

The Mediating Effect of Employee Performance on Transformational Leadership Style and Organisational Innovation: A Case Study of the Hotel Industry in Saudi Arabia

Abdullah Helalat*

School of Housing Building and Planning, Universiti Sains Malaysia, Malaysia

Badaruddin Mohamad

School of Housing Building and Planning, Universiti Sains Malaysia, Malaysia

Majid Ghasemy

National Higher Education Research Institute (IPPTN), Universiti Sains Malaysia, Malaysia

Abstract

Rapid changes in the global environment, as well as the fierce competition among hospitality companies to obtain competitive benefits are well-prepared leadership, high-performing employees and innovative approaches. Leadership, employee performance, and innovation are key factors that help the hotel industry remain competitive and provide excellent services. This paper aims to investigate the mediating effect of employee performance on transformational leadership style and organizational innovation in the hotel industry in Makkah and Madinah, Saudi Arabia. In this regard, studies that are related to the hotel industry in Saudi Arabia are scarce. This research, therefore, contributes to the hospitality industry studies, as well as the hoteliers. Seventy-two local and international five-star hotels in Makkah and Madinah are selected for the study analysis, and rank-and-file employees are targeted as the respondents. A total sample of 371 respondents is studied. A Google link containing the survey form is administered to the employees through the departments' heads at the selected hotels. The obtained data are statistically analyzed using SmartPLS. The findings showed that there is a positive mediation of creativity between intellectual stimulation and inspirational motivation on product innovation. This will, in turn, promote organizational innovation.

Keywords: Transformational leadership; Employee performance; Organizational innovation; Hotel industry.



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1. Introduction

Globally speaking, the hospitality industry has undergone many changes in the last few years. These changes include market competitive, shifting customer desires and consumption methods, advanced technology, an expanding range of hospitality programmes, as well as product and services differentiation. They have affected the hospitality industry and collectively form a case for innovativeness (Kessler *et al.*, 2015; Repnik, 2013; Tebogo and Steyn, 2015). The leadership style is a key aspect of fostering innovation in the hotel industry. According to Mittal and Dhar (2016), Slåtten and Mehmetoglu (2014), leaders with transformational style and their followers' performance can significantly influence creativity and innovative behavior in the hotel industry. Khalili (2016), concludes that transformational leaders exhibit support, as well as care for each employee. This behavior helps employees overcome challenging routine style of working, which leads to high levels of creativity and innovation.

The hospitality industry in the Kingdom of Saudi Arabia has significantly improved over the last few years. It has become more important in the Kingdom's transition away from oil-based revenues. Religious tourism activities, i.e., Hajj and Umrah to Makkah and Madinah are regarded as key elements of the Kingdom focusing on tourism. The total income of travel and tourism to Gross Domestic Product (GDP) was 518.333 billion USD back in 2014, representing 7.7% of the Kingdom's GDP. It has increased by 6.1% to approximately 617.066 billion USD in 2015, representing 8.0% of the Kingdom's GDP. Such a positive outlook is expected to continue because the Kingdom enjoys year-round tourism activities mainly Umrah and Hajj activities. Therefore, the Kingdom's revenues, which are generated by tourism and hotel industry to the national economy are huge. In the Holiest Islamic cities, Makkah and Madinah, the hospitality sector produces the largest revenue to the national income (Aldosari, 2013; Alsughayir, 2017; Assiri, 2016; Derhally, 2015). The annual growth rate of the hospitality industry income in Saudi Arabia has increased from US\$ 480 million in 2016 to US\$ 532 million in 2017. It is expected to reach US\$ 580 million in 2018. By 2022, the hotel industry revenues in the Kingdom of Saudi Arabia are expected to reach US\$ 720 million (Statista the Statistics Portal, 2017).

