CEO transformational leadership and top management team performance: study from GCC

Abubakr Suliman, A. Srinivasa Rao and Tamer Elewa

Abstract

Purpose – Various research studies have been carried out to study Chief Executive Officers’ (CEOs’) transformational leadership in driving organizational performance and success. Evidence shows that few studies were carried out on CEO transformational leadership and top management team (TMT) performance in Gulf Cooperation Council (GCC) region. Thus, this study aims to provide a unique contribution and the first of its kind to examine the CEO leadership–TMT performance link across GCC countries.

Design/methodology/approach – In this study, the researchers approached 500 employees and 30 CEOs working in 30 different organizations operating in the GCC countries. The firms were selected conveniently from different industries located in the UAE, Saudi Arabia, Kuwait, Oman and Bahrain. The researchers used the PASW (SPSS) program to analyze the data.

Findings – The findings show that psychological empowerment has no significant role in moderating the transformational leadership–TMT performance relationship. Internal support for innovation plays a significant role in mediating the relationship between transformational leadership and TMT performance.

Research limitations/implications – The present study has not examined the behavioral aspects of CEO followers. Future research may study behavioral characteristics of the entire TMT.

Originality/value – This study contributes to body of research that identifies CEO transactional leadership as perceived by the followers was found to be more important in predicting TMT performance than transformational leadership in the context of organizations located in GCC countries. Managerial implications and future research areas are further discussed.

Keywords Innovation, Leadership

Paper type Research paper

Introduction

Various research studies have been carried out to study Chief Executive Officers’ (CEOs’) transformational leadership in driving organizational performance and success (Ling et al., 2008a, 2008b). Previous research studies have shown effects of transformational leadership as a whole on the team performance and have assumed simply that all the components of transformational leadership influence members of the group in similar ways. Individual-oriented leadership (i.e. differentiated leadership) and group-oriented leadership constitute both sides of the same coin, and all transformational leaders are required to maintain balance between the two (Wu et al., 2010; Wang et al., 2012).

By establishing a clear purpose, managing culture, creating a vision and communicating, CEOs influence their firm’s direction, relations with key stakeholders and general reputation (Vera and Crossan, 2004). Because of their job context, personality characteristics of CEOs are reflected in not only behaviors and personal preferences but also the structures, performance and strategies of the organizations which they lead (Schein, 2004). Till date, research has clearly suggested that the top management teams (TMTs) influence various firm-level outcomes and
behaviors (Carpenter et al., 2004). Klimoski and Koles (2001) and Peterson et al. (2003) observed that the research typically identifies CEOs as members of the TMTs, and assess characteristics of the TMT as overall demography related composition.

As a result, research has paid limited attention to the CEO and TMT interface, to explain effects of the CEOs on firm-level outcomes (Peterson et al., 2003). Hambrick (1994) found that the TMT traits and characteristics will not alone happen in isolation, but are importantly related to the CEO leadership style, suggesting that “top team leader has a disproportionate, sometimes dominating influence, on the group’s various outputs and characteristics” (p.194). According to Jung et al. (2003), transformational leaders seek followers’ participation by highlighting the importance of cooperation in performing collective tasks. Transformational CEOs tend to encourage decentralization of power within the teams. Indeed, extant research has clearly shown that the transformational leaders will not only delegate their team members by providing more autonomy (Smith et al., 2004) but also enhance authorized power perceptions.

Empirical finding on relation between charisma of top executive and organizational performance is not conclusive (Agle et al., 2006), advising the need for further investigation. Few studies have shown positive results on firm performance by CEO transformational leadership (Ling et al., 2008a). Few more studies were conducted at lower hierarchical levels of the organization (Wu et al., 2010; Wang et al., 2012) on team effectiveness. According to Peterson et al. (2003), future research that examines CEO transformational leadership with firm performance might examine outcomes, such as team performance or business related performance. Limited research has observed how individual transformational behaviors, which differentiate among team members, can influence effectiveness of the team itself (Zhang et al., 2013). Extensive research is required for analyzing multiple variables, to examine the possible moderated/mediated models for CEOs’ transformational leadership styles and empowerment (Dionne et al., 2004).

