (TL)	0.760	TL1	0.702
		TL2	0.686
		TL3	0.649
		TL4	0.611
Organizational innovation (OI)	0.892	OI1	0.895
		OI2	0.840
		OI3	0.831
Organizational learning (OL)	0.900	OL1	0.770
		OL2	0.840
		OL3	0.877
		OL4	0.844
Organizational performance (OP)	0.855	OP1	0.688
		OP2	0.876
		OP3	0.826
		OP4	0.725
		OP5	0.780
		OP6	0.719
		OP7	0.627

The reliability analysis of the scale resulted in the removal of one observed variable, leaving 18 observed variables that met the criteria and were included in the factor analysis. The factor extraction method with Promax rotation was used to detect structure and assess the convergence of the observed variables according to the components. The observed variables were further examined for their correlation within each group.

The results of the factor analysis show that the KMO index is 0.875, indicating that the data are highly suitable for factor analysis. Bartlett's test result with a p-value of < 0.05 suggests that the variables are correlated with each other and meet the conditions for factor analysis. The total variance explained is 60.206%, which exceeds the minimum requirement of 50%. Therefore, it can be concluded that the factors in the research model explain 60.206% of the variation in the data (Table 2). The

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Eigenvalues of all factors are greater than 1, with the lowest Eigenvalue being 1.770, satisfying the condition of being greater than 1 (Table 2). Additionally, for each factor, the observed variables have factor loadings greater than 0.5, ensuring convergence among the observed variables within a factor (Table 2).

Table 2.
Total Variance Explained.

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
Factor	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**	**Total**
1	6.358	35.320	35.320	5.976	33.199	33.199	5.054
2	2.448	13.597	48.917	2.108	11.711	44.910	3.789
3	1.781	9.894	58.811	1.489	8.275	53.185	3.441
4	1.770	9.833	68.644	1.264	7.021	60.206	2.928

Extraction Method: Principal Axis Factoring.

To measure the model's fit with market data, this study utilizes four key indices: Chi-Square/df, CFI, TLI, and RMSEA. If a model achieves TLI and CFI values between 0.9 and 1, Chi-Square/df ≤ 2, and RMSEA ≤ 0.08, this rule is applied to assess the fit of the structural model, according to the authors Tho Nguyen Dinh and Trang Nguyen Thi Mai (Cited from Đặng [33]). The results in Figure 2 show: Chi-square/df = 1.674 (< 2); TLI = 0.962; CFI = 0.968; RMSEA = 0.049 (< 0.08), indicating that the model fits well with the market data.

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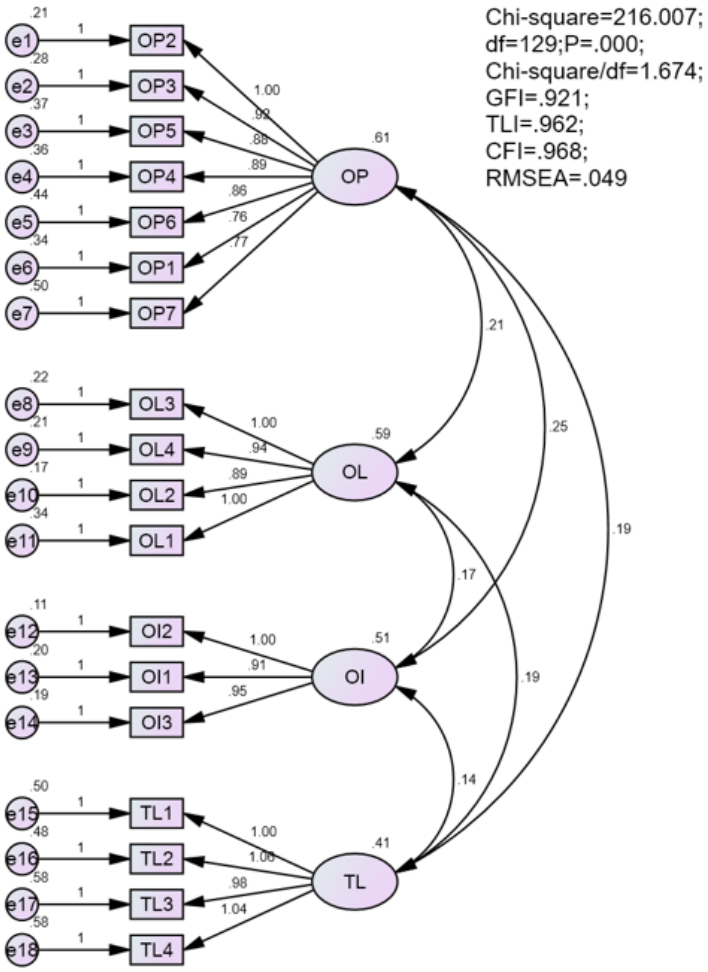

Figure 2.
CFA results.