The hospitality industry is a fast-growing sector in Saudi Arabia. However, limited research has been published focusing on such an important sector. According to Khan and Alam (2014), the government of Saudi Arabia has increased the investment for the hotel industry infrastructure. This emphasizes the importance of the hotel industry's revenues in the Kingdom. The number of hotel rooms continues to increase accommodating growing tourists'

numbers (Alotaibi, 2016; Alsughayir, 2017; Assiri, 2016). The Saudi hotel industry is one of the most important sectors, which creates jobs and generates revenues. This is particularly true for Makkah and al-Madinah regions, which accommodate Muslim pilgrims all year-round (Alqusayer, 2016; Kouchi *et al.*, 2018). Therefore, the performance of employees, as well as the facilities in Makkah and Madinah should be elevated and high-level services should be provided to the pilgrims to meet the requirements of the Holy cities. Pilgrims during Umrah and Hajj do not usually complain about the services regarding the Islamic conditions (Committee, 2013).

Leaders in the hospitality industry sector must inspire and motivate their followers to maintain high standards of services. This includes practices such as supporting creativity, including the employees in decision-making and training them to solve problems (Lizzette Barbosa-Mccoy, 2016). Employee performance is a key factor contributing to the success of an organization. The performance of employees is an essential part of the organization, which contributes to building a team that works to achieve the organization's goals (Bashaer Almatrooshi, 2016). Leaders are required to control their followers, lead them, and ensure excellence in providing services (Wanjala, 2014). In the hotel industry, leaders shoulder the responsibility of encouraging and improving the performance of their followers (Liang *et al.*, 2017). Accordingly, the mediating effect of employee performance on the relationship between transformational leadership style and organizational innovation is investigated in this paper.

2. Literature Review

This section reviews the existing literature that is related to the basic concepts of the study variables: transformational leadership, employees' performance, and organizational innovation. Moreover, a summary of the significant previous studies about each variable is provided in this section.

2.1. Transformational Leadership Style

Transformational leadership style (TL) leaders have a significant impact on their followers. They practice inspirational motivation (IM) and intellectual stimulation (II). They motivate open culture, trust the employee to achieve the desired objectives, and create space for employees to reach their full potential (Alarifi, 2011; Çelik *et al.*, 2016; Nanjundeswaras and Swamy, 2014). Transformational leadership is a leadership style with effective features making leaders positive and successful. Such leaders have a different way of supporting their followers, provide them with a certain vision, and inspire them to be creative in their thinking (Almutairi, 2016). Leaders advocating a transformational leadership style can build strategies to develop their followers' performance to the highest levels, which exceed the expected levels of their efforts (Nieves and Segarra-Ciprés, 2015). They stimulate their subordinates to optimize their abilities. Such leaders can skilfully prepare employees to be creative, innovative, and solve work-related problems that would impact the growth of their organization (Çelik *et al.*, 2016).

2.2. Employee Performance

Employee performance (EMP) is a key factor in making a positive change in the organization, which enhances organizational performance (Bashaer, 2016). Employee performance refers to the behaviors that are appropriate for the goals of the organization. It is under the control of employees because they are the service providers (Dola, 2015). The performance of employees in the hotel industry is linked with the success of an organization (Lizzette Barbosa-Mccoy, 2016). The employees' evaluation and leaders' feedback about their work can help improve their performance to achieve their goals. This makes employees focus on the most important issues (Lumbasi, 2015). It links the objectives of an organization to its employees' goals (Thompson, 2016).

Employee creativity is defined as the process of developing unique and valuable ideas, which can develop and improve efficiency in addition to ensuring the success of an organization (Gong *et al.*, 2009). Creativity has become an essential theme for various tasks, work, and businesses (Suifan and Al-janini, 2017). Leaders perceive the fact that staying competitive means that they should make their employees actively involved in their work and try to generate unique and suitable methods, processes, and products (Çekmeceliolu and Günsel, 2013).