Therefore, evidence has shown that very limited studies were carried out on CEO transformational leadership and TMT performance in Gulf Cooperation Council (GCC) region. Hence, it was found to be a potential and fruitful area for research study. The empirical study is carried out in the GCC region as the leadership characteristics are required to be assessed and developed (Mendenhall et al., 2012) across the GCC region, mainly in the UAE region. Thus, this research study provides a unique contribution through examination of the CEO leadership styles and its impact on TMT performance. A conceptual model depicting relationships among various variables is shown at Figure 1.

Figure 1 Conceptual model
Literature review

Four levels of transformational leadership behaviors are expected to facilitate all team members rather than influencing individual of the TMT (Podsakoff et al., 1990; Wu et al., 2010). In the first place, identifying and articulating a vision focuses on creating and recognizing opportunities for the team, motivating and inspiring followers with the leader’s vision, and also creating a collective mission. Second, a cluster of behaviors is linked with an appropriate leadership model which will be followed by the followers. Acceptance of team goals is a third step and promoting cooperation among all employees to support teamwork jointly to achieve a common purpose. Fourth and final one, leaders facilitate among team members high performance expectations to achieve stretched goals.

Because individuals respond to various management styles and approaches, transformational leaders should align their leadership styles appropriate to specific situations. Confident leaders will have to assume numerous alternatives for tackling any situation/scenario or emotional states of employees (Luthans and Youssef, 2007) and will choose different alternatives based on the situation. Once a path has been identified for each subordinate based on the situation, the leaders can then provide the individualized support and consideration to help achieve their goals.

Transformational leaders are those who communicate a vision, inspire confidence and focus on strengths of the followers (Bass, 1985). Accordingly, those people, who develop their psychological capabilities such as resilient and being optimistic and hopeful will most likely demonstrate transformational leadership styles. Research has shown that transformational leadership was positively related to firm performance and other related measures of organization-wide effectiveness (Judge and Piccolo, 2004). Theoretically, it has been proved that the transformational leadership will influence organizational performance in startup firms more than in established businesses. Transformational leaders are more likely to exhibit acceptance in firms in which people are perceived to accept changes and also risk taking, particularly in startup firms (Bass, 1998). On the other hand, organizations which are absolutely governed by rules and regulations are more stable. Thus, businesses (i.e. startups) which are open to creativity and risk taking might be more conducive to leadership that is transformational than firms that are structured and stable.

Future studies might consider context driven dimensions while testing the influence on business performance by transformational leaders (Antonakis et al., 2003). TMT feedback can act as a balancing point for the transformational leadership by CEOs. Cannella et al. (2008) found no significant relationship between the functional heterogeneity and firm performance.

Based on the above empirical results, various research scholars have suggested intermediate mechanisms like moderators and mediators for the relationships between TMT dimensions and organizational performance. Various research scholars have studied different dimensions of CEO–TMT relationships (Klimoski and Koles, 2001; Peterson et al., 2003). Research study has found influence of CEO traits on the TMT dimensions such as power, cohesion and also subsequent effects on the firm performance (Peterson et al., 2003).

Kisfalvi and Pitcher (2003) studied influence of the CEO characteristics on the TMT decision processes. Similarly, Ling et al. (2008a) observed impact of CEO leadership styles on behavioral integration aspects. One such major behavioral integration process was demonstrated by Hambrick (1994). He advised that advantages of the functional diversity by TMTs can only become operational if the team acts as a real team.

Research has empirically shown that team congruence is positively related to firm performance.
In a study of 12 public companies (Bourgeois, 1980), perceptions of TMT members regarding corporate objectives was positively related to composite performance indicators of the firm. Similarities on perceptions of TMT members regarding organizational objectives were examined to be positively related to firm performance. Relevance of the CEOs’ transformational leadership for firm performance during changes in an organization seems to be undisputed (Ling et al., 2008b). Research studies do not clearly show what are the essential ingredients required for transforming strategy into organizational performance (Mankins and Steele, 2005). Accordingly, Tosi et al. (2004) found that CEO charisma was not related to any firm performance. Indeed, TMT has the widest range of effects in organizational activities and is the key decision-maker in organizational functioning. In fact, research has shown that the TMT has a significant influence on various organizational outcomes (Cannella et al., 2008). The TMT can also be known as internal change agent for fostering changes in the organization.