The hypotheses were tested using the SEM model. The results show: Chi-square/df = 1.674 (< 2); TLI = 0.962; CFI = 0.968; RMSEA = 0.049 (< 0.08) (Figure 3). These results indicate that the research model fits well with the market data. According to the test results (see Table 3), all relationships are statistically significant (P < 0.05). Among them, the impact of transformational leadership on organizational learning is the strongest. Of the direct effects on organizational performance, organizational innovation has the strongest impact, followed by transformational leadership, and finally, organizational learning. All six hypotheses in this study are accepted.

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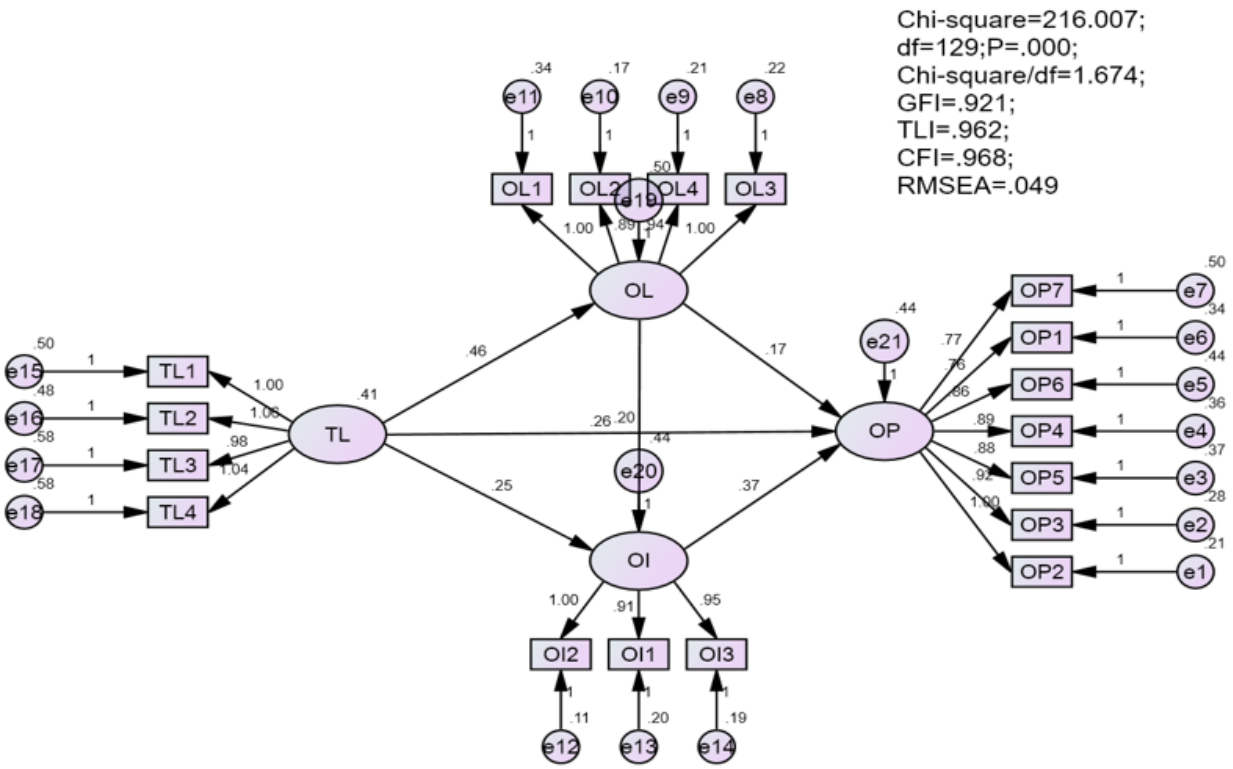

Figure 3.
SEM results.