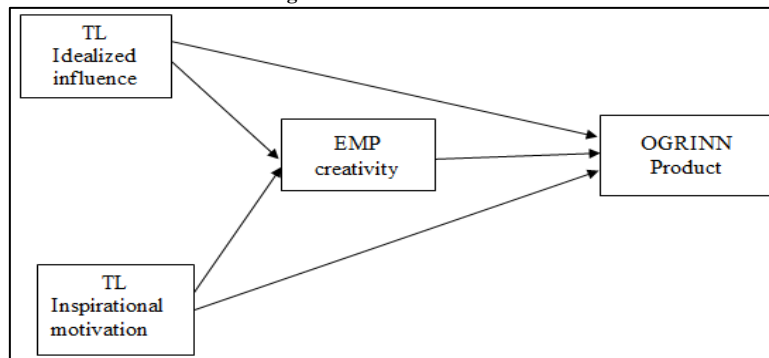
2.3. Organisational Innovation

Innovation is defined as the process, which helps create or add value by developing methods or using knowledge in new ways. It allows organizations to create something unique (Osman *et al.*, 2016). There are different types of innovation such as product, process, marketing, and technological innovation, which positively affect hotels (Alsughayir, 2017). Innovation in the hotel industry can be promoted through employee involvement, motivation, and commitment (Lizzette Barbosa-Mccoy, 2016). Dhar (2015), for example, found that motivated and committed employees can produce creative work outcomes. The hotel industry depends on human resources to provide direct and indirect services to guests such as a customer service employee, who provides different services (Moghimi and Muenjohn, 2014). Product innovation refers to the introduction of a unique or new tangible service, which is one of the most important factors that affect hotel success (Haktanir and Harris, 2005).

2.4. Research Framework

The study has developed a conceptual framework to investigate the relationship between transformational leadership style and organizational innovation that is mediated by employee performance.

Figure-1. Research Framework



Based on the conceptual framework of this study, transformational leadership is examined as an independent variable and employee performance is examined as a mediator. Transformational leadership style is investigated based on Bass *et al.* (2003) and developed by Anyango (2015). Employee performance is adapted from George and Zhou (2001) and developed by Zhang and Bartol (2010). Studies have found a direct and significant relationship between transformational leadership style and employee performance (Anyango, 2015; Dola, 2015; Ghafoor *et al.*, 2011; Quintana *et al.*, 2014; Tebogo and Steyn, 2015). Transformational leadership has a positive impact on the employees' performance and their productivity (Wang *et al.*, 2014).

Organizational innovation is investigated as the dependent variable in this study. When a leader uses a transformational style in leadership, this can improve employees' performance, inspiration, motivation, which will enhance employees' innovation behavior. These elements create innovative approaches in the organization to achieve its objectives (Al-Husseini, 2014; Jaiswal and Dhar, 2015; Jong and Hartog, 2008; Tebogo and Steyn, 2015). Transformational leaders through their behaviors and charismatic character (idealized influence and inspirational motivation) can directly affect and promote innovation in the organization (Choi *et al.*, 2016; Rehman *et al.*, 2014; Slåtten and Mehmetoglu, 2014).

2.4.1. Hypothesis Development

Employees, who attempt to improve and develop their performance, need motivation, encouragement, and training by their leaders, which will enhance their innovative abilities (Lizzette Barbosa-McCoy, 2016). For example, motivating and inspiring employees make them create new products or add value to existing products. This leads to innovative approaches and keeps the organization competitive (Osman *et al.*, 2016). When employees feel that they are part of the company, they will contribute effectively to the company's success by working creatively to enhance the innovation process (Choi *et al.*, 2016). Employees' performance and their ability to be innovative is a key merit of an organizational innovation (Fu *et al.*, 2015). Through motivation, employees can increase their loyalty, commitment, and performance, which can enhance innovative approaches in the organization (Salau and Akinbode, 2015). This includes improving employees' productivity and service delivery to the hotel's customers. Accordingly, the following hypotheses are postulated in this study:

H1 Creativity mediates the relationship between Idealized Influence and Product Innovation.

H2 Creativity mediates the relationship between Inspirational Motivation and Product Innovation.

3. Methodology

3.1. Research Instrument

This study is quantitative research, which employs a stratified sampling method and targets employees of a lower level than the supervisor (rank-file employees). A questionnaire is developed by the researchers via Google form. The questionnaire is administered to the employees through their heads of departments in the targeted hotels in Makkah and Madinah in Saudi Arabia. Data were gathered from the respondents using an online survey from all the departments. The designed questionnaire is totally protected as no one can add or delete items and no item can be left unanswered. 1440 questionnaires were sent via WhatsApp and emails to seventy-two five-star hotels. 20 questionnaires were administered to each hotel in the cities of Makkah and Madinah. From a total of 1440 samples, only 371 questionnaires were answered and used in this study. Employees in all departments participated in the process of completing the questionnaires including food and beverages, rooms division, engineering, human resources, and other supported departments at the hotels.