Transformational leadership stimulates teams’ collective efficacy and, in turn, increases team performance. A number of studies emphasized particularly on the transformational leadership behavior of the CEOs (Jung et al., 2008; Ling et al., 2008a), highlighting significance of leadership issues by CEOs with respect to functioning of the TMT. In a research study, Flood et al. (2000) examined that the transformational leadership was significantly related to effectiveness of the TMT and this was also mediated partially by joint decision-making. In their study, Tosi et al. (2004) argued that significance of the CEOs’ vision is overrated. In a research study undertaken among CEOs of the largest firms in the USA, the researchers found no significant relationships between the charisma of CEOs and firm performance. Ashford et al. (2017) reported:

Interactions between a CEO and his or her top management team (TMT) are increasingly recognized as important determinants of a firm’s success […] In particular, CEO actions that encourage a sense of potency among TMT members are viewed as critical for CEOs seeking to enhance firm performance. (p. 1)

Carpenter et al. (2004) advised for a detailed look at the processes related to teams, and also the differences between roles of the CEOs and TMT. This will fit well with situational leadership theory. A CEO transformational leader may have a positive effect on the TMTs, in line with the situational leadership theory (Thompson and Vecchio, 2009). In contrast, for the TMTs, who are enlightened and mature enough, the need for CEO involvement might be less prevalent and visible. Several other team process related variables had been tested (Carmeli and Schaubroeck, 2006). Thus, the following hypothesis is formulated:

H1. CEO Transformational leadership is positively related to TMT performance.

In the twenty-first century, the organizational landscapes had been transformed. Advances in globalization, technology and many other factors demanded that organizations make effective practices, get leaner, move closer to their customers, and become efficient. A vital component in this transformation process has been the empowerment of employees. Conger and Kanungo (1988) described empowerment as the motivational factor of self-efficacy. Spreitzer (1995, p.1443) defined empowerment as “increased intrinsic task motivation manifested in a set of four cognitions reflecting an individual’s orientation to his or her work role: meaning, competence, self-determination, and impact.” Self-determination defines a sense of autonomy and control over the initiation, regulation, and continuance of behaviors at work (Deci et al., 1989). Competence means beliefs to the extent one possesses the required proficiencies to be successful at place of work (Bandura, 1989). Finally, impact is the degree an individual believes he or she influences the strategic direction, operational processes and unit or organizational outcomes (Ashforth, 1989).

Psychological empowerment provides a framework for capturing the central themes of the psychological mind states that are observed as mediators between CEO transformational leadership and TMT performance. Empowering leadership is moderated by empowering...
role identity and is also linked to psychological empowerment, whereas psychological empowerment is moderated by leader’s creative encouragement and is also connected to creative process engagement (Xiaomeng and Kathryn, 2010). Conger and Kanungo (1988) advised that a significant and vital element for managing and stimulating change in organizations is psychological empowerment.

When employees are engaged in their own tasks, they feel psychologically highly empowered (Stander and Rothmann, 2010). Studies should examine whether psychological empowerment is an important mediator of the transformational leadership–employee creativity relationship in different industries or countries (Lale and Arzu, 2009). Transformational leaders have the capabilities to influence their follower’s perceptions (Piccolo and Colquitt, 2006; Wright, Moynihan and Pandey, 2012) and hence may have an important relationship with employee psychological empowerment (Spreitzer, 2008).

Psychological empowerment theory suggests that transformational leaders are very important promoters of employee empowerment (Spreitzer, 2008). Empirical evidence showed that transformational leadership is indirectly related to employee empowerment (Kark et al., 2003). It was also found that transformational leaders had empowering influence on followers through social identification with the group as against personal identification with the leader.

