

Employee Engagement Dimensions as mediators between Transformational Leadership and Institutional Innovation

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Abstract

As business environments described by being VUCA, special attention should be given to human resource as it forms a source of competitive advantage. Therefore, this research investigates the mediating role of employee engagement dimensions (vigor, dedication, absorption) on the relationship between transformational leadership and institutional innovation. Based on Social Exchange Theory and the Job Demands–Resources model, the research proposes that transformational leaders enhance innovation by stimulating employees' psychological investment (employees' engagement) in their work. Data were collected through a questionnaire from 322 employees from Ahli Bank in Oman. SmartPLS 4 was used to analyze the data.

The results show that transformational leadership has a significant positive impact on all three dimensions of employee engagement (vigor, dedication, and absorption). Also, all three engagement dimensions reveal significant positive impacts on institutional innovation. Mediation analysis reveals that vigor, dedication, and absorption have a significant mediating role on the relationship between transformational leadership and institutional innovation, with statistically significant beta coefficients across all direct and indirect paths. These findings indicate that transformational leadership does not influence innovation solely through direct mechanisms; rather, it operates through enhancing employees' engagement dimensions (vigor, dedication, absorption).

The originality of this research involves examining the mediating role of employee engagement as multidimensional construct (vigor, dedication, absorption). It investigates both organizational (leadership) and individual (employee engagement dimensions) level factors that enhance institutional innovation. It offers a framework to foster innovation specially for service industries where human resources play the biggest role in their success.

Keywords: Absorption; Dedication; Innovation; Transformational Leadership; Vigor