Transformational leadership style (TL), which is developed by Bass *et al.* (2003), is implemented in this study so that transformational leaders are assessed. This concept comprises components. Two components have been chosen for this study, namely 'Idealized Influences' (TLII) and 'Inspirational Motivation' (TLIM). This variable was measured by eight items; four items for each dimension (e.g., my supervisor expresses his/her confidence that we will achieve our goals). All the items of the study questionnaire are measured based on a 5-point Likert scale ranging from 1) strongly disagree to 5) strongly agree. This scale is applied to measure all the items of the questionnaire in this study. This scale is used because it is valid and widely used in the literature.

A test of mediation effect has been conducted to examine if the employees' performance creativity acts as a mediator in the relationship between transformational leadership style and organizational innovation. This variable (creativity) has been measured using 3 items, which are developed by Zhang and Bartol (2010) (e.g., I come up with

new and practical ideas to improve performance). Furthermore, to investigate organizational innovation, the researchers used a scale that is developed by [García-Morales et al. \(2012\)](#). This variable is measured through five items for product innovation (e.g., the organization’s emphasis on developing new products or services). The items of all the study variables are included in Appendix A.

4. Sample

The employees of five-star hotels in two Saudi cities, Makkah and Madinah, from all the departments are the target population in this study and 72 hotels are included in this study. [Table 1](#) presents the participants’ demographic information in the study.

Table-1. Main Demographic Information of the Participants in the Study

Demographics Variables	Frequency	Valid Percent
Gender	324	87.3
Male		
Female	47	12.7
Age		
18-24	48	12.9
25-30	173	46.6
31-36	97	26.1
37-42	14	3.8
Above 43 Years	39	10.5
Work departments		
RD	113	30.5
F&B	151	40.7
ENG	46	12.4
HR	34	9.2
Other	27	7.3
Education level		
High school or less level	101	27.2
Diploma level	96	25.9
Bachelor’s degree	143	38.5
Master’s degree	31	8.4
Total	371	

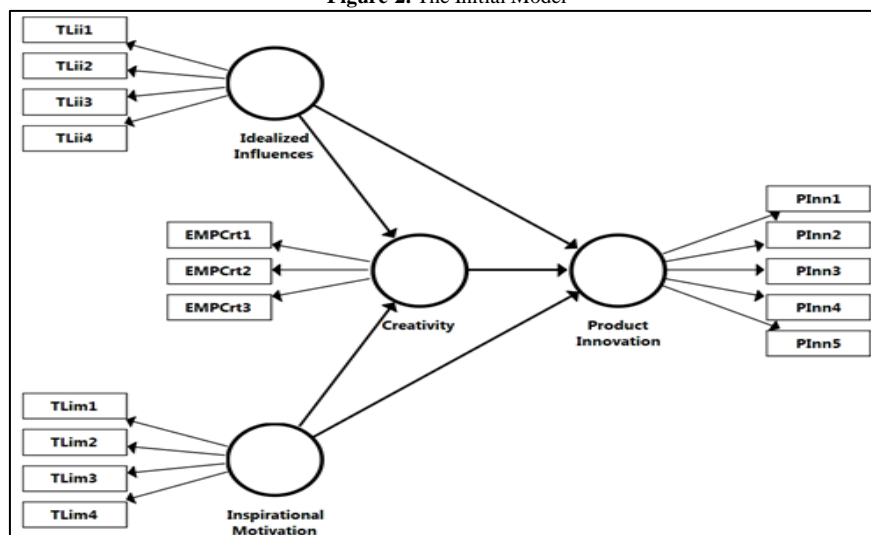
4.1. Initial Data Screening Procedure

In this study, univariate skewness and kurtosis of all the items were examined using SmartPLS 3 (Ringle C. M. et al., 2015b). Through this procedure, no item with extreme skewness or kurtosis was identified. Notably, since all the items are compulsory, no missing value was identified within the collected data.

