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Transformational Leadership: Examining the role of Organizational Change and Organizational Innovation

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Abstract

This study examined the role of Organizational Change (OC) and Organizational Innovation (OI) with relations to Transformational Leadership (TL). Since, conceptual model portrayed mediation, thus this study also examined the mediation effect between OC, TL and OI. This study was absolutely quantitative and explanatory with deductive approach to develop and test hypotheses based on the conceptual model followed by the positivist philosophy which is usually used in quantitative studies. Data sought through instrument (close-ended questionnaire) on seven point Likert scale from First Line Managers (FLMs) of private banks of Sindh. A sum of 107 close-ended questionnaires distributed among FLMs through convenience sampling out of which 100 received back for final data analysis. Two tools used for data analysis i-e, SPSS and PLS-SEM. Two conceptual models developed to test the relationships between factors. Direct effects model and specific indirect effects model. All direct relationships tested and approved through direct effects model and medication effect tested and approved through specific indirect effects model. Study revealed significant results particularly for private banks of Sindh which can be further corroborated while conducting the similar study in any other sector of the Sindh province.

Keywords:	Transformational Leadership, Organizational Change and Organizational Innovation.

Introduction

TL is different from other leadership styles of management in various ways (Tunio, Mahesar & Hakro, 2021). TL is divided into four dimensions i-e, Idealized Influence (II), Inspirational Motivation (IM), Intellectual Stimulation (IS) and Individualized Consideration (IC) (Bass, 1985). II described as leaders are exemplary role models for followers. They are trusted and respected by followers which is in the best interest of the business (Agote et al., 2015). IM described as leaders psychologically stimulate followers to do something innovative (Bass & Avolio, 1995). They believe goals can be accomplished by team efforts rather than individual efforts (Bass & Rigio, 2006). IS described as leaders promote critical thinking and problem solving approach at work consequently to make the organization as a better place of working (Geyer & Steyrer, 1998). IC described as leaders act as mentors and coaches, they address followers' needs and concerns on priority basis (Tunio, Mahesar & Hakro, 2021). Every dimension of TL is closely linked with improving individual performance eventually, which has long lasting effect on organizational performance (Hakro, Hakro & Siddiqui, 2022). This style of management suppresses turnover intentions and augments commitment and satisfaction between leader and followers (Bass, 1985). Commitment and satisfaction improve individual performance and so also organizational performance (Irtaimeh, Al-Mannai & Hakro, 2023). TL keeps strong tie between leader and followers (Hakro, Siddiqui & Patoli, 2024).

Significance

This study was significant in examining the role of OC and OI with relations to TL in private banks of Sindh. However, FLMs participated in survey questionnaire. Earlier studies could not witness any evidence with relations to TL, OC and OI. Likewise, this study was extremely important to be undertaken in the private banks of Sindh to witness relationships between TL, OC and OI based on the data.

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Problem statement

TL and its dimensions were not tested with OC and OI in private banks of Sindh. Therefore, it was considered to be undiscovered organizational domain. Since, this study attempted to test the mediation effect between OC, TL and OI which was also considered to be undiscovered phenomenon particularly in private banks of Sindh. This study was considered to be extremely important particularly for private banks in discovering the relationship between factors.

Research gap

There are various studies available on the theme of TL in private banks of Sindh, Pakistan (Tunio, Mahesar & Hakro, 2021). Since, none of them witnessed empirical evidence on theme of TL, OC and OI. Therefore, it was considered to be a vivid gap identified to reveal the relationships based on data in private banks of Sindh. However, this study also tested mediation effect between OC, TL and OI to reveal the relationship between them.

Aim & objectives

This study was based on single aim and multiple objectives. The aim of the study was to "Examine the role of OC and OI with relations to TL and to examine the mediation effect between OC, TL and OI". However, for achieving this aim, nine multiple objectives were developed. Following are the nine multiple objectives developed to accomplish single aim of the study.

1.   To examine the relationship between II and OC.
2.   To examine the relationship between II and OI.
3.   To examine the relationship between IM and OC.
4.   To examine the relationship between IM and OI.
5.   To examine the relationship between IS and OC.
6.   To examine the relationship between IS and OI.
7.   To examine the relationship between IC and OC.
8.   To examine the relationship between IC and OI.
9.   To examine the relationship between OC, TL and OI.