Table 3.
Results of testing the hypothesis.

			Estimate	S.E.	C.R.	P	Label
OL	<---	TL	0.459	0.090	5.111	***	
OI	<---	TL	0.249	0.087	2.866	0.004	
OI	<---	OL	0.202	0.066	3.065	0.002	
OP	<---	TL	0.258	0.090	2.869	0.004	
OP	<---	OL	0.172	0.067	2.547	0.011	
OP	<---	OI	0.371	0.071	5.265	***	

5. Discussion

5.1. The Impact of Organizational Innovation on Organizational Performance

The research results indicate that organizational innovation has a direct and positive effect on organizational performance, which aligns with theories and reinforces the findings of many previous studies regarding the importance of innovation in enhancing competitiveness and sustaining organizational growth. The relationship between innovation and organizational performance has been extensively studied, with key findings supporting the notion that innovation is a crucial driver of competitive advantage and operational performance. Damanpour and Evan [2] emphasized that innovation enhances an organization's competitiveness, which is consistent with subsequent studies that highlight the multifaceted benefits of innovation in improving effectiveness and responsiveness to market changes [2]. For example, Yang et al. [34] discuss how political competition can influence green innovation, showing that organizations in strong economic environments are better positioned to innovate, thereby enhancing their competitiveness and effectiveness [34]. Similarly, Putri and Setiawan [35] found that product innovation significantly contributes to competitive advantage, reinforcing the

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idea that innovation is crucial for organizations to optimize internal processes and adapt to market dynamics Putri and Setiawan [35]. Setyawati et al. [36] found that disruptive innovation has a positive impact on business performance, indicating that organizations that adopt innovation are better equipped to navigate competitive pressures and achieve superior outcomes [36].

Although many studies support the positive role of organizational innovation on organizational performance, this finding contrasts with some prior research. The opposing view suggests that organizational innovation can incur significant costs, risks, and time burdens that may not yield immediate benefits. This perspective is supported by numerous studies illustrating the complexity and challenges associated with effectively managing innovation. For instance, Doran and Ryan [37] discuss the short-term disruptive effects that can accompany product innovation, potentially leading to reduced productivity as employees adjust to new processes and products [37]. Furthermore, Tushman et al. [38] emphasize that an organization's structure significantly influences its ability to effectively manage innovation streams. Poorly structured organizations may struggle to balance exploratory and exploitative innovations, leading to negative impacts on performance [38]. This was also concluded by Jansen et al. [39], who noted that an excessive focus on exploiting existing products can hinder financial performance, especially in declining markets [39].

The findings of this study highlight the significance of fostering innovation in modern organizations. The positive impact of innovation on organizational effectiveness holds significant implications for managers in developing long-term growth strategies. In the context of rapidly changing business environments and increasing competition, innovation becomes a key driver that helps organizations not only maintain current effectiveness but also expand future growth potential. Organizations need to recognize that innovation is a comprehensive strategy requiring investment not only in financial resources but also in people and leadership mindset.

5.2. The Impact of Organizational Learning on Organizational Performance

The research findings indicate that organizational learning significantly and positively affects organizational performance. This conclusion is consistent with numerous prior studies regarding the role of learning in enhancing organizational performance. For instance, the foundational work of Argyris and Schön emphasizes that organizations engaged in deeper learning processes can enhance their problem-solving capabilities and promote continuous improvement, ultimately leading to superior performance outcomes [11]. Baker and Sinkula demonstrated that a company's learning orientation significantly influences its market-oriented behavior, thereby enhancing organizational performance [40].

This study, besides analyzing the direct effect of organizational learning on organizational performance, also illustrates the indirect effect of organizational learning on organizational performance via the mediating function of organizational innovation. Organizational learning is acknowledged as a vital component that stimulates innovation within organizations. Supporting this finding, Liao and Wu [41] emphasize that organizational learning serves as a channel through which knowledge management translates into innovative outcomes [41]. This assertion is supported by the findings of Sahebnazar and Dadfar [42], who argue that effective organizational learning activities can lead to improved performance by facilitating innovation [42]. The conclusion regarding the mediating role of organizational innovation in the relationship between organizational learning and organizational performance is also supported by various studies. Khaki et al. [43] explored how an organization's learning capability influences innovative behavior, which in turn affects performance outcomes. They argue that learning capability within an organization is key to fostering an innovation culture that drives performance improvement [43]. Similarly, Zhang et al. [44] demonstrated that organizational learning mediates the connection between business model design and innovation performance, reinforcing the idea that learning is an integral part of innovation processes that enhance organizational performance [44].

