

**EFFECT OF TRANSFORMATIONAL
LEADERSHIP AND ORGANIZATIONAL
SUPPORT ON ORGANIZATIONAL
INNOVATION AMONG OMANI IT SMES: THE
MEDIATING ROLE OF EMPLOYEE
CREATIVITY**

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UNIVERSITI SAINS MALAYSIA

2022

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by

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**Thesis submitted in fulfilment of the requirements
for the degree of
Doctor of Philosophy**

May 2022

ACKNOWLEDGEMENT

By the grace of God, I am thankful to have the opportunity to further my studies at Universiti Sains Malaysia, which I had started in October 2016 and have continued till the present time. Firstly, I would like to thank everyone who had provided me with assistance and lent me their support during my journey towards the completion of this dissertation and my doctorate degree. I am very grateful to my supervisors, Dr. Yashar Salamzadeh and Assoc. Prof. Dr. Teoh Ai Ping for their guidance, contributions and tireless efforts in ensuring that I undertake and complete my research and thesis successfully. Their input has enabled me to translate my initial research ideas into a thesis. May God richly bless you, and increase your knowledge and wisdom. I would like to thank them both for their time and remarkable efforts!

Secondly but importantly, I would like to thank my beloved parents Hamad Humayid and Salma Saeed for their everlasting love, sacrifices and prayers for my well-being and successful endeavours. They have taught me to give my best in all that I do, and to be strong in the face of adversity. Father has always inspired me with his thirst for knowledge, and his constant love of reading and learning; while Mum's virtue of patience and faith has always been admirable and my source of strength. I appreciate their understanding for the many times that I have not been able to travel home as often as we all would have liked, and their willingness to exchange our quality time together for progress in my work and studies instead. Thank you, Mum & Father! Not forgetting my siblings: Salim, Humaid, Raiya, Jokha, Khalesa and Nasra who are and will always be, the sunshine of my life. No matter near or far, they have always stuck with me through thick and thin. Thank you, my precious siblings, for keeping me strong! Most of all, I would like to give special thanks to my wife Shamsa Ali Saeed and my children

Mu'taz, Tuqa, Yaqeen, Al Thuryia and Said, who have all encouraged me through this arduous process. I would like to express my very deep and special gratitude to Shamsa for her support, patience and care of me and our children throughout my studies. I would also like her to know that she has been my lifelong rock for her believe in my abilities, encouraging me to further my studies, for always putting a smile on my face, and giving me the strength to carry on; Shamsa, your support means more than you will ever know. Kids, you encouraged me, and I am lucky to have such wonderful children.

Finally, I would like to thank everyone who has inspired and molded me into the person I have become. Last but not least, I wish to thank all members of the Information Technology Small and Medium Enterprises in Muscat City, for their cooperation and willingness to participate in this study. This study would not have been possible without your valued participation. May God bless you all!

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LIST OF ABBREVIATIONS

CI	Cognitive Interviewing
EC	Employee Creativity
GSB	Graduate School of Business
IT	Information Technology
OI	Organizational Innovation
POS	Perceived Organizational Support
SMEs	Small and Medium Enterprises
TFL	Transformational Leadership
USM	Universiti Sains Malaysia

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Appendix A Questionnaire for Distribution

Appendix B Omani IT firms 'names

**KESAN KEPIMPINAN TRANSFORMASI DAN SOKONGAN ORGANISASI
KE ATAS INOVASI ORGANISASI BAGI PERUSAHAAN KECIL &
SEDERHANA TEKNOLOGI MAKLUMAT DI OMAN: PERANAN
PERANTARA KREATIVITI PEKERJA**

ABSTRAK

Fokus penyelidikan ini adalah pada hubungan antara sokongan organisasi yang dirasakan, kepemimpinan transformasi, kreativiti pekerja, dan inovasi organisasi enterpri kecil dan sederhana. Melukis pandangan berasaskan sumber, penyelidikan ini bertujuan untuk memahami hubungan langsung antara sokongan organisasi yang dirasakan dan kepemimpinan transformasi, kreativiti pekerja, dan inovasi organisasi. Seterusnya, ia juga berkaitan untuk menyiasat kesan kepemimpinan transformasi terhadap kreativiti pekerja dan inovasi organisasi. Oleh itu, tujuan kajian ini adalah untuk mengkaji hubungan antara kreativiti pekerja dan inovasi organisasi. Tambahan pula, penyelidikan ini menyiasat kesan pengantaraan kreativiti pekerja antara sokongan organisasi yang dirasakan, kepemimpinan transformasi, dan inovasi organisasi. Di samping itu, ia mengkaji kesan pengantaraan kepemimpinan transformasi terhadap hubungan antara sokongan organisasi yang dirasakan dan inovasi organisasi serta hubungannya dengan kreativiti pekerja. Selain itu, kajian ini direka sebagai kajian kuantitatif dan data dikumpulkan pada satu ketika. Kajian ini menggunakan teknik persampelan rawak yang mudah dan data yang sepadan dikumpulkan dari perusahaan kecil dan sederhana di sektor IT Oman. Oleh itu, soal selidik dihantar kepada pengurus pertengahan firma IT ini di perusahaan kecil dan sederhana melalui mel elektronik. Data yang terhasil dianalisis menggunakan Pemodelan Persamaan Struktur Paling