Literature review

**Organizational Change (OC)**

OC can take various shapes in organizational domain, it is a change in existing working methods, operations, plans and culture which affect the entire organization (Shin et al., 2012). OC is adopted by management to increase productivity and performance (Agote et al., 2016). It guides management to check standard performance with actual performance (Al-Mannai et al., 2017). OC is considered to be the behavioural shift from one state of action to another (Irtaimeh, Al-Mannai & Hakro, 2023). OC is designed and managed with a view to improve organizational performance (Hakro, Abbasi & Mahesar, 2021). There may be various causes of OC but the only aim is to survive, sustain and prosper in the face of ever increasing competition (Hakro, Hakro & Siddiqui, 2022).

Organizational Innovation (OI)

To bring innovation in thinking style and pragmatic applications at organization such as; production through team efforts, supply chain management, and quality control. Management can modify processes at large level (Irtaimeh & Bader, 2020). New managerial methods, marketing concepts, business strategies, and new organizational structure are all factors of OI (Armbruster et al., 2008). Technology plays vital role in all organizational functions and processes (Irtaimeh, Al-Mannai & Hakro, 2023). OI is blended concept of technological innovation, market innovation and administrative innovation (Al-Mannai et al., 2017). Together all these form OI (Shin et al., 2012).

Figure 1.1 Conceptual model (Direct effects)

Although, this study was explanatory in nature. Therefore, developing conceptual model is the primary need to test the relationships between independent and dependent factors. Literature suggested that the conceptual model is considered to be the comprehensive picture of the whole study. Majorly, there are three factors highlighted on the conceptual model (TL, OC and OI). However, TL is divided dimensionally into four factors (II, IM, IS & IC) to comprehend it as a whole. Following conceptual model portrayed direct relationships between the dimensions of TL, OC and OI.

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Figure 1.1 Conceptual model (Direct Effects)
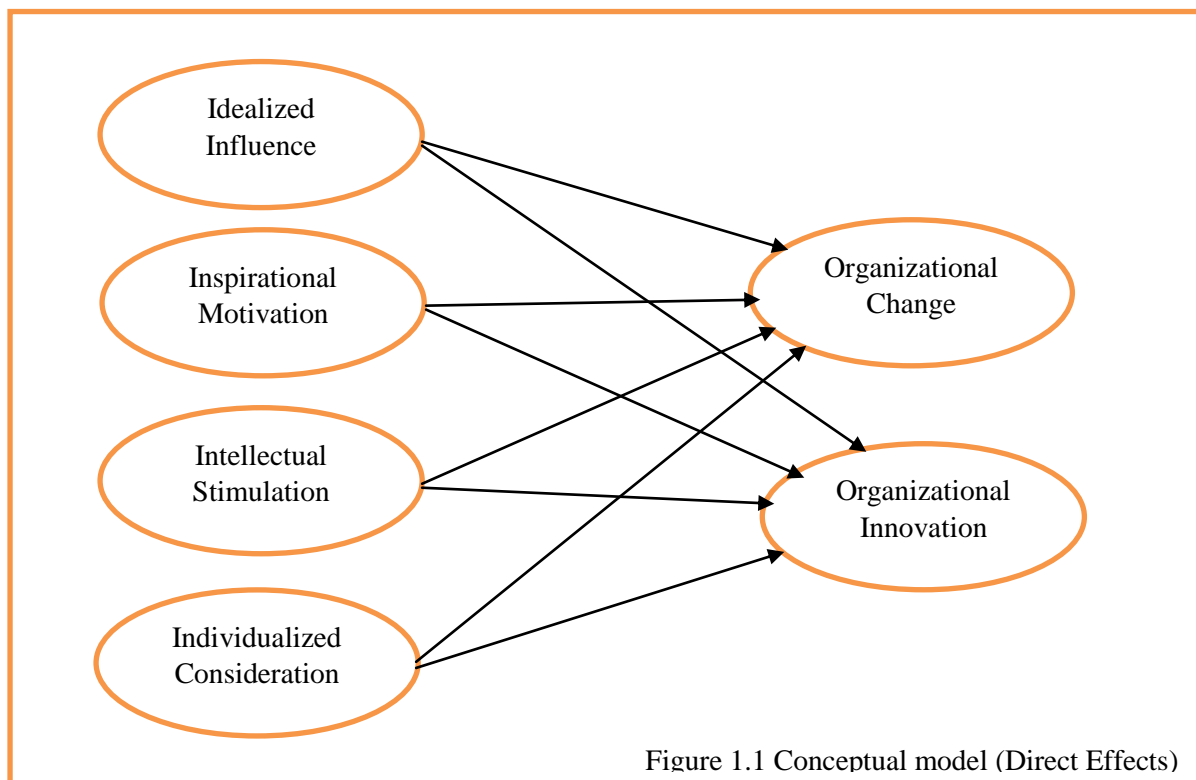
Hypotheses:

Based on the conceptual model (direct effects) following eight hypotheses were proposed to be developed to examine the relationship between the dimensions of TL, OC and OI. However, these relationships were tested and numerical findings presented in data analysis section.

H1. II is positively related to OC.
H2. II is positively related to OI.
H3. IM is positively related to OC.
H4. IM is positively related to OI.
H5. IS is positively related to OC.
H6. IS is positively related to OI.
H7. IC is positively related to OC.
H8. IC is positively related to OI.

Figure 1.2 Conceptual model (Specific indirect effects)

Figure 1.2 Conceptual model
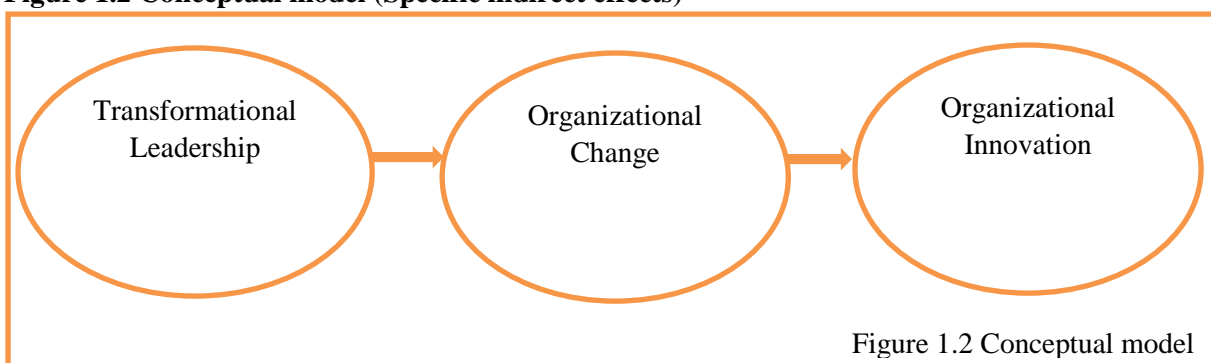
Hypothesis:

Based on the conceptual model (specific indirect effects) mediation effect between OC, TL and OI was proposed to be developed and examined by hypothesis. Specific indirect effects model is exclusively developed for testing mediation effect between OC, TL and OI.

H9. OC is positively related to TL and OI.

Research design

Research design is the concrete plan to carryout pragmatic research (Zainuddin, 2012). It begins by identifying research gap and continues by making single aim and multiple objectives of the study. Despite, all items of research design enveloped in this study which are discussed separately in following order.

Nature: This study was purely quantitative, cross-sectional and explanatory in nature.

Approach: Hypotheses made to determine the relationship between factors. It is known as deductive approach.

Philosophy: Quantitative studies often followed positivist philosophy.

Population & sample: FLMs targeted for data collection which is known as target population and out of which sample was drawn to represent it as whole.

Sampling: Data gathered by convenience sampling which is an item of non-probability sampling. Convenience sampling is often used in case of unknown target population.

Data collection procedure: Primary data gathered by adopting questionnaire which was used to collect data from target population.

Data analysis & interpretation: Descriptive analysis was done by SPSS and model measurement and verification were done by PLS-SEM.

Table 1. Cronbach's Alpha (CBA)

Variable(s)	Cronbach's Alpha (CBA)
Idealized Influence (II)	0.860
Inspirational Motivation (IM)	0.888
Individualized Consideration (IC)	0.841
Intellectual Stimulation (IS)	0.866
Transformational Leadership (TL)	0.928
Organizational Change (OC)	0.915
Organizational Innovation (OI)	0.894

Above table described the results of CBA of all individual factors which were measured significant because each factor had attained the significant threshold value 0.70 (Hair et al., 2010). This was the primary test applied on the data to determine at what extent items of particular factor were internally consistent with it. If a factor with most of the items measured significant by attaining the threshold value considered fit, appropriate for further analysis.

