

The Effect of Transformational Leadership, Job Happiness and Organization Innovation on Employee Performance within Public Sector Organizations in Dubai

Elhadi Mohamed Ibrahim ^{a*}, Osama Isaacb

^a Faculty of Business and Accountancy, Lincoln University College, Selangor, Malaysia

* Correspondence: Elhadii@gmail.com

Article Info

Volume 82

Page Number: 12047 - 12058

Publication Issue:

January-February 2020

Abstract

This study aims to empirically explore the impact of transformational leadership, job happiness and organizational innovation on employee performance in Dubai government organizations. Theoretical evidence denotes that the various constructs have direct, indirect and mediating effects on each other and overly on employee performance in public sector organizations. There however exists, minimum empirical studies that examine the nexus of these factors and employee performance in the workplace. Building on previous evidence of literature, this study postulates seven hypotheses of the relational impact of the three constructs on employee performance in organizations. The study employed structural equations modeling via PLS to analyse 682 valid questionnaire responses from 28 Government of Dubai Organizations. The findings indicated that transformational leadership had both direct and indirect impact(s) on employee performance in the organizations. Job happiness also had indirect and direct impacts on the performance of employees in the organization. Organizational motivation played a direct role in impacting employee performance in the organization as well as mediating the relationship between transformational leadership and the performance of employees in the workplace. The data used in this study was thoroughly purified through multiple steps to ascertain that it did not bear any outliers. On arriving at the hypothesis testing, the data remaining did not indicate any multicollinearity or overlapping effect. The construct of transformational leadership showed resoundingly stronger influence on employee performance in comparison with other constructs. Research however noted that, while transformational leadership and job happiness played a role in impacting the performance of employees, it was essential that the leadership of the organization adopt an innovation-oriented approach to leadership in order to realize better performance among the employees.

Article History

Article Received: 18 May 2019

Revised: 14 July 2019

Accepted: 22 December 2019

Publication: 23 February 2020

Keywords: Transformational leadership, organizational innovation, job happiness, employee performance, public sector, Dubai government organizations.

I. Introduction

The innovative knowledge-based economy is a paradigm shift that has brought about new conceptions of globalization for instance cross-border economies and contemporary organizational model like networked Organizations. The development of new trends

and inherent dynamism of the business environment requires new approaches to management and continually affect strategic management approaches. Penrose(1959) in understanding of the dynamism of the business environment advised that the firm should be considered as a repository of experience and

knowledge. In this light, organizational knowledge and learning is critical for the competitiveness of companies. This is related to innovation and the adoption of sophisticated and contemporary leadership and management practices. In same light therefore, organization innovation is considered as a contributor to improved performance in the organization (Bierly and Chakrabarti, 1996; Bontis, 1996; Bontis, 1998; Bontis, 1999; Bontis, 2001; Bontis, 2003; Brennan and Cornell, 2000; Grant, 1996; Kogut and Zander, 1992; Spender, 1996). Concurrent research augments the important or knowledge and learning in the organization mentioning that knowledgeable assets nowadays count as important antecedents for production (Choo and Bontis, 2002; Drucker, 1993; Edvinsson and Malone, 1997; Stewart, 1997; Sveiby, 1997). The above quoted researchers are in concordance that leadership style generally has a direct impact on employee happiness, innovation and performance in organizations. Leadership can be defined as the skill of guiding and influencing followers effectively to work towards attaining common objectives which culminate to organizational success (Marki and Scandura 2010). According to Boleman, (2008) literature on leadership displays the pattern stages commencing with the characteristic attributes of a leader, the behaviour of leaders on to the contextual nature of leadership. Previous studies acknowledge the existence of multiple leadership approaches to manage organizations (Hirtz, Murray and Riordan 2007). The most prominent study emerged with Burns, (1978) who modelled two leadership approaches building upon Weber's (1947) leadership work.

These two leadership styles are transactional leadership and transformational leadership (Mozhdeh, Ismail and Vakilbashi 2011). Boleman (2008) pointed out that Burns was the first researcher who explained the contrast

between transformational and transactional leadership. According to Burns (1978), the main distinction between these two major styles of leadership is that while the former centres on exchanging rewards for performance, the latter is much more focused on team-building, employee development and collaborative effort towards success. Most of the published studies have concentrated on the relationship between transformational leadership and certain upshots including but not limited to performance, team performance, effectiveness of organization, and turnover intention. As a result, it is important that other elements that may have potential impact on employee performance in organization be investigated alongside leadership in order to come forth with an understanding of the strength of the effects of different constructs and how different constructs relatively help to effectively impact employee performance for the ultimate benefit of organizations.

