

The Role of Transformational Leadership in Adaptive Business Strategy Implementation in the VUCA Era

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Abstract

This study aims to explore the role of transformational leadership in the implementation of adaptive business strategies in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era. Using a qualitative approach with a case study method, data was collected through in-depth interviews with a number of organizational leaders who are facing the dynamics of a rapidly changing business environment. The results show that key characteristics of transformational leaders such as idealized influence, inspirational motivation, intellectual stimulation, and individualized attention contribute significantly to driving team engagement, continuous innovation, and organizational flexibility in adapting strategies. Findings also reveal adaptive strategy practices in the field, implementation challenges, and the close relationship between leadership style and successful strategy implementation. This research confirms the importance of transformational leadership development as a key to strengthening organizational competitiveness amidst uncertainty, while providing practical contributions for policy makers and theoretical contributions to the study of strategic management and leadership.

Keywords: Transformational Leadership, Adaptive Business Strategy, VUCA Era, Strategic Management

Introduction

In recent years, the global and national business world has undergone a drastic transformation due to the entry into the VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) era (Paskareno Isra Jehuda, 2025). This era describes a situation where changes occur very quickly (volatility), the future is difficult to predict (uncertainty), the relationship between factors is increasingly complicated (complexity), and the information available is often ambiguous (ambiguity) (Bahri, 2022). The VUCA context is emerging as a real challenge in various industry sectors, forcing organizations to move more dynamically and adaptively in responding to unstable environments (Rohilla & Jindal, 2024).

The COVID-19 pandemic is one of the main triggers that accelerate the emergence of VUCA dynamics globally (Tänzer & Matt, 2025). This health crisis has a direct impact on supply chain disruption, changes in consumer behavior, and accelerated digital transformation (Ngo et al., 2023). At the same time, technological advancements such as artificial intelligence, big data, and the Internet of Things are also changing the way businesses operate and interact with the market (Rane, 2023). Not only that, rapid changes in government regulations, fiscal and monetary policy uncertainties, and geopolitical turmoil such as trade wars and conflicts between countries further strengthen the urgency for companies to be able to adapt agilely (Terchila, 2025). In this context, it is not enough for organizations to rely on conventional strategies. They are required to develop adaptive and innovative business strategies, while strengthening leadership capable of bringing about change. Therefore, the role of transformational leadership becomes very relevant and crucial in ensuring that companies are

not only able to survive in the midst of turbulence, but can also grow sustainably by managing change visionarily and strategically (Colley & Spyridonidis, 2022).

Facing the dynamics of the VUCA era full of uncertainty and rapid change, organizations are required to not only react, but also proactively develop adaptive business strategies. An adaptive strategy is a flexible, responsive, and agility-oriented approach to responding to changes in the external environment, whether economic, social, technological, or political in nature (Franco et al., 2023). When market conditions can change in a matter of days, even hours, rigid business strategies based on long-term predictions are no longer effective (Shimizu & Hitt, 2004). Organizations that are able to implement adaptive strategies have the advantage of reading new opportunities, managing risks agilely, and adjusting their products, services, and business models according to changing market needs (Holbeche, 2019). This capability is critical to maintaining a competitive advantage and business sustainability amidst uncertain turmoil (Obrenovic et al., 2023). With an adaptive strategy, companies are not only able to survive the crisis, but also create room for sustainable growth and innovation (Aerni, 2025). In this context, transformational leadership plays an important role as a director and driver of change towards a more resilient and adaptive organization.

In facing the challenges and uncertainties of the VUCA era, the success of adaptive strategies is not only determined by policy design or business models alone, but also by the central role of leadership in driving organizational transformation (Carayannis et al., 2025). Leaders become key actors who bridge between strategic vision and real implementation on the ground (Crescenzi et al., 2021). In particular, transformational leadership style stands out as an effective approach in driving sustainable change and responsiveness to the dynamics of the external environment (Lewa et al., 2022). Transformational leaders are characterized by their ability to inspire and motivate team members to go beyond self-interest for a common goal, and encourage innovation and creativity in decision-making (Mdletshe & Nzimakwe, 2023). They build trust, create active participation, and shape an organizational culture that is open to change. In the context of adaptive business strategy, transformational leadership provides the direction, meaning, and energy needed to translate uncertainty into opportunity, and make organizations more agile, resilient, and competitive in the midst of turbulent times (Hardcopf et al., 2021).