Table 2. Response rate

S. No.	Bank Name	Questionnaires Distributed	Questionnaires Received Back	Response Rate in %
1.	ABL	13	13	100
2.	UBL	16	15	93.75
3.	MCB	15	15	100
4.	HBL	17	15	88.24
5.	MB	12	11	91.66
6.	SB	10	09	90
7.	BAF	08	08	100
8.	AB	09	08	88.88
9.	BAH	07	06	75
	Total	**107**	**100**	**93.46**

Allied Bank Limited (ABL), United Bank Limited (UBL), Muslim Commercial Bank (MCB), Habib Bank Limited (HBL), Meezan Bank (MB), Soneri Bank (SB), Bank Al-Falah (BAF), Askari Bank (AB) and Bank Al-Habib (BAH).

Above table described the response rate of the survey which is quite good because it is more than 93 percent out of 100. A total of nine private banks participated in the survey, which had operations in all districts of the Sindh and data supplied by 100 FLMs out of 107 through questionnaire survey. 07 FLMs could not return questionnaires due to the busy schedule. Since, details of the response rate of the questionnaire survey is given above in the table 2.

Table 3. Demographic profile of the representative sample

Characteristic(s)	Category	Frequency	Cumulative %
Gender	Male	69	69
	Female	31	100
Marital Status	Married	83	83

Age Group	Single	17	100
	30-39	42	42
	40-49	36	78
	50 and above	22	100
Education	Bachelor 16 years	43	43
	Master 16 years	41	84
	MBA/M.Phil.18 years	16	100
Experience	3-7years	26	26
	8-12years	43	69
	13years & Above	31	100

Above table described the demographic profile of the representative sample in characteristic, category, frequency and cumulative percentage. Characteristic(s) included gender, marital status, age group, education and experience. There were majority of male FLMs in comparison to female and most of them were married in comparison to single. Majority belonged to the age group of 30-39years in comparison to other age group respondents. Majority of FLMs were holding Bachelor 16 years of education in comparison to other educational degrees and as many as 43% of FLMs were bearing 8-12years of experience.

Table 4. Factor analysis

Factor(s)	II	IM	IC	IS	OC	OI
II-1	0.922					
II-2	0.832					
II-3	0.906					
IM-1		0.830				
IM-2		0.944				
IM-3		0.935				
IS-1			0.910			
IS-2			0.810			
IS-3			0.893			
IC-1				0.861		
IC-2				0.884		
IC-3				0.926		
OC-1					0.786	
OC-2					0.772	
OC-3					0.748	
OC-4					0.750	
OC-5					0.808	
OC-6					0.704	
OC-7					0.777	
OC-8					0.785	
OC-9					0.747	
OC-10					0.750	
OI-2						0.920
OI-4						0.902
OI-6						0.855
OI-8						0.898

Factor analysis by factor loading was measured above in the table 3. All factors along with items indicated above in the table. Factor analysis showed that all items loaded in its own factor by attaining required threshold value i-e, 0.70 (Hair et al., 2010). However, 4-items of OI removed/deleted because of lowering the value of threshold. A total of 30 items measured three main variables (TL, OC and OI). Since, TL divided into four dimensions (II, IM, IS and IC) and each measured by 3-items as indicated above in the table.

Table 5. Construct reliability and validity

Construct(s)	CBA	Composite reliability (CR)	Average Variance Extracted (AVE)	R square
Idealized Influence	0.866	0.895	0.788	0.000
Inspirational Motivation	0.887	0.896	0.818	0.000
Intellectual Stimulation	0.844	0.874	0.761	0.000
Individualized Consideration	0.869	0.920	0.793	0.000

Organizational Change	0.920	0.933	0.582	0.806
Organizational Innovation	0.916	0.919	0.799	0.897

Construct reliability and validity with r square values are given above in the table 5. Acceptance and rejection applicable on each factor is based on attaining threshold value. CBA was acceptable at the threshold value of 0.70 and so also CR (Nunnally & Bernstein, 1994). However, AVE was acceptable at the threshold value of 0.50 (Fornell & Larcker, 1981). Hence, all factors qualified to attain the required threshold value, thus considered fit for further analysis. R square described the change which is primarily caused by independent factor and its effect is realized on dependent factor.