II. Literature Review

By definition, transformational leaders are identified by research as individuals bearing four connected attributes namely, inspirational motivation, charisma, individualized consideration and, intellectual stimulation (Bass and Avolio, 1990; Howell and Avolio, 1993; Howell and Hall-Merenda, 1999). These attributes jointly make the transformational leader capable of creating and presenting an attractive vision of the future, energize followers by inspiring them and inculcating pride of duty and responsibility, encourage employees to question things and think critically out of the ordinary dimensions as well as being able to improve the follower through coaching, individual motivation and support. According to leadership scholars, transformational leaders efficiency at lower cadres in the workplace should be equally reciprocal at high levels and promote connected impetus for improved cross-organizational

performance (Pawar and Eastman 1997). There has been multiple research evidences and positive attempts in establishing the link between transformational leadership, organizational change and innovation (Jaussi and Dionne, 2003; Jung, 2003; Shin and Zhou, 2003), organizational improvement (Detert and Burris 2007), and organizational growth (Jung, Chow and Wu 2003). The above in despite, there has been minimum effort in the empirical study of the theorized relationships.

Creativity and innovation are interrelated terms with minute distinctions existing in documented research (West and Farr 1990). (Mumford and Gustafson 1988), in understanding of the thin line between the two lines attempt distinctive definition mentioning that creativity refers to the development and general of new concepts while innovation can be classified as the adoption of new concepts in the performance of duties (Kanter 1988); (Van de Ven 1986). Concurrent research makes the all-too similar distinction that creativity refers to the creation of knowledge or doing something for the first time in an unprecedented way (Woodman, Sawyer and Griffin 1993). Innovation on the other hand refers to the improvisation of processes and/or products externally. Further evidence of research concludes that in the process of creativity and innovation, there are multiple steps which all add up to ensure that knowledge is effectively captured and utilized for the improvement of organizational processes (Kanter 1988).

Deducting from (Kanter 1988) perspective, innovation starts at an individual level with the recognition of problem which is followed by the creative development of ideas of solving the problems. The next stage in the process involves the seeking of financial and experiential support for the development of the idea. After this, the innovative person moves further to the completion of the idea by the production of a prototype which opens up the idea for further adoption, experience, critiqued, development,

mass-production, diffusion and/or institutionalization (Kanter 1988). The above explanation supports the multi-stage characteristic notion of innovation, whereby there are different levels, different activities and different individuals in different levels. Since innovation process is in real terms pigeonholed by a sporadic turn of activities as opposed to linear sequence, individuals are likely to interact and exhibit a combination of any of these attitudes at different times (Schroeder, et al. 1989).

Happiness in the workplace – also known as employee satisfaction, has been expressed in different contexts. This research in investigation of the host of extant literature on job happiness or employee satisfaction finds that despite the mixed empirical evidence from researchers there is consensus amongst scholars on the existence of distinct dimensions and variations of happiness in the workplace from organization to organization (Awamleh, Evans and Mahate 2005); (Christian 2013); (Fu, et al. 2010); (Top, Akdere and Tarcan 2015); (Ahmed, Ishak and Kamil 2019). Subject to the foregoing, this research finds that a study that empirically investigates the connection of job happiness (optimism and social relationships) and improved employee performance is necessary. The emphasis is on investigating an aspect of influence of leadership and/or institutional innovation on job happiness and employee performance. The findings would inform on recently prevalent debate in human capital management on what determines employee performance. In the new millennium, the dawn of the contemporary economy and permeation of organizational learning, job happiness and employee satisfaction are growing important. This can be justified by the rocketing increase of research and literature on optimism, happiness and positive character traits in the workplace and by extension, numerous attempts of expressing why employee happiness in the workplace is of advantage to the organization(s) (Bagnall 2004); (Lyubomirsky, King and Diener 2005).