Kurang Segi Empat (PLS-SEM) melalui SmartPLS dan SPSS. Menurut penemuan analisis data, sokongan organisasi yang dirasakan mempunyai kesan positif yang signifikan terhadap kepemimpinan transformasi, kreativiti pekerja, , dan inovasi organisasi, sedangkan kepemimpinan transformasi mempunyai kesan positif yang signifikan terhadap kreativiti pekerja dan inovasi organisasi. Hasilnya juga menunjukkan bahawa kreativiti pekerja berkongsi hubungan positif dengan inovasi organisasi. Selain itu, penemuan menunjukkan bahawa kreativiti pekerja menjadi pengantara hubungan antara sokongan organisasi yang dirasakan dan inovasi organisasi, manakala kepemimpinan transformasi menjadi pengantara hubungan antara sokongan organisasi yang dirasakan dan inovasi organisasi. Akhir sekali, kreativiti pekerja menjadi pengantara hubungan antara kepemimpinan transformasi dan inovasi organisasi manakala kepemimpinan transformasi menjadi pengantara hubungan antara sokongan organisasi yang dirasakan dan kreativiti pekerja. . Selain itu, bagi pembuat dasar dan kerajaan, kajian ini menyokong pembangunan kreativiti pekerja dan inovasi organisasi dalam IT sektor yang kondusif untuk penciptaan nilai jangka panjang dalam pelan ekonomi Oman. Oleh itu, bukti empirikalnya dijangka dapat membantu sektor IT Oman menjadi lebih berdaya saing.

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ABSTRACT

The focus of this research is on the relationship between perceived organizational support, transformational leadership, employee creativity, and organizational innovation of small and medium enterprises (SMEs) in the Omani IT sector. Drawing on the resource-based view, this research aims to understand the direct relationship between perceived organizational support and transformational leadership, employee creativity, and organizational innovation. Subsequently, it is also pertinent to investigate the impact of transformational leadership on employee creativity and organizational innovation. As such, the intent of this study is to examine the connection between employee creativity and organizational innovation. Furthermore, this research investigates the mediating effect of employee creativity between perceived organizational support, transformational leadership, and organizational innovation. In addition, it examines the mediating impact of transformational leadership on the relationship between perceived organizational support and organizational innovation as well as its relationship with employee creativity. Moreover, this study was designed as a quantitative study and data was collected at one point in time. The study used a simple random sampling technique and the corresponding data was collected from small and medium enterprises in the IT sector of Oman. As such, questionnaires were sent to the middle managers of these IT

firms in small and medium enterprises through electronic mail. The resulting data was analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) via SmartPLS and SPSS. According to the data analysis findings, perceived organizational support has a significant positive impact on transformational leadership, employee creativity, and organizational innovation, whereas transformational leadership has a significant positive impact on employee creativity and organizational innovation. The results also indicated that employee creativity shares a positive relationship with organizational innovation. Moreover, findings revealed that employee creativity mediated the relationship between perceived organizational support and organizational innovation, whereas transformational leadership mediated the relationship between perceived organizational support and organizational innovation. Lastly, employee creativity mediated the relationship between transformational leadership and organizational innovation while transformational leadership mediated the relationship between perceived organizational support and employee creativity. Additionally, for policy makers and the government, this study supports the development of employee creativity and organizational innovation in the IT sector conducive to long-term value creation in the Omani economic plan. Hence, its empirical evidence is expected to aid the Omani IT sector in becoming more competitive.

CHAPTER 1

INTRODUCTION

1.1 Introduction

The present study focuses on factors effecting of organisational innovation among IT firms in Oman. This chapter includes the background of the study, problem statement, research objectives, research questions, and followed by the scope of the study and significance of the study. Lastly, the definition of key terms and organization of chapters are presented at the end of this chapter.

1.2 Background of Study

Oman is an Arabic country; it is located in the Middle East, on the southeast of the Arabian Peninsula (Al Sinawi, 2016). Moreover, it shares land borders with three countries, namely the United Arab Emirates to the northwest, Saudi Arabia to the west, and Yemen to the southeast. Furthermore, Oman shares marine boarders with Pakistan and Iran (Mansour et al., 2021). This country occupies a strategic location in the Arabian Peninsula as it has a long coastline on the Arabian Sea and at the mouth of the Strait of Hormuz (Seraji & Lamooki, 2018). The population of Oman is almost 4.482.335 currently in 2022. However, almost 39 percent of this population are expatriate laborers who have migrated from different parts of the world to work in various fields in Oman. Thus, the vast majority of expat human resources comes from India, Pakistan, Bangladesh, and the Philippines (Islam, 2020).