Table 6. Discriminant validity

Factor(s)	II	IM	IS	IC	OC	OI
Idealized Influence	**0.888**					
Inspirational Motivation	0.556	**0.904**				
Intellectual Stimulation	0.661	0.872	**0.899**			
Individualized Consideration	0.000	0.000	0.000	**0.890**		
Organizational Change	0.477	0.414	0.494	0.763	**0.883**	
Organizational Innovation	0.549	0.454	0.533	0.852	0.894	**0.940**

Discriminant validity showed that each factor is distinct in nature from other factors and it also described that each factor had highest value on its own rather than others which meant that questionnaire was correctly operationalized and distinct items were incorporated to get the feedback from target respondents (Fornell & Larcker, 1981).

Table 7. Path coefficients (Direct effects)

Path coefficients	P-Value	Standard Error	T-Statistics	Accepted/Rejected
II=>OC	0.001	0.052	4.740	**Accepted**
II=>OI	0.003	0.058	2.975	**Accepted**
IM=>OC	0.002	0.043	3.840	**Accepted**
IM=>OI	0.001	0.033	4.401	**Accepted**
IS=>OC	0.001	0.024	2.230	**Accepted**
IS=>OI	0.001	0.012	2.040	**Accepted**
IC=>OC	0.001	0.055	18.108	**Accepted**
IC=>OI	0.002	0.049	20.895	**Accepted**

There were eight path coefficients (direct effects) developed and tested to reveal the relationships hidden in them. Since, all of them revealed positive and significant relationship based on T-Statistics, Standard Error and P-Value as given above in the table 7. Hypotheses accepted and rejected on the basis of attaining threshold value of T-Statistics 1.96 (Nunnally & Bernstein, 1994). Hence, all path coefficients attained the significant threshold value of T-Statistics. Therefore, direct effects approved through analysis.

Table 8. Path coefficient (Specific indirect effects)

Path coefficients	P-Value	Standard Error	T-Statistics	Accepted/Rejected
TL=>OC=>OI	0.001	0.042	14.970	**Accepted**

Since, this study displayed mediation effect in the conceptual model (specific indirect effects) which was also approved/accepted based on the T-Statistics, Standard Error and P-Value as given above.

Conclusions

They study was based on three main factors (TL, OC and OI). However, TL divided in four dimensions (II, IM, IS and IC). Two conceptual models developed, direct effects model and specific indirect effects model. Direct effects model displayed eight hypotheses (direct relationship between the dimensions of TL, OC and OI). All hypotheses accepted/approved through analysis. However, another model displayed mediation effect (specific indirect effects) which was also accepted/approved between OC, TL and OI. Thus, study approved/accepted all hypotheses and relationships between factors given in both models of study.

Limitations

This study was limited in variety of ways such as; data collected once from target population due to cross-sectional study, only private banks of Sindh were chosen without considering other organizations, there were various hierarchies within the private banks out of which only one was taken into consideration for data collection and analysis as being the target population of the study. Since, there were various methods of data acquisition out of which close-ended questionnaire deemed

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appropriate to collect the data. Eventually, this study was wholly solely self-supported and self-funded.