To top this up, recent literature in the field of organizational management has centred quite considerably on the effectiveness of managers and their people management practices and how this helps improve organizational performance (Argyle 2001); (Barsade, Brief and Spataro 2003); (Bruni 2005); (Layard 2005). Researchers are in concordance that, effective managers are those who are able to foster employee satisfaction through a number of ways amongst them transformational leadership and the development and adoption of workplace policies that are geared towards fostering better job happiness in the workplace (Awamleh, Evans and Mahate 2005); (Christian 2013); (Fu, et al. 2010); (Top, Akdere and Tarcan 2015); (Ahmed, Ishak and Kamil 2019).

Lawler's early research in (1973) (Lawler 1973) served to lay the foundation of what has been more of a hypothetically understood relationship amongst scholars and practitioners alike. In what he calls as 'satisfaction and employee behaviour', (Lawler 1973) proposes that there exists a psychological connection between individual satisfaction of employees and their behaviour in the workplace. As such, if an employee deems himself or herself to be satisfied at the position or organization where s/he is working, s/he will be more likely to behave positively while working which by extension results to performance improvement – Lawler is careful to note that the opposite of this ripple effect stands true that when

employees are not satisfied or at least do not feel satisfied, they will exhibit some type of negative behaviour that will negatively affect their workplace performance. Concurrent evidence of research seconds that, a happy employee is a good employee according to (Katzell and Thompson 1990).

While there is no dispute that there is a relationship between transformational leadership, organizational innovation, employee job happiness/satisfaction and employee performance in the organization, the fact that there is no empirical research investigating the relationship leaves the theory prone to debate. In reiteration, evidence abounds that scholars and researchers have not exactly established the empirical association between employee performance and any of the three constructs hereby presented (Cropanzano and Wright 2001). An empirical link between the constructs and employee performance in the workplace remains elusive (Wright 2005). Notwithstanding the lack of pragmatic indication, certain dogmalike 'happy employee is a productive employee' are resolutely ingrained in administrative ideology (Cropanzano and Wright 2001); (Ledford 1999); (Wright and Staw 1999); (Wright, Cropanzano, et al. 2002). The research thus deems it imperative to empirically create an understanding of the correlation between the constructs in order to guide management practice and academia. The below is the conceptual framework utilized by the research

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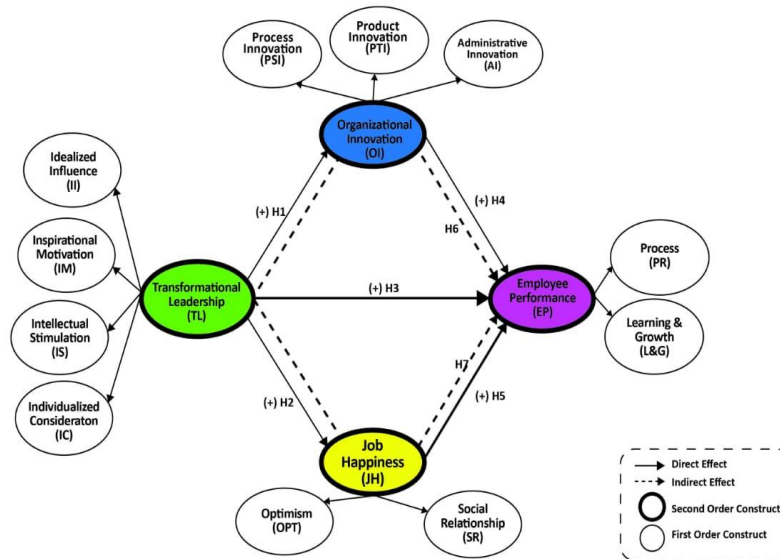
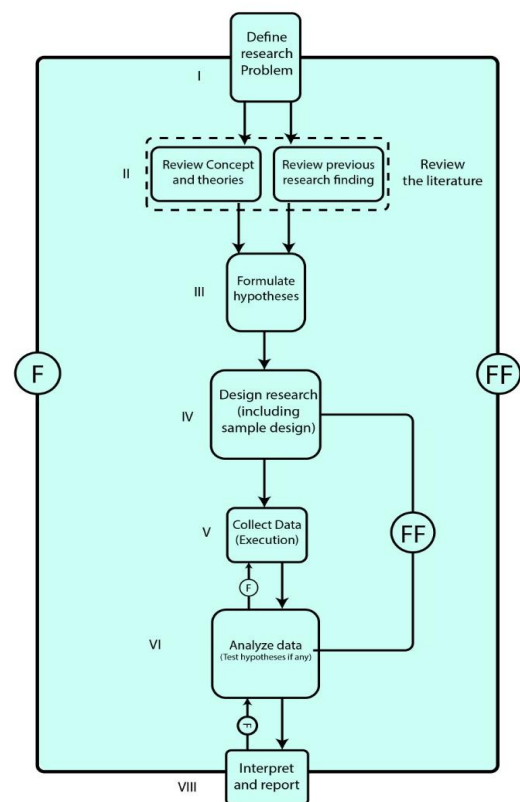