While the urgency of adaptive strategy and transformational leadership is increasingly recognized, in practice there is still a significant gap between planning and implementation. Many organizations have devised adaptive business strategies that look promising on paper, but experience serious obstacles when implementing them on the ground. One of the main reasons is the lack of leadership that can translate strategy into action (Gilli et al., 2024). The absence of leaders who are visionary, inspiring, and able to drive change often makes organizations lose their way in the midst of fast-changing dynamics. In addition, there is a lack of empirical studies that specifically explore the relationship between transformational leadership styles and the effectiveness of adaptive business strategy implementation, especially in the context of the VUCA era. Existing studies tend to discuss aspects of leadership and strategy separately, without examining their synergy in facing complex and uncertain environmental challenges. Therefore, this research becomes relevant to fill the gap in the literature as well as to provide practical contributions for organizations in building leadership that is able to accelerate strategic adaptation effectively.

Given the rapidly changing dynamics of the business environment, exploration of the role of transformational leadership has become increasingly urgent (Le & Le, 2021). Leadership that is able to inspire, empower and drive change is not only a complement, but can actually be a determining factor in the success of an organization adapting in the midst of uncertainty. In the context of adaptive business strategy, the role of transformational leaders is crucial in bridging the strategic vision with implementation at the operational level. This research is important to provide a deeper understanding of how transformational leadership can support the effectiveness of adaptive business strategy implementation in the VUCA era. It is hoped that the results of this research will not only make a practical contribution to companies in developing and executing strategies that are responsive to change, but also enrich the scientific treasures in the fields of strategic management and leadership, especially at the applicative level in the context of an environment full of volatility and uncertainty.

Method

This research uses a qualitative approach with a case study method to deeply understand the role of transformational leadership in the implementation of adaptive business strategies in the VUCA era. This approach was chosen because it allows researchers to contextually explore the dynamics of leadership and strategy in a complex and rapidly changing organizational environment. Case studies provide space to explore leadership experiences, views, and practices directly from key informants through in-depth interviews, observations, and analysis of organizational documents. Thus, this method is expected to provide a holistic understanding of how transformational leaders drive strategic change and adaptation in the face of VUCA challenges.

Results and Discussion

1. Emerging Transformational Leadership Characteristics

Based on the results of in-depth interviews with informants consisting of senior managers and strategic unit leaders in organizations undergoing business transformation, it was found that transformational leaders exhibit four main characteristics, namely:

- a. **Inspirational Motivation:** Leaders provide a clear and passionate vision of the future direction of the organization. Team members revealed that their leader often delivered motivational messages that boosted the team's confidence to face the challenges of change.
- b. **Idealized Influence:** Leaders set an example through concrete actions that reflect integrity and commitment to organizational values. Respondents stated that they respect and trust their leaders because of the consistency between words and actions.
- c. **Individualized Consideration:** Leaders give personalized attention to individual development needs, including mentoring and coaching. Informants reported that they felt listened to and given space to grow in the face of changing roles and responsibilities.
- d. **Intellectual Stimulation:** Leaders encourage new ideas and challenge old ways of thinking. This can be seen in the leader's habit of involving the team in the strategic decision-making process and opening up discussion on innovative approaches to business problems.

The findings of these characteristics are in line with the transformational leadership theoretical framework developed by Bass & Avolio (1994). According to them, these four dimensions are the foundation that distinguishes transformational leaders from other leadership

styles because they focus on empowering individuals and creating sustainable positive change. In the context of implementing adaptive business strategies in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era, these four characteristics are proven to be the main drivers of organizational success in adapting to rapid change. The following is an explanation of the relationship between each dimension and adaptive strategies:

- a. Inspiration enables organizations to maintain collective spirit even in the face of high uncertainty and market pressure. A strong vision creates clear direction amidst volatility.
- b. Ideal influence creates trust and organizational commitment. In ambiguous conditions, the leader's example becomes a moral anchor that guides strategic decisions.
- c. Individualized attention enables role adaptation and capacity building of HR to address the complexity of business challenges. This is crucial in adaptive strategies that demand agility from all members of the organization.
- d. Intellectual stimulation plays an important role in creating innovation, exploration of new approaches, and mental readiness for disruption. In a VUCA environment, an innovative mindset is a much-needed competitive advantage.