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The relationship between organizational learning and organizational performance is complex and multifaceted, and the results of this study do not fully support, or even contradict, the findings of some previous studies. For instance, according to the studies by Gong et al. [45] and Levinthal and March [46], organizations must balance the pursuit of new knowledge (exploration) with the refinement of existing capabilities (exploitation) to optimize performance. However, an excessive focus on exploration can lead to short-term performance decline due to disruptions in established processes and the high costs associated with training and research initiatives [45, 46]. The study indicates that organizations overly focused on exploration may waste resources and lose control, as the transition to new learning models can be disruptive. Levinthal and March further explain this by suggesting that an overemphasis on learning can lead to information overload, complicating the decision-making process and ultimately hindering performance [46]. This result is supported by the findings of Swart and Kinnie, who argue that simultaneously pursuing different learning orientations can lead to competition for resources, thereby complicating the process of capability building within organizations [47].

The relationship between organizational learning, organizational innovation, and organizational performance holds significant meaning in the modern business context. To achieve sustainable growth, organizations cannot rely solely on existing processes but must invest in continuous learning. Encouraging learning not only helps organizations address current issues but also equips them with the ability to seize future opportunities. Organizational innovation acts as the bridge between organizational learning and organizational performance. The knowledge gained from learning is only truly valuable when it is transformed into specific innovations in products, services, or business processes. Therefore, businesses need to build a strong learning culture, combined with an innovative strategy, to optimize operational efficiency and maintain long-term competitive advantage.

5.3. The Impact of Transformational Leadership on Organizational Performance

The findings indicate that transformational leadership directly influences organizational performance and indirectly affects it through the mediating roles of organizational learning and organizational innovation. Among the influences of transformational leadership, the strongest effect is on organizational learning, followed by its impact on organizational performance, and finally, the effect on organizational performance.

These findings validate that transformational leadership directly and positively influences organizational performance, aligning with conclusions widely recognized in previous research [29, 48, 49]. Transformational leadership, as conceptualized by Bass and Bass Bernard [29], emphasizes leaders' ability to inspire and motivate employees, fostering an atmosphere that promotes creativity and commitment. Research has shown that transformational leadership helps improve employee performance by instilling a sense of purpose and encouraging creative thinking, key factors for organizational success [29]. Although this result supports most previous studies, it contrasts with the conclusions of some earlier research. Yukl [50] argues that not all forms of transformational leadership are effective in every situation. When leaders focus excessively on visionary aspects and neglect the management of day-to-day operations, it can lead to inefficiencies, especially in environments that require stability and attention to operational details Yukl [50]. Gronn [51] also supports this view, suggesting that transformational leadership may not be suitable for organizations requiring high stability and predictability, such as bureaucratic organizations. In these contexts, the dynamic and flexible style of transformational leadership may conflict with the need for consistency and reliability in operations [51]. Similarly, research conducted by Ayman et al. [52] highlights that the effectiveness of transformational leadership may be influenced by factors such as the interaction between the gender of the leader and their team members, suggesting that the context in which transformational leadership is applied can significantly influence its perceived effectiveness [52].

The findings of this study also suggest that transformational leadership, in addition to its direct impact, indirectly affects organizational performance through organizational learning and organizational innovation. This supports numerous previous studies that emphasize the role of learning

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and innovation in improving organizational performance. Bass and Avolio [15] highlighted that leaders with a transformational style inspire employees to pursue ongoing learning and creativity, thus improving the organization's overall effectiveness [15]. The study by Vera and Crossan [53] also supports this conclusion, as they found that transformational leadership creates a positive learning environment, which translates learned knowledge into innovative initiatives, thereby driving the development of new products and services Vera and Crossan [53]. Kim and Park [22] further add that transformational leadership is a prerequisite for organizational learning, reinforcing the view that strong leadership is essential for building an environment of knowledge sharing and learning, thereby fostering innovation and performance [22]. Additionally, the study by Puni et al. [25] supports this result, showing that an innovation-driven environment fostered by transformational leadership has a strong impact on organizational performance, particularly in developing countries [25].