Next, a few scatterplots were charted to visually inspect linear relationships between the exogenous and endogenous constructs, as well as to look for obvious unusual cases ([Field, 2013](#)). A preliminary regression analysis was carried out to detect cases with undue influence over the main analysis and Cook’s distances ([Cook and Weisberg, 1982](#)) were examined.

Through this procedure, no major outlying case with overall undue influence over the analysis was detected. As a result, the PLS algorithm was run for the data collected from 371 cases. The initial model is shown in [Figure 2](#). It is important to highlight that due to the nature of the problem and given the statistical requirements to run a sound analysis ([Hair et al., 2017](#)), PLS-SEM is the main approach to analyze the data and, therefore, SmartPLS 3 ([Ringle et al., 2015a](#)) software package is used for the analysis in this study.

Figure-2. The Initial Model



4.2. Reflective Measurement Model Evaluation

The procedure for assessing reflective measurement models, which is suggested by Hair *et al.* (2017), is used to evaluate each of the reflective measurement models. This procedure starts with evaluating factor loadings, estimating Cronbach's Alpha and composite reliability as the measures of internal consistency reliability, as well as establishment convergent and discriminant validities. Average Variance Extracted (AVE) values (Hair *et al.*, 2017) are highlighted to assess the convergent validity of the measurement models. In addition, the discriminant validity is assessed based on two criteria, namely Fornell-Larcker criterion (Fornell and Larcker, 1981) and HetroTrait-MonoTrait (HTMT) ratio (Henseler *et al.*, 2015). This evaluation identified two problematic items, namely TLi3 and TLim1. Having eliminated these items, the model is reassessed. Tables 2, illustrates the results of the reflective measurement models' evaluation indicating that all the required quality criteria with respect to loadings, Cronbach's Alpha, composite reliability, and convergent validity are met.

Table-2. Factor loadings, Cronbach's Alpha, Composite Reliability, and Convergent Validity

Scale	Item	Loading	Cronbach's Alpha	Composite Reliability	AVE
Creativity	EMPCrt1	0.901	0.885	0.929	0.814
	EMPCrt2	0.915			
	EMPCrt3	0.890			
Product Innovation	PInn1	0.844	0.889	0.919	0.694
	PInn2	0.855			
	PInn3	0.856			
	PInn4	0.809			
	PInn5	0.799			
Idealized Influences	TLi1	0.822	0.800	0.881	0.713
	TLi2	0.870			
	TLi4	0.840			
Inspirational Motivation	TLim2	0.859	0.853	0.911	0.773
	TLim3	0.900			
	TLim4	0.877			

Moreover, the results of establishment of discriminant validity based on Fornell-Larcker criterion (Fornell and Larcker, 1981) and HTMT ratio (Henseler *et al.*, 2015) are illustrated in Table 3 and Table 4, respectively.

Table-3. Discriminant Validity Establishment based on Fornell-Larcker Criterion

Scale	Creativity	Idealized Influences	Inspirational Motivation	Product Innovation
Creativity	0.902			
Idealized Influences	0.673	0.844		
Inspirational Motivation	0.744	0.747	0.879	
Product Innovation	0.631	0.567	0.593	0.833

Table-4. Discriminant Validity Establishment based on HTMT_{0.9} Criterion

Scales	Creativity	Idealized Influences	Inspirational Motivation
Idealized Influences	0.791		
Inspirational Motivation	0.856	0.899	
Product Innovation	0.709	0.665	0.679

4.3. Structural Model Evaluation

As the next step of the analysis, the guidelines, which are proposed by Hair *et al.* (2014) to assess the structural model are applied in this study. This procedure consists of the assessment of collinearity among exogenous constructs, path coefficients, the model's predictive accuracy, and relevance, as well as f^2 and q^2 effect sizes.