Psychological empowerment was found to linking transformational leadership with organizational commitment and also psychological empowerment mediated relationships among transformational leadership with individual job performance and also organizational citizenship behaviors (Dust et al., 2014). However, the significant role of psychological empowerment as a motivational tool linking CEO transformational leadership with performance behaviors, such as TMT performance, remains ambiguous. Hence, the following hypothesis is formulated:

- **H2.** Psychological empowerment is positively related to TMT Performance.
- **H3.** Psychological empowerment moderates/mediates relationship between CEO transformational leadership and TMT Performance.

The twenty-first century business environment will require firms to continuously innovate through collective skills, knowledge and creative efforts of their employees. There is an ample need to explore the influence of antecedents and characteristics of innovative behavior, such as supportive climate for innovation. Various research studies have examined a link between transformational leadership and change processes like creativity and innovation, improvement-led voice (Detert and Burris, 2007) and organizational innovation (Jung et al., 2003). However, despite the theoretical significance of this type of leadership and its potential presence of innovation implementation behavior, till date, very limited research has contributed to an understanding of how CEO transformational leadership is related to TMTs’ innovation implementation behavior.

Findings from an empirical study of 33 R&D teams had confirmed that transformational leadership works best with support for innovation, which further supports with climate such that the support for innovation increases team innovation only when climate for excellence is very high (Silke et al., 2008). More broadly, organizational leaders are a vital source to impact organizational culture (Schein, 1992). By fostering suitable organizational climate that nurtures creative efforts and activities, leaders can boost organizational creativity and innovation.

Thomas and Velthouse (1990) identified a link between psychological empowerment and flexibility at individual level, which might contribute to the innovative behavior. Innovative behaviors are highly change-oriented because they involve the creation of a novel idea, service, process, product or procedure.
In particular, limited research had examined to explain how the expectations for positive performance outcomes influence employee innovative behaviors at work place. Expected performance outcome is positive when employee believes that he/she will gain performance improvement or efficiency through innovative behavior. Individual innovations begin with problem identification and generation of ideas or solutions, either novel or adopted. During the next stage, a creative individual seeks sponsorship and recognition for an idea and attempts to develop a coalition of supporters for it.

Finally, during the third stage of the innovation process, the individual completes the idea by producing “a prototype of the innovation [...] that can be touched, experienced and mass-produced, turned to productive use, or institutionalized” (Kanter, 1988, p. 191). Leadership of an innovative organization provides support to the personal development and growth of the individual members vis-a-vis the system and respects capabilities of all the members to function creatively. Similarly, Scott and Bruce (1994) tested their model of innovative behavior on 172 employees in a R&D facility of a major USA company and found that perceived innovative support was positively related to innovative behavior. Despite the theoretical considerations in favor of climate’s effect on innovation, various research studies reported inconsistent findings. Support for innovation climate was received only limited attention as a mediator in the study by Scott and Bruce (1994, p. 602), where the researchers explained that “the role of climate as a mediator may be overemphasized in the literature, at least as it relates to innovative behavior.” Given these inconsistencies, it is very interesting to note that there is lack of studies evaluating the mediating role of this factor. In the present study, internal support by senior management is expected to mediate the transformational leadership–team performance relationship.

Broadly, transformational leaders are vital sources of bringing culture in the organization (Schein, 1992). By creating and developing suitable culture, which facilitates sharing of learning and knowledge, leaders can boost creative work environment in organizations. Although, these research studies have demonstrated very valuable insights, particularly, for studying creativity and leadership and its effects on transformational leadership. In general, intrinsic task related motivation contributes to the innovative behaviors.

Employees, who are empowered are more likely to be intrinsically motivated and inspired, which in turn, promotes creative efforts (Jung and Sosik, 2002). Mumford and Gustafson (1988, p. 37) have elaborated that innovations in organizations depend on supportive organizational climate. Hence, below mentioned statements are hypothesized:

\[ H4. \] Internal support for innovation is positively related to TMT Performance.

\[ H5. \] Internal support for innovation moderates/mediates relationship between CEO transformational leadership and TMT Performance.