Graphical model 1. (Direct effects)
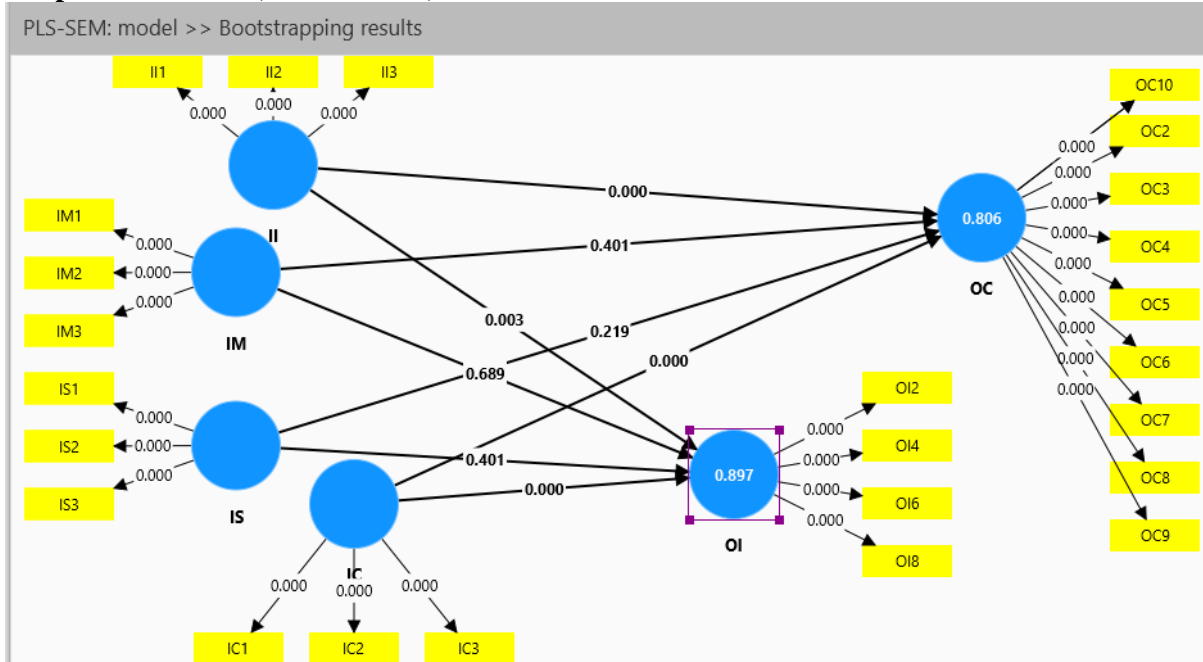
Graphical model 2. Specific indirect effects
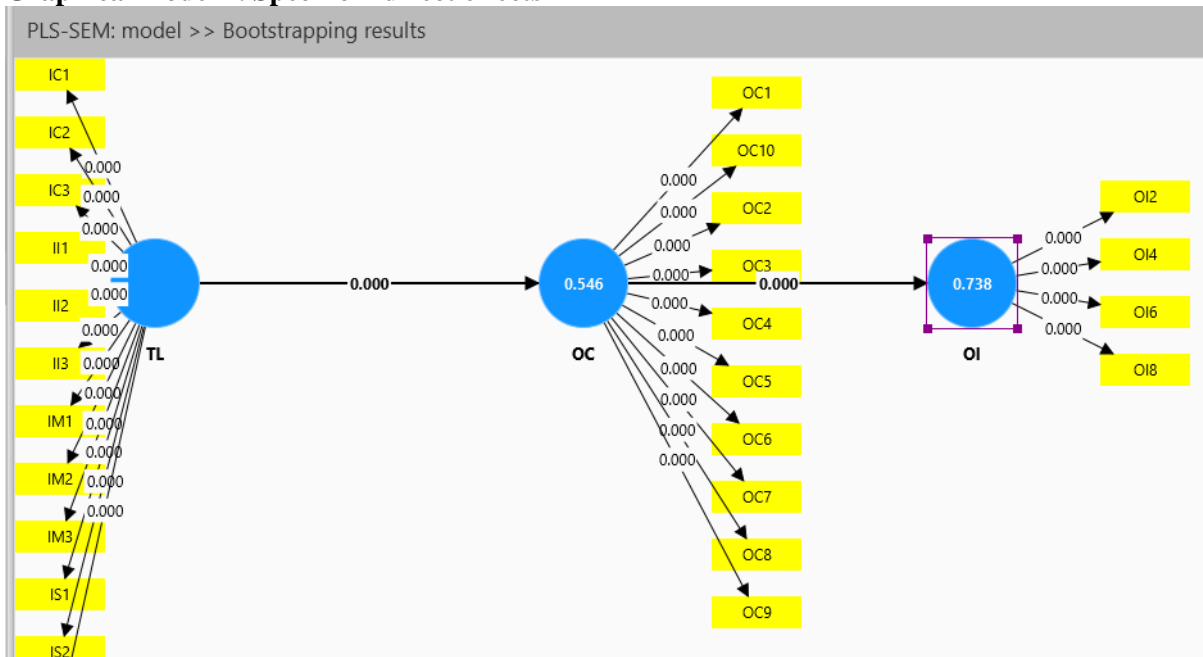
Author Contributions

All authors have contributed equally in producing this paper.

Data availability statement

Data that support the findings of this study are available on request from the first author.

Conflict of Interest

Authors have declared no conflict of interest.

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