4.3.1. Collinearity and Path Coefficients

As the first step, the Variance Inflation Factor (VIF) values, as the quantifiers of the severity of collinearity among the exogenous latent variables, are evaluated. This step showed that the VIF values were less than 5 (Hair *et al.*, 2017), implying that there is not any cause for concern with respect to the potential problem of collinearity among the exogenous constructs (Hair *et al.*, 2011). Next, the significance and relevance of the path coefficients in the inner model are examined through running one round of complete bootstrapping routine with 5000 bootstrapped samples. It is important to note that bootstrapping is a resampling technique that is widely used to estimate the standard errors of path coefficients and to assess the statistical significance of these path coefficients (Hair *et al.*, 2017). This procedure showed that the path from the inspirational motivation to the product innovation was not statistically significant ($t=1.762$). Consequently, the path was deleted from the model and the final round of complete bootstrapping routine was performed to estimate the final coefficients and their significance, as well as to generate Bias-Corrected and Accelerated (BCa) confidence intervals for the coefficients. Finally, the results of the collinearity

assessment and path significance testing are illustrated in Table 5 and Table 6, respectively. The size of the direct effects was big enough to justify their relevance, too.

Table-5. Collinearity Assessment

Construct	Creativity	Product Innovation
Creativity	----	1.828
Idealized Influences	2.260	1.828
Inspirational Motivation	2.260	----

Table-6. Final Path Coefficients Assessment Using a Complete Bootstrapping Routine

Path	Original Sample (O)	Sample Mean (M)	Bias	Standard Deviation	T Statistics	P Values	2.5%	97.5%
Creativity -> Product Innovation	0.456	0.455	-0.001	0.062	7.342	0.000	0.326	0.568
Idealized Influences -> Creativity	0.265	0.264	-0.001	0.064	4.126	0.000	0.135	0.390
Idealized Influences -> Product Innovation	0.260	0.262	0.002	0.066	3.950	0.000	0.131	0.390
Inspirational Motivation -> Creativity	0.547	0.548	0.001	0.060	9.150	0.000	0.422	0.657

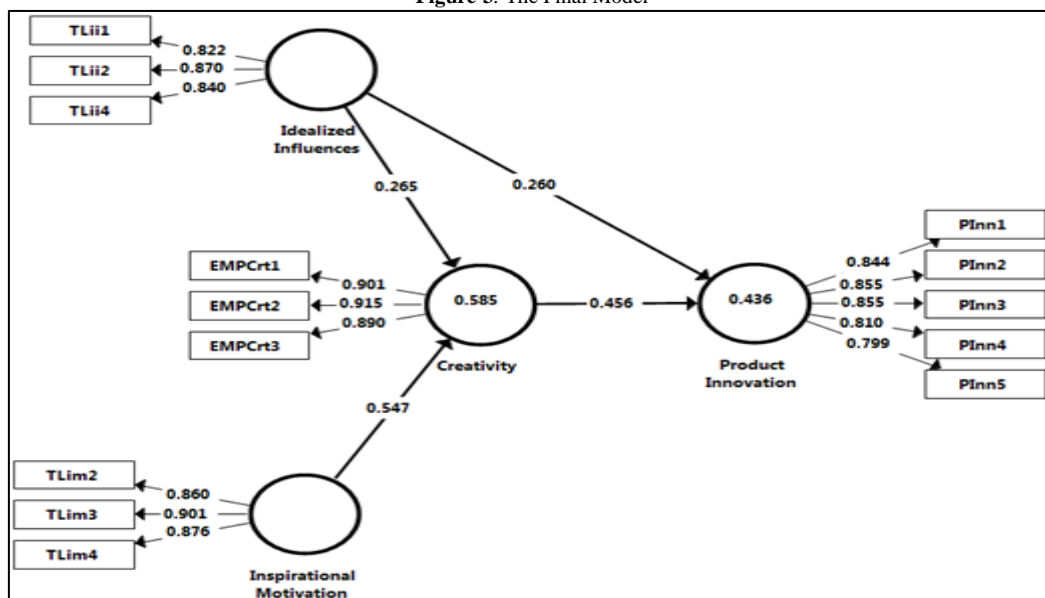
In addition, the indirect paths were assessed to test their significance as another main step in determining the type of mediation (Hair et al., 2017). Table 7 summarizes the evaluation results of the indirect effects.