However, some prior studies have reached conclusions that oppose the results of this study regarding the effectiveness of transformational leadership in encouraging organizational learning and organizational innovation. Yukl [50] argued that transformational leadership may not be effective in environments with rigid structures or those that stifle creativity. In such contexts, systemic barriers can limit the leader's capacity to foster innovation and learning [50]. Over-reliance on transformational leadership can lead to instability, as innovation efforts may fail to produce tangible results, ultimately reducing organizational performance Van Knippenberg and Sitkin [54]. Xenikou and Simosi [55], Muchtar and Qamariah [56], and ALFadhalah and Elamir [57] argue that transformational leadership cannot effectively implement the innovation process without considering organizational culture, as it directly influences the values and beliefs that drive creativity [55-57].

6. Conclusion

This study has illuminated the connection among transformational leadership, organizational learning, organizational innovation, and organizational performance in small and medium-sized enterprises (SMEs) in Vietnam. The findings show that each of these three factors has a direct and positive impact on organizational performance, with organizational innovation having the strongest effect. This suggests that innovation is a key factor in enhancing business performance. The influence of transformational leadership ranks second, highlighting the important role of leadership in guiding and motivating employees to achieve organizational goals. Lastly, organizational learning also has a positive effect, although its impact is less pronounced compared to organizational innovation and transformational leadership. Additionally, the study shows that organizational learning and organizational innovation act as mediators in the relationship between transformational leadership and organizational performance. This means that transformational leadership not only directly affects organizational performance but also improves business performance through fostering learning and innovation.

The research results provide important implications for SMEs in Vietnam. First, promote organizational innovation: With the strongest impact, businesses need to focus on investing in innovation activities, from product development, process improvement, to the application of new technologies. Innovation not only helps businesses compete better but also ensures sustainable growth. Second, develop transformational leadership: Leaders play a crucial role in enhancing organizational performance. Therefore, businesses should focus on improving transformational leadership skills at management levels to encourage creativity, motivate employees, and build a long-term vision. Third, build a learning culture: Although the impact of organizational learning is not as strong as innovation and transformational leadership, creating a learning culture remains essential. Businesses need to create an environment of continuous learning, where employees can share knowledge, develop skills, and integrate their learning into their work. Fourth, harmoniously combine transformational leadership, organizational learning, and organizational innovation: The combination of all three factors, transformational leadership, organizational learning, and organizational innovation, will create optimal results for businesses. Leaders not only play a direct role in improving organizational performance but

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must also foster and nurture a culture of learning and innovation throughout the company. Leaders need to create an environment that connects learning and innovation, where new knowledge can be transformed into practical solutions and initiatives. This requires leaders to continuously motivate employees to pursue learning, try out innovative ideas, and be prepared to enhance existing processes. Building a harmonious relationship between these three factors will not only help businesses optimize resources but also create a sustainable competitive advantage in the market.

Although this study has provided valuable results, there are certain constraints that should be recognized, creating opportunities for future studies to address these aspects. First, the sample scope is limited to SMEs in Vietnam, which may reduce the generalizability of the findings, as cultural and business environment differences between countries or larger enterprises could lead to different results. To overcome this limitation, future research could expand the scope to include large enterprises or other countries to compare and clarify the roles of transformational leadership, organizational learning, and organizational innovation in various contexts.

Additionally, the measurement method of this study primarily relies on survey data from businesses, which may lead to bias or fail to accurately reflect real impacts. To mitigate this issue, future research should develop new measures or use other methods, such as in-depth interviews and qualitative data analysis, to ensure more objective and accurate assessments of the research factors. Lastly, the current study mainly focuses on the direct and indirect impacts of transformational leadership, organizational learning, and organizational innovation on organizational performance, without fully considering external factors such as competition, market volatility, or government policy interventions. Therefore, future research directions should consider these factors to offer a more thorough perspective on the context in which SMEs operate.

This will help shed more light on the different mechanisms at play and enhance the applicability of the findings in real-world business environments.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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