Thus, transformational leadership characteristics not only shape an adaptive organizational culture, but also directly strengthen the implementation of flexible and responsive business strategies. This kind of leadership is able to bridge the gap between strategic planning and execution on the ground, which is often a major challenge in the fast-changing business world.

2. Adaptive Business Strategy Practice in the Field

From the results of in-depth interviews with informants, it was found that the organizations that were the subject of the study implemented various adaptive business strategy practices in responding to uncertain environmental dynamics. Some prominent forms of practice include:

- a. **Operational Flexibility:** The organization makes adjustments to a more agile work structure, such as the formation of cross-divisional teams, hybrid work schemes, and greater delegation of authority to operational lines in order to respond to changes quickly and effectively.
- b. **Data-Driven Decision Making:** Many strategic and tactical decisions are driven by analysis of real-time data collected from various internal and external sources. Informants mentioned the use of business dashboards and analytics tools as part of the continuous evaluation process.
- c. **Continuous Innovation:** The organization demonstrates a strong orientation towards product, service, and process innovation. Innovation is no longer a long-term project, but is done iteratively and quickly (agile innovation), involving direct customer feedback.
- d. **Cross-functional Collaboration:** To accelerate response to market changes, organizations form working groups that involve various functional units, including technology, marketing, and finance teams, in formulating and executing strategies.

These practices show strong alignment with the principles of adaptive business strategy put forward in contemporary strategic literature, particularly in the context of VUCA. Adaptive strategy, according to Reeves et al. (2012), demands five key dimensions: sensing, responding, experimenting, scaling and learning. The field findings show that the organization has

developed capabilities of sensing (through data), responding (through flexibility and collaboration), and experimenting (through iterative innovation).

However, the implementation of this strategy is not free from challenges. Some informants mentioned internal resistance to changes in work structures that are more flexible, as well as limited human resource capacity in understanding and managing data as a basis for decision-making. In addition, the pressure to innovate continuously also creates additional workloads that, if not managed, can lead to organizational fatigue.

Furthermore, adaptive strategies require intensive communication and coordination processes, which do not always run smoothly in organizations with bureaucratic structures or silo work cultures. This suggests that although adaptive strategies theoretically promise competitive advantage in the VUCA era, their successful implementation remains highly dependent on the readiness of organizational culture and the support of visionary leadership, which in this case reinforces the important role of transformational leadership. Thus, it can be concluded that the practice of adaptive strategies is indeed being and continues to grow in organizations that are aware of the challenges of VUCA, but its effectiveness remains highly dependent on the cohesion between strategy, culture, and leadership.

3. Relationship between Leadership Style and Successful Strategy Implementation

Findings from interviews and observations show that leaders with transformational styles have a significant contribution in strengthening the successful implementation of adaptive business strategies. Informants reported that inspirational and participatory leadership had a direct impact on increased employee commitment, cross-unit participation, and effective coordination in the strategy implementation process. Leaders who demonstrate idealized influence and inspirational motivation are able to foster collective spirit and team confidence in the face of change. Meanwhile, intellectual stimulation and individual attention encourage active involvement from organizational members in formulating solutions and innovations. Concretely, organizations led by transformational figures show higher success in implementing adaptive strategies, characterized by the ability to survive and thrive amid rapid changes, as well as increased responsiveness to external dynamics.

The results of this study reinforce the theory of Bass & Avolio (1994) which emphasizes that transformational leadership not only shapes the vision and strategic direction, but also activates the internal strength of the organization to realize the vision. In the context of the VUCA era, high uncertainty demands more than just adaptive strategic planning; it also requires the ability to execute it consistently amidst changing conditions. Transformational leaders play the role of a bridge between strategy and implementation, by creating an environment that supports learning, experimentation and collaboration. This leadership style addresses the gap that often occurs in the field, namely the lack of commitment and coordination in the execution of adaptive strategies that are only strong at the level of discourse or planning documents.