Table-7. Indirect Effects Significance Testing

Indirect Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	2.5%	97.5%
Idealized Influences -> Creativity -> Product Innovation	0.121	0.119	0.030	4.009	0.000	0.062	0.181
Inspirational Motivation -> Creativity -> Product Innovation	0.249	0.250	0.048	5.185	0.000	0.160	0.346

As illustrated in Table 7, both specific indirect effects were significant. The final model with the path coefficients and R² values for the endogenous constructs is illustrated in Figure 3.

Figure-3. The Final Model



4.3.2. The Model's Predictive Accuracy and Relevance

The measurement of the model's predictive accuracy or R^2 and the Stone-Geisser's Q^2 value (Geisser, 1974; Stone, 1974), the measurement of the model's predictive relevance are presented in this section. The evaluation of these values showed that 58.5% of creativity was explained by both idealized influences and inspirational motivation. In addition, the results of the analysis highlighted the fact that creativity and idealized influences can determine 43.6% of the product innovation.

Regarding the model's predictive relevance, the sample re-use blindfolding technique is applied to compute Q^2 values for the reflective endogenous constructs in the model. For this reason and given the sample size in this study ($N=371$), the omission distance is set at 8. This analysis showed that Q^2 values for creativity and product innovation were 0.454 and 0.283, respectively. As a result and based on the guidelines that are proposed by Hair *et al.* (2017) and Garson (2016), the model demonstrated a considerable degree of predictive accuracy and relevance.

4.3.3. f^2 and q^2 Effect Sizes

In the context of PLS-SEM, the change in R^2 when a specific exogenous construct is omitted from the model is used as a measurement to assess the effect of the omitted construct on the model's predictive accuracy. This measurement refers to the effect size (f^2) and is automatically computed for all the exogenous constructs. Like f^2 effect size, the relative impact of any exogenous construct on the model's predictive relevance or q^2 effect size can also be computed, albeit manually (Hair *et al.*, 2017). It is important to note that according to Cohen (1988), the effect sizes of 0.02, 0.15, and 0.35 are seen as small, medium, and large, respectively.

With respect to f^2 effect sizes focusing on creativity, the results showed that the effect size of idealized influences was relatively small ($f^2=0.075$) and the effect size of inspirational motivation was large ($f^2=0.319$). Regarding product innovation, the effect size of creativity was moderate ($f^2=0.201$). However, idealized influences had a relatively small effect size on the model's predictive accuracy ($f^2=0.066$).

Regarding q^2 , the procedure, which is proposed by Hair *et al.* (2017), is used to manually compute this statistic for the exogenous constructs in the model. The results showed that the sizes of the effect of idealized influences on creativity ($q^2=0.042$) and on product innovation ($q^2=0.033$) were small. The effect size of inspirational motivation on creativity was relatively more than moderate ($q^2=0.190$) and the effect size of creativity on product innovation was in between small and moderate ($q^2=0.102$).

4.4. Hypotheses Testing Results

Based on the information given in Table 6 and Table 7 and the guidelines that are proposed by Hair *et al.* (2017) regarding the mediation analysis, both mediation hypotheses are accepted. In other words, the analysis results supported the fact that the effect of idealized influences and inspirational motivation on product innovation are mediated by creativity, which supports both hypotheses. However, based on the discussion in (Hair *et al.*, 2017; Nitzl *et al.*, 2016) in terms of the mediation type, idealized influences' effect on product innovation is partially mediated by creativity (complementary mediation). However, the effect of inspirational motivation on product innovation through creativity is a full mediation.

5. Discussion

This study aims to investigate the mediating effect of employee performance (creativity) in the relationship between transformational leadership style and organizational innovation in five-star hotels in Makkah and Madinah in Saudi Arabia.

The transformational leadership style has a direct effect on employee performance through motivation, stimulation, enhancement, and inspiration (Lizzette Barbosa-McCoy, 2016). It is when leaders motivate and inspire their followers aiming at maximizing their efforts to increase their performance and work outputs. It inspires employees to work creatively as a team and adopts creative behaviors. This can be achieved by exercising clear communication, mutual understanding between leaders and followers. Leaders care about every individual employee and understand the personal circumstances of each employee to enhance their subordinates' satisfaction with such a style of leadership.