Fig. 1. Research conceptual framework

III. Methodology

The whole process of research included the identification of the problem, the gathering of peer-reviewed extant literature on the subject matter, the identification of the type of data to be collected, the constructs to be measured and the designing of the tool for collection of the data. The research then sought necessary approvals across multiple organizations and the faculty and was able to deploy the data collection instrument in order to collect data for the research. This was followed with a rigorous process of analysis of the collected data in order to ensure that the deductions made were objective and non-biased. Finally, the research conducted a broad-based discussion that included the discussion of the findings in the context of literature. This was followed by a conclusion that established the achievements and the shortcomings of the research and paved way for future research to improve the research by pointing out areas deserving improvement. The below is the figurative representation of the research process:-



Where FF = feed back (Helps in controlling the sub-system to which it is transmitted)
F = feed forward (Serves the vital function of providing criteria for evaluative)

Fig. 2. Research process

On a narrower scope, the methodology of the research itself was based on positivism philosophy and deductive approach. According evidence of research in research methods, this was so as to ensure that the research collected numerical data and utilized this to guide the understanding of the research. The research utilized a structured questionnaire which was distributed to a sample of 700 participants across 28 Governmental organizations in Dubai.

The sampling approach taken was random sampling and the research utilized the random sampling approach in order to calculate the number of participants in each of the organization that would be representative of the entire population. Through this approach, the research summed up all the sample sizes in the different organizations and came forth with 700 samples. The following is the formula utilized in the

computation of the ideal sample for each of the organizations:-

$$\text{Sample } - s = \frac{z^2 \times N \times p \times q}{N \times E^2 + z^2 \times p \times q}$$

Where, s = sample size for finite population (f<0.05), z = 0.05 or 95% confidence level, N = to the finite population size and the maximum population variability (p=q=0.05). The assumed standard sampling error E = 3%.

For this research, the total number N of the finite population was 47, 961 as the research only focussed on participants in white collar job descriptions in the government organizations in Dubai which accounts for 54% of the entire population of employees in the government organization. Using the computation above, the below tabulation shows the number of participants that the research was seeking responses from per organization:-

Table 1. Total populations N and Sample size S in Dubai public sector organizations

#	Organization	N1 (Suggested Designation)	P	S
1	The Executive Council	59	0.13%	1
2	Dubai Police General Headquarters	12287	27.6%	194
3	Dubai Municipality	6725	15.1%	106
4	Roads & Transport Authority	3443	7.7%	54
5	Dubai Electricity & Water Authority	6097	13.7%	96
6	Dubai Health Authority	6887	15.5%	108
7	Department of Economic Development	335	0.8%	5
8	Lands Department	334	0.8%	5
9	Dubai Courts Department	670	1.5%	11
10	Department of Tourism & Commerce Marketing	258	0.6%	4
11	Community Development Authority	140	0.3%	2
12	Islamic Affairs & Charitable Activities Department	708	1.6%	11

13	Dubai Airports	1725	3.9%	27
14	Dubai Civil Aviation Authority	62	0.1%	1
15	Dubai Media Incorporated	765	1.7%	12
16	Dubai Customs	1602	3.6%	25
17	Smart Dubai Office*	99	0.2%	2
18	Dubai Chamber	104	0.2%	2
19	Public Prosecution	364	0.8%	6
20	Awqaf& Miners Affairs Foundation	90	0.2%	1
21	Knowledge & Human Development Authority	408	0.9%	6
22	Dubai Statistics Center	96	0.2%	2
23	Dubai Corporation for Ambulance Services	827	1.9%	13
24	Mohammed Bin Rashid Establishment for Housing	118	0.3%	2
25	Dubai Culture & Arts' Authority	188	0.4%	3
26	Dubai Sports Council	51	0.1%	1
27	Dubai Civil Defense	971	2.0%	14
28	Directorate of Residency and Foreigners Affairs	2549	5.3%	37
Total		47,961	1	700

The research was successful in collecting 686 responses out of 702 questionnaires distributed which represented a solid over 97% response rate.