**Method**

**Data collection procedure and sample**

To collect the primary data of the study, the researchers approached 500 employees and 30 CEOs working in 30 different organizations operating in the GCC countries.

The firms were selected using nonprobability from different industries located in the UAE, Saudi Arabia, Kuwait, Oman and Bahrain. Likewise, the employees and CEOs were mainly selected based on their interest to participate in the survey, i.e. they are selected using nonprobability technique. The primary data were collected using an online-personalized survey, i.e. co-opted subjects were sent personal emails to respond to the online survey.

Table I exhibits the country and profile of the coopted organizations and the response rate. As the table reveals, the survey was collected from five GCC countries. Out of the 500 surveys targeted, only 432 completed questionnaires were received by the researchers, out
of which 316 instruments were found to be suitable for data analysis, i.e. 73.14 per cent response rate.

The researchers selected only the questionnaires (316) that have less than 25 per cent missing data and/or not arbitrary filled, e.g. ticking the same answer for the entire survey no matter whether the statement is a positively or negatively worded, i.e. selecting, e.g. Strongly Agree (5) for the entire survey.

**Measures and reliability**

The study variables (measures for the variables used in the study) were measured using different scales (Likert’s five-point). The transformational leadership construct was examined using Podsakoff et al.’s (1990) test:

1. **Transformational leadership (Podsakoff et al.’s, 1990):**
   - paints an interesting picture for future of our group;
   - has a clear understanding of where we are going;
   - is always seeking new opportunities for the organization;
   - inspires others with his/her plans for the future;
   - is able to get others committed to his/her dream;
   - leads by doing rather than simply by telling;
   - provides good model for me to follow;
   - fosters collaboration among work groups;
   - gets the group to work together for the same goal;
   - develops a team attitude and spirit among employees;
   - clarifies his/her expectations from us;
   - insists only on best performance;
   - will not settle for second best;
talks enthusiastically about what needs to be accomplished by our team;
challenges me to think about old problems in new ways; and
asks questions that prompt me to think.

2. Psychological empowerment (Spreitzer, 1995):
- My job activities are personally meaningful to me.
- I am self-assured about my capabilities to perform my activities.
- I can decide on my own how to go about doing my work.
- I have considerable opportunity for independence and freedom in how I do my job.

3. Transactional leadership (Podsakoff et al.'s (1990) (adapted):
- always gives me positive feedback when I perform well;
- gives me special recognition when my work is very good;
- personally complements me when I do outstanding work; and
- frequently does not acknowledge my good performance (R).

Furthermore, Zhang et al.'s (2013) instrument was used to test the TMT Performance, e.g. “productivity of my department increased because of empowerment/autonomy provided to team members” and “my department productivity increased because of high performance expectations”. Whereas, Siegel and Kaemmerer’s (1978) scale of innovation was adapted to measure the innovation variable, e.g. “I am encouraged to generate creative ideas”, “I develop adequate plans and schedules for the implementation of new ideas” and “the more innovative I am, the better my job performance”.

Nonetheless, all scales used in the study were examined using the inter-items consistency reliability test using Cronbach’s alpha. All measures were found to be reliable. The model CEO transformational leadership with path coefficients is shown in Figure 2. As Table II exhibits, the alpha values ranged between 0.78 for the TMT performance to 0.99 for the transformational Leadership.

Data analysis and results
The researchers used the PASW (SPSS) program to analyze the primary data of the study. As can be seen from Table II, TMT’s performance correlates positively and significantly ($r = 0.25$, $p = 0.000$) with the employees’ perception of the transactional leadership of top managers. Likewise, Transformational leadership reported positive and significant yet strong relationship with TMT performance ($r = 0.90$). As for the internal support for innovation, Table II shows strong, positive and significant link ($r = 0.90$, $p = 0.000$) with the TMT performance.

In addition, the role of psychological empowerment in shaping TMT performance was also examined using correlation test. As Table II presents significant, strong and positive relationship is reported ($r = 0.96$, $p = 0.000$). To examine these relationships further, regression test is also conducted; the results are presented in Table III.