Idealized influence of transformational style can be related to the leader, who acts as a role model for his followers. Such leaders usually adopt high standards of ethical considerations such as fairness, provide clear vision, and self-sacrifice in the work manner. These factors indirectly influence employees' performance in the workplace (Dola, 2015). Idealized influence behavior is positively related to employees' creativity according to previous studies (Anyango, 2015; Gumusluoglu and Ilsev, 2009; Jaiswal and Dhar, 2015). Leaders of the inspirational motivation behavior help followers consider a certain problem from different perspectives and give them a chance to solve it. This, in turn, motivates the followers to improve their problem-solving skills. This has a positive impact, which inspires their creativity and performance. Studies that investigated the transformational leadership idealized influence and inspirational motivation found that there is a positive impact on organizational innovation (Jung *et al.*, 2003; Khan *et al.*, 2009; Rehman *et al.*, 2014).

The results of the mediating effect of employees' performance on the relationship between transformational leadership style and organizational innovation in Makkah and Madinah hotels revealed that employees' performance (creativity) positively mediates the relationship between transformational leadership (idealized influences) on organizational innovation (product). This finding supports the findings of previous studies, which showed that there is a significant and positive relationship between the same dimensions. Accordingly, leaders in the hotel industry in

both cities can act as a role model to influence the performance of their followers to be more creative and innovative, which enhances the organizational innovation of the product.

Furthermore, employees' performance (creativity) positively mediates the relationship with the other component of transformational leadership style (Inspirational Motivation) and organizational innovation (Product Innovation). This includes leaders, who can motivate their followers and inspire them to enhance their innovativeness through motivation, develop their creativity behavior and performance at five-star hotels in Makkah and Madinah.

6. Conclusion

This study aims to examine the impact of transformational leadership style and organizational innovation mediating effect of employee performance to achieve organizational goals in Saudi Arabia's hotel industry. Previous studies have highlighted the impact of transformational leadership, employee performance and organizational innovation on hotel business performance. It is important for hotels to provide excellent service to their guests. This depends on a robust leadership style and the ability to optimize employees' efforts to work creatively so that a high level of successful services is provided. Effective leadership entails commitment, loyalty, reward, and high levels of creativity. According to these factors, employees will be more motivated, creative, and innovative. This means that organizational innovation is successfully applied in the hotel industry.

This paper proposed a framework to study transformational leadership, employee performance and organizational innovation in the hotel industry. Leadership style and organizational innovation are competitive advantages for the hotel industry in terms of positive performance of employees. The suggested framework focuses on integrating critical concepts to encourage organizational innovation. This paper offers practical implications for hotel managers and hospitality organizations by encouraging leaders to motivate employees to be more creative and innovative. Moreover, this can increase the employees' efforts to support organizational innovation. The leaders' traits are important requirements to achieve the organization goals. However, individual performance characteristics can strengthen the linkage between leadership and organizational innovation.

6.1. Methodological Recommendations

It is recommended that the results of the basic PLS algorithm are extended using Importance-Performance Map Analysis (Ringle and Sarstedt, 2016) In addition, running multi-group analysis (Chin and Dibbern, 2010; Matthews, 2017; Sarstedt *et al.*, 2011), as well as detecting unobserved heterogeneity within the data (Hair *et al.*, 2016; Hair *et al.*, 2018) are encouraged.

6.2. Recommendations for Future Research

Based on the findings of the study, the hoteliers are recommended to encourage the leaders in the hotel industry to adopt the transformational leadership style. They are recommended to lead their followers to demonstrate a high level of creativity and organizational innovation. By becoming familiar with transformational leadership behavior, young employees can become effective leaders in the hotel industry. In this study, the focus is on employee performance creativity behavior as the mediator. However, there are other behaviors to be investigated in the hotel industry, i.e., innovation work behavior, employee efficiency, self-reliance, etc.

6.3. Limitations

The scope of this study is limited to the five-star hotels in Makkah and Madinah in Saudi Arabia. However, not all five-star hotels in Saudi Arabia are investigated. Moreover, the researchers have faced challenges to find the related literature and resources regarding the hotel industry in Saudi Arabia.

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