IV. Measures

Different measures of establishing reliability and validity of the data collected were deployed through the help of Statistics Package for Social Sciences v.25. The methods for cleaning and verifying the reliability of the data included:- skewness and kurtosis measures to establish normalcy. The following table shows the 31 items under study for the four constructs and their skewness and kurtosis values which all fell between ± 2 and ± 7 , respectively. Hence, the researchers concluded that the data value for all

items was appropriately modeled using a normal distribution. Specifically, the skew values ranged between -1.407 and -0.603; while the kurtosis values ranged between -0.675 and 2.642.

Table 2. Skewness and Kurtosis reliability of test parameters measurement

	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
I1	-1.057	0.094	0.768	0.188
II2	-0.811	0.094	0.094	0.188
II3	-1.132	0.094	1.103	0.188
II4	-0.613	0.094	-0.675	0.188
II5	-1.091	0.094	1.298	0.188
II6	-1.018	0.094	0.973	0.188
II7	-1.084	0.094	0.821	0.188

II8	-1.043	0.094	0.735	0.188
IM1	-1.122	0.094	0.937	0.188
IM2	-1.118	0.094	1.093	0.188
IM3	-0.974	0.094	0.560	0.188
IM4	-1.081	0.094	1.040	0.188
IS1	-0.796	0.094	0.400	0.188
IS2	-0.938	0.094	0.519	0.188
IS3	-0.885	0.094	0.440	0.188
IS4	-1.020	0.094	0.719	0.188
IC1	-0.819	0.094	0.209	0.188
IC2	-0.806	0.094	0.180	0.188
IC3	-0.850	0.094	0.250	0.188
IC4	-0.908	0.094	0.317	0.188
PSI1	-1.238	0.094	1.247	0.188
PSI2	-1.057	0.094	0.669	0.188
PSI3	-1.059	0.094	0.665	0.188
PTI1	-0.928	0.094	0.516	0.188
PTI2	-0.966	0.094	0.706	0.188
PTI3	-1.046	0.094	0.764	0.188
AI1	-0.999	0.094	0.491	0.188
AI2	-0.952	0.094	0.415	0.188
AI3	-0.618	0.094	-0.611	0.188
AI4	-0.603	0.094	-0.556	0.188
AI5	-0.955	0.094	0.366	0.188
AI6	-0.489	0.094	-0.650	0.188
OPT1	-1.151	0.094	1.609	0.188
OPT2	-1.245	0.094	2.025	0.188
OPT3	-1.407	0.094	2.342	0.188
OPT4	-0.658	0.094	-0.506	0.188
OPT5	-1.027	0.094	0.692	0.188
OPT6	-0.951	0.094	1.323	0.188
OPT7	-1.092	0.094	1.693	0.188
SR1	-0.869	0.094	0.905	0.188
SR2	-1.131	0.094	1.450	0.188
SR3	-1.088	0.094	1.617	0.188
SR4	-1.353	0.094	2.642	0.188
SR5	-1.266	0.094	1.859	0.188
PR1	-1.144	0.094	0.897	0.188
PR2	-0.861	0.094	0.166	0.188
PR3	-0.780	0.094	-0.300	0.188
PR4	-1.030	0.094	0.905	0.188
PR5	-1.003	0.094	0.733	0.188
LG1	-1.232	0.094	1.231	0.188
LG2	-0.980	0.094	0.493	0.188
LG3	-0.866	0.094	-0.025	0.188

LG4	-0.776	0.094	-0.176	0.188
LG5	-1.087	0.094	1.071	0.188
LG6	-1.096	0.094	0.673	0.188

Key: II: Idealised Influence, IM: Inspirational Motivation, IS: Intellectual Stimulation, IC: Individual Consideration, PSI: ProcesS Innovation, PTI: Product Innovation, AI: Administrative Innovation, OPT: OPTimism, SR: Social Relationships, PR: PRocess, LG: Learning and Growth