As Table III reveals, leadership, innovations and psychological empowerment managed to explain 97.4 per cent of the variance in TMT performance; however, the beta weights show that only two variables played significant role in this prediction. In other words, transactional leadership and transformational leadership explained the highest variance in TMT performance, beta 0.54 and 0.45. It is clear that transactional leadership is more important
than transformational leadership in shaping TMT performance, but both are significant. Given the findings from both the correlation and regression tests, it can be concluded that H1, H2 and H4 are established and that CEO transformational/transactional leadership, internal support for innovation and psychological empowerment play significant and positive role in predicting TMT performance.
To examine the role of the innovation variable in moderating transformational leadership (IV – Independent Variable) - TMT performance relationship (DV – Dependent Variable)), the regression test is applied. As Table IV exhibits, the IV is regressed against the DV (equation1). The F value of 1666.798 and the T value (40.84) are highly significant (0.00) with a beta weight equal 0.961. The Adjusted R square value of 0.923 indicates that the IV managed to explain 92.3 per cent of the variance in the DV [equation (1)]. In equation (2), the innovation variable is included as IV to assess the change in the effect of IV on DV found in equation (1). Though the T value of innovation found to be significant (T = −4.25, 0.00) and beta weight equals to −33.8, the adjusted R square value slightly dropped to 0.93 (Table IV). In equation (3), the moderator variable (innovation) is regressed as IV on the DV.

As Table IV shows, it explained 80.90 per cent of the change in the DV, with a beta weight equals 0.90 and a highly significant T vale of 24.46. The centering technique is applied in equation (4) to generate the centered variable (multiplication of centered innovation and transformational leadership), which is the Moderator 1. The Moderator 1, innovation and transformational leadership were all included as IV in equation (4). The results uncover that the Moderator 1 variable has a weak yet non-significant beta weight (beta = 0.028, T = 1.21, sig. 0.00). Meanwhile, both innovation and transformational leadership reported significant beta weights with the equation R square value remained as the same in equation (3), i.e. 0.93. Given these findings, it can be concluded that internal support for innovation plays no significant role in moderating transformational leadership-TMT performance relationship. Hence, the moderation hypothesis of the internal support for innovation is rejected (H5).

Similarly, the psychological empowerment’s role in moderating the transformational leadership-TMT performance relationship was also tested using simple and multiple regression. As Table V reveals, the IV significantly predicted the DV, with 92.3 per cent of change explained [equation (1)]. In equation (2), both the moderator variable and transformational leadership were regressed as IV against the DV to examine the change in

<table>
<thead>
<tr>
<th>S. no.</th>
<th>Dependent variable (DV)</th>
<th>Independent variable (IV)</th>
<th>Beta</th>
<th>T value</th>
<th>Sig. T</th>
<th>F value</th>
<th>Sig. F</th>
<th>Adjusted R-square</th>
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<td>1</td>
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the R square value. The model generated R square value of 0.922, which is lower than that reported in equation (1). The moderator variable showed a weak yet nonsignificant beta weight (\( \beta = 0.019, T = 0.80, \text{sig. 0.43}, \text{Table IV} \)).

To examine the effect of the hypothesized moderator on the DV, a simple regression is run. Findings of Table V read a weak and significant R square (0.062), low to moderate beta weight (0.262) and significant T value (3.21, 0.002). As for the last equation of Table V, the results show that the model has generated R square value of 0.921 with a weaker and insignificant beta weight reported for the Moderator 2 variable (\( \beta = 0.015, T = 0.646, \text{sig. 0.65} \)). Given the findings from the four equations of Table V, it can be concluded that the psychological empowerment plays no significant role in moderating the transformational leadership–TMT performance relationship, i.e. the moderation role of the variable is rejected (H3).

The partial correlation, bivariate correlation and regression (Baron and Kenny, 1986) tests are conducted to examine the mediation roles of innovation and psychological empowerment in transformational leadership-TMT performance link (H3 and H5).