By inspiring a shared vision, providing a safe space to innovate, and attending to individual needs in the change process, transformational leaders help organizations turn strategy into action. This role is even more crucial in today's business landscape, where adaptability is not enough without the mobilization and alignment of human capital. Thus, the findings confirm that successful implementation of adaptive strategies is not merely a matter of the right strategy design, but is also highly dependent on the quality of leadership that is able to mobilize change and overall organizational resilience.

4. Barriers and Mitigating Factors in the Field

In the process of implementing adaptive business strategies, this research found significant challenges in the field. Some of the key barriers identified include:

- a. Resistance to change, both from individuals and work groups, arising from uncertainty about the future or not understanding the new strategic direction.
- b. Rigid organizational structure, with long bureaucracy and lack of flexibility in decision-making, which slows down the organization's response to external dynamics.
- c. Limited capacity of human resources (HR), especially in terms of digital competencies, analytical skills, and readiness for rapid change.

Informants also revealed that although adaptive strategies are well formulated, many organizations struggle to execute them consistently due to a lack of emotional engagement and ownership from employees. The findings confirm that the success of adaptive strategies is highly dependent on the leader's ability to manage the dynamics of change. Transformational leaders play an important role in reducing resistance through communicating a strong vision, participatory approach, and giving meaning to each step of change. Referring to the theory of organizational change (Kotter, 1996), leaders must create a sense of urgency, build strong coalitions, and empower broad action. In this context, transformational leadership styles can encourage the formation of a more adaptive culture, where innovation, collaboration and learning become part of shared values.

To overcome rigid structures, transformational leaders need to facilitate structural and work system changes, such as speeding up communication flows, delegating strategic authority, and redesigning work processes to be more responsive. Meanwhile, in the face of limited human resource capacity, they are encouraged to develop the potential of team members through continuous training, mentoring and coaching. Thus, this discussion confirms that the challenges in implementing adaptive strategies are not only technical, but also cultural and structural. This is where the importance of the role of transformational leaders as agents of change who are able to integrate strategy, structure, and human resources in a unified direction of sustainable organizational transformation.

5. Practical Implications for Organizations

Based on the research results, there are a number of strategic recommendations that can be applied by organizations to strengthen the role of transformational leadership in supporting the implementation of adaptive business strategies in the VUCA era. Some of the main recommendations include:

- a. Establish a leadership development program that focuses on transformational characteristics, such as inspiration, innovation, and empathy.
- b. Increase the involvement of leaders in the strategy formulation and implementation process, to ensure continuity between vision, execution and organizational culture.
- c. Encourage the establishment of an adaptive organizational culture, emphasizing the value of continuous learning, cross-functional collaboration, and openness to change.
- d. Integrate the role of leadership in the strategic performance evaluation system, so that it focuses not only on business output, but also on the leadership process and influence on organizational change.

The findings of this study provide a tangible contribution for organizational leaders including managers, CEOs, and policy makers to adapt their leadership approaches to the complexity of the VUCA era challenges. Transformational leadership is not just a normative concept, but empirically proven to be a catalyst for successful adaptive strategies amidst the volatility and uncertainty of the external environment. Practically, organizations need to design

transformational value-based leadership training and development programs, whether through formal education, coaching, or organizational learning. These programs should be designed not only to improve technical competencies, but also to strengthen leaders' emotional and social capacities to build trust, motivate teams, and present an evocative vision of the future.

In addition, it is important for organizations to align work structures and systems to make room for dynamic and inspiring leadership styles. This includes giving greater autonomy to team leaders, creating space for innovation, and strengthening quick and constructive feedback systems. By making transformational leadership an integral part of organizational strategy, companies can increase resilience and adaptability, ultimately strengthening long-term competitiveness amid ongoing uncertainty.

Conclusion

This research shows that transformational leadership plays an important role in the successful implementation of adaptive business strategies in the VUCA era. Characteristics such as idealized influence, inspirational motivation, intellectual stimulation, and individualized attention were shown to encourage organizational participation, innovation, and responsiveness to change. Adaptive strategies such as operational flexibility, data-driven decision-making, and cross-functional collaboration are only effective when supported by visionary leaders who are able to bridge the gap between planning and execution. However, barriers such as resistance to change and limited human resources remain a challenge. Therefore, strengthening the capacity of transformational leadership is key for organizations to survive and grow amidst uncertainty, while making an important contribution to managerial practice and the development of strategic leadership science.

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