Other measures that established the validity to go forth with the model testing are summarized below:-

- A sample size of 671 was sufficient for EFA (Tabachnick and Fidell 2012).
- The Bartlett's Test of Sphericity was significant ($p < 0.001$) (Field 2000).
- The Kaiser-Meyer-Olkin (KMO) value was 0.975, which was excellent (Kaiser 1974); (Hutchenson and Sofroniou 1999).
- As shown in Table 4.15, each item had a commonality value of >0.5 (Field 2000)
- The total variance was 67.257%, i.e., $>50%$ (Podaskoff and Organ 1986).
- The variance for the first factor was 49.017%, i.e., $<50%$.

The cronbach alpha and composite reliability test of the main constructs values are provided in table 3, below:-

Table 3. Cronbach alpha and Composite reliability values

Construct	$\alpha (>0.7)$	CR (> 0.7)
II	0.958	0.965
IM	0.945	0.961
IS	0.949	0.963
IC	0.923	0.946
TL	0.980	0.981
PSI	0.914	0.946
PTI	0.933	0.957
AI	0.942	0.954
OI	0.963	0.967
OPT	0.910	0.931

SR	0.898	0.925
JH	0.940	0.949
PR	0.902	0.927
LG	0.915	0.934
EP	0.948	0.955

Key: TL: Transformational Leadership, II: Idealized Influence, IM: Inspirational Motivation, IS: Intellectual Stimulation, IC: Individual Consideration, OI: Organizational Innovation, PSI: Process Innovation, PTI: Product Innovation, AI: Administrative Innovation, JH: Job Happiness, OPT: Optimism, SR: Social Relationships, EP: Employee Performance, PR: Process, LG: Learning and Growth.

The evidence showed that they all fulfilled the requirements for hypotheses testing to go on.

Results

The findings of the research showed that there was a strong relationship between transformational leadership, organizational innovation and job happiness on the employee performance in the organization. There were different evidences that the research used to prove this. In this instance, the first step of the PLS analysis, the post-hoc named Importance-Performance Map Analysis (IPMA) which researchers consider as a fruitful indicator of the total relationship indicator rather than path-only indicator was used. The IPMA showed that transformational leadership had the strongest total effect, then organizational innovation, then job happiness on the performance of employees in the organization. Since the IPMA contains two values, the importance value and the performance value (index value out of 100), it was realized that as per the performance value, job happiness had more impact on employee performance, followed by transformational leadership then organizational innovation. The below tabulation shows the different values of importance and performance of each of the main constructs based on the IPMA PLS findings.

Table 4. IPMA Actual estimation of the effects of constructs on employee performance

Latent constructs	Total effect of the construct	
	employees performance (Performance)	Index values (Importance)
Transformational Leadership (TL)	0.705	73.842
Organizational Innovation (OI)	0.420	71.719
Job Happiness (JH)	0.209	79.593

The research also noted that organizational innovation and job happiness had a mediating effect on the impact of transformational leadership on employee performance. The below table is a representation of the mediating effects of organizational innovation and job happiness on the relationship between transformational leadership and employee performance in organizations.

Table 5. Summary of mediatory effects

Hypo	Relationship	Std. Beta	Std. Error	t-value	p-value	Decision
H6	TL→OI→EP	0.314	0.035	9.073	0.000	Supported
H7	TL→JH→EP	0.062	0.014	4.535	0.000	Supported

V. Conclusion

In summation, the research found out that there were strong relationships between transformational leadership and employee performance in organizations. The post-hoc PLS analysis of IPMA also confirmed that job happiness and organizational innovation had significantly strong importance towards the construct of employee performance. As far as performance of the constructs towards employee performance is concerned, the research noted that job satisfaction was particularly high in the

performance index while organizational innovation closely trailed transformational leadership in the performance index out of 100. When considering the mediating effect of the constructs of organizational innovation and job happiness, the research found out that organizational innovation mediating effect was significantly strong. This leads to the conclusion that transformational leaders in public sector organizations should utilize organizational innovation and allow an innovation-oriented work culture to thrive as this will significantly support the efforts of transformational leaders towards establishing superior work ethic among employees and subsequently superior employee performance and productivity.

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