As for innovation, Table II and Table VI results illustrate that the r-value (transformational leadership-TMT performance link) of 0.96 has significantly reduced to 0.797 when controlling for the innovation. This means that the relationship between transformational leadership and TMT performance is positive and stronger in the presence of innovation, however when controlling innovation the strength of the relationship diminishes by 0.163. To examine these findings further we can consider the regression test results presented in Table IV.

In equation (1), the transformational leadership is regressed against TMT performance yielding an adjusted R Square value of 0.923, when innovation is entered in equation (2) the adjusted R Square value increased to 0.93.

These results indicate that the amount of variance that the transformational leadership has explained in TMT performance has increased from 92.3 per cent to 93 per cent when innovation is included in equation (2). In equation (3), innovation managed to explain 80.9 per cent of change TMT performance.

Considering the above results, it can be concluded that internal support for innovation plays a significant role in mediating the relationship between transformational leadership and TMT performance; however, this role is clearly partial mediation rather than full mediation. Thus, the mediation H5 is partially established.

Similarly, the mediation role of the psychological empowerment in transformational leadership and TMT performance link is tested using correlation and regression tests. The

<table>
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<th>Table VI</th>
<th>Results of the mediation test for innovation and psychological empowerment (Transformational Leadership – TMT performance link)</th>
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<td><strong>Mediating variable</strong></td>
<td><strong>Transformational leadership</strong></td>
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<td><strong>1. Innovation</strong></td>
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<tr>
<td>Transformational leadership and TMT Performance</td>
<td>Correlation: 1.000</td>
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<td>Significance (two-tailed): .</td>
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<td><strong>1. Psychological Empowerment</strong></td>
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<td>Transformational leadership and TMT Performance</td>
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<td>Significance (two-tailed): .</td>
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correlation value of 0.96 remained almost the same (0.958) when controlling for the psychological empowerment as shown in Tables II and V. When considering the regression outcomes, equation (3) of Table V reveals that the psychological empowerment played a significant role in predicting TMT performance.

However, the adjusted R square value of 0.923 reported in equation (1) remained almost unchanged (0.922) when psychological empowerment is added to transformational leadership in equation (2) and both are regressed against TMT performance. According to these findings, psychological empowerment plays no significant role in mediating the relationship between transformational leadership and TMT performance. Hence, mediation H3 of the psychological empowerment is rejected.

Discussion

Similar and contradicting findings are reported in the management literature. For example, Carmeli et al. (2011) studied the CEO empowering leadership impact on TMT behavioral integration, potency and firm performance. The findings uncover that CEO empowering leadership plays significant and positive role in shaping the TMT behavioral integration, TMT potency and performance. Likewise, Farrell et al. (2005) attempted to examine the CEO leadership role in shaping the trust of TMT in Ireland. They found that:

[…] transformational leadership is positively and significantly related to TMT trust […] The members of the TMT trust that, because the CEO shows interest in helping them to progress towards their goals, they will act in a way that is agreeable to them. Furthermore, the coaching role of the transformational CEO results in the development of competence-based trust. By helping the team to develop its strengths and by removing the ‘road blocks’ they encounter (Bass and Avolio, 1990), the transformational CEO can generate team members’ confidence in the ability of the team. (pp. 33-34).

Stoker et al. (2012) examined the CEO transformational leadership role in predicting team performance and change effectiveness. Contrary to the findings of the current study, they found that CEO transformational leadership is not related to performance and change effectiveness for teams. Carmeli et al. (2011), for example, found CEO empowering leadership and TMT behavioral integration are positively and significantly related. They concluded that: “CEO empowering leadership influences TMT processes which, in turn, influence firm performance; the TMT processes included behavioral integration” (p. 406).

Furthermore, the above analysis and findings clearly show that psychological empowerment has no significant impact as neither a moderator nor a mediator in the TMT performance-transformational leadership link. It implies that TMT performance is not linked to psychological empowerment components.

On the other hand, support for innovation has no moderation role in the CEO–TMT performance link and it has partial mediation in the CEO–TMT performance relationship. It is further explained that although the support for innovation and the TMT performance relationships are stronger, the relationship between CEO Transformational leadership and the support for innovation is partial. It may be pertinent that awareness of innovation practices in the organizations is not prevalent. It is also clear from the results that if everyone in the organizations believe that innovation practices, if implemented, will lead to high TMT performance. Notwithstanding, culture in the GCC/UAE regions will certainly impact organizational/team performance; various studies have already demonstrated this as mentioned in the above literature.

To conclude, TMT performance is crucial for organization’s development and success. According to the current study, it was made clear how team members of top management
perceive the leadership (transformational and transactional) of their CEOs shape their performance. The TMT may have behavioral tendencies that mirror the behaviors of the CEO if the team is characterized by demographic homogeneity. However, the TMT members may not also share all the behavioral characteristics of the CEO, especially in teams with demographic heterogeneity. On the other hand, CEO transactional leadership as perceived by the followers was found to be more important in predicting TMT performance than transformational leadership. As for the moderation and the mediation roles of the psychological empowerment and the internal support for innovation, the findings revealed that both constructs play no significant role in moderating transformational leadership–TMT performance relationship. Likewise, the mediation role of the psychological empowerment in the said link is also rejected; however, the internal support for innovation inclined to report significant partial mediation.

Our findings also suggest that internal support for innovation has no significance by which transformational leadership contributes to TMT performance. This indicates that the tasks which are assigned to TMT members are meaningful and that they are self-motivated.

Previous studies also highlighted the fact that human resource development and training has not been very effective in the Middle Eastern region because of cultural factors (Budhwar and Mellahi, 2006). Now presently, the trend has been changing gradually as many multi-national companies are being set up in this region and also the CEO leadership styles and approaches have been changing accordingly.

Few studies highlighted the importance of performance management practices in the GCC/Arab World countries (Waxin and Bateman, 2009a). Very few research studies have been undertaken to systematically understand all components of the performance management process in the GCC countries (Rao and Waheed, 2015).

Conclusion and managerial implications

This research study adds further to examine the mechanisms of CEO transformational leadership on TMT processes (Wang et al., 2005; Zhang et al., 2011). More significantly, the CEOs need to understand the cultural factors and the support required to perform effectively by their TMT members.

Positive relationship between transformational leadership and one dimension of transactional leadership, i.e. contingent reward focusses the need for leaders of hospital administration to improve various components of leadership (Naceur and Juma, 2005). It can be well achieved through training and mentoring to improve managerial competencies of transformational leadership.

As the economy of the country is growing and population becoming multi-cultural, there is ample need for CEOs and leaders working in organizations in GCC in general, and UAE in particular to change their leadership practices and approaches towards improving organizational efficiency and performance. Our study could provide some guidance to CEOs as to what type of mentoring and coaching to be provided to their TMT members for competency development.

Limitations

Although the study revealed significant relationships between CEO and TMT performance, there are some limitations in the study. The researchers had administered online questionnaire surveys to 500 respondents and 30 CEOs, chosen through convenience sampling method, out of which only 432 received and 316 were found suitable for analysis (73.14 per cent). It attributed to the fact that in online surveys, inspite of repeated reminders, responses from the respondents were very poor, as because of their busy schedules and other business commitments, this had been given little importance.
This could have been avoided, had we undertaken the survey physically face-to-face via paper and pencil. Again, out of 432, usable surveys were only 316; others were either not filled properly or not knowing the context and meanings of different questions asked in the survey. This could also have been avoided in the face-to-face interviews.

Another limitation was that the researchers could not conduct interviews or collect qualitative data. In fact, mixed methods (quantitative and qualitative) approach was more reliable. Finally, yet importantly, the generalization of the current findings on all GCC countries is limited as a few completed valid surveys were received from Kuwait (32 surveys), Oman and Bahrain (7 and 8, respectively).

The present study has not examined the behavioral aspects of CEO followers. Future research may study behavioral characteristics of the entire TMT. Future research may also attempt to explore CEO transactional leadership and TMT performance further and investigate the reasons behind such a significant difference between the two constructs. Mixed methods (quantitative and qualitative/interviews) approach in place of online surveys would be more effective and advantageous for future studies.

References


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