According to Al-Mawali et al. (2016), Oman's economy is highly dependent upon one natural resource: hydrocarbons. To illustrate, 84 percent of this country's revenue comes from oil and gas alone. Thus, the heavy reliance on hydrocarbons leaves its

economy vulnerable to both slumps in domestic hydrocarbon production and to price volatility in international oil markets (Bilal, Mohammed & Ali, 2021). Given its powerful dependence on oil and gas over the last four decades, Oman has been striving to diversify its economy and to boost the role of SMEs in particular.

Furthermore, Ahmad et al. (2017) debated that today's oil sector faces challenges from a dynamic environment characterized by rapid technological alternations and increased demands. Simultaneously, Papa et al. (2018) mentioned that the development of innovative products and processes has become essential for achieving and retaining competitiveness in global markets. As stated by other researchers such as Bag, Gupta, and Telukdarie (2018), innovation plays a crucial role for firms seeking to find their place in the market and ensuring long-term survival. In recent years, there has been widespread acceptance among scholars and practitioners that innovation serves as power for firms and other organizations.

Therefore, according to the study of Alqassabi (2020), the Omani government has realized the importance of building an innovative economy through enhancing SMEs' capabilities via constructing an innovative economy. In this regard, the government has introduced the 10th Five-Year Development Plan (2021-2025). This is to support SMEs that may achieve competitive advantage by developing innovative capacity and producing innovative products. In this context, innovation is an important source of growth and a key factor for organizational performance and competitiveness (Okitasari & Katramiz, 2022).

To this end, Muthuraman et al. (2021) also revealed that Oman has paid particular attention to growing an effective SME sector. Small and Medium Enterprises (SMEs) are widely recognized as the key engine of economic development. As a result of this recognition, a central issue dominating policy debates around the world and the Middle Eastern in particular has been how to stimulate economic growth through the development

of Small and Medium Enterprises. As found by Al Badi et al. (2019), the Omani government's focus on developing this sector is based on the broad understanding that Small and Medium Enterprises, their formation, as well as successful core components of the economy lead to strong and sustainable economic growth in Oman.

Like in many other countries, Taiwo, Ayodeji and Yusuf (2012) revealed that in Oman, Small and Medium Enterprises (SMEs) account for the vast majority of businesses operating in the local market, either in production or service industries. Furthermore, as mentioned by Al Buraiki and Khan (2018), since the market needs to be revived, possible liquidity concerns may be resolved and new goods and services can be initiated through the support and stimulation of Omani SMEs.

In addition, the Omani government's SME Development Authority (2020) has established new criteria to differentiate between micro, small, and medium-sized firms based on the number of workers and sales turnover. Therefore, SMEs with fewer than ten employees and annual sales of less than OMR 150,000 qualify as micro-companies, while those with eleven to fifty employees and annual sales of less than OMR 1,250,000 are deemed as small enterprises. On the other hand, in the case of medium-sized businesses, the company should have fewer than 150 workers and annual revenues of between OMR 1.25 million and 5 million. Moreover, small and medium-sized firms in Oman at the time included micro enterprises (37,201), small enterprises (9,477), and medium-sized enterprises (3,358). The majority of these enterprises were situated in the Muscat Governorate, which includes 17,010 enterprises and is home to more than half of all SMEs in the country (micro, small, and medium). Furthermore, SMEs in the Omani market are no different from those in other markets and nations, according to the National Statistics Centre (2018). Also, SMEs contribute to 18 percent

of Oman's Gross Domestic Product, which should be encouraged to utilize innovation as a tool for both competitive advantage and company growth performance.

Additionally, the role of SMEs in a nation's competitiveness and development is well-recognized. For instance, according to the SME Development Authority (2021) in Oman, small and medium-sized firms employed 313,485 people until the end of February 2021. From this number, micro enterprises employed 118,930 people, small businesses employed 149,000 people, and medium-sized businesses employed 40,075 people.

These findings are consistent with an earlier study by Al Sheibani (2020), who indicated that the Omani economy's diversification initiatives aim to leapfrog from a natural resource-based economy to a knowledge-based economy. Hence, Omani SMEs are mostly service-oriented, followed by marketing methods and incremental product innovations. In addition, the four common and key business environment factors that drive innovation at the firm level in Omani SMEs include presence of competition, access to local business networks, access to external research and design, and government support.

Turning to the information technology sector, previous studies have identified information technology as a significant factor in reinforcing innovation (e.g., Wijekoon, & Galahitiyawe, 2015; Marzouki & Belkahla, 2019). These studies argued that IT has been known to play a major role in forming innovation (Barrett et al., 2015; Ravichandran, 2018). Additionally, Cusumano et al. (2015) found that the use of IT seems to favor innovation among companies, considering it as launching new products or services as well as improving or introducing new processes. Other researchers

observed that the IT infrastructure provides resources that make innovation and the continuous improvement of products feasible (Mohamad et al., 2017; Alit et al., 2018).

The information technology sector is part of the 10th Five-Year Development Plan (2021-2025) and serves as the first executive plan for Oman Vision 2040, identifying national priorities and strategies over the two upcoming decades. However, Magd and McCoy (2014) reported that Oman's economy is dominated by SMEs plagued by low skills, research and development, and innovation. Furthermore, in comparison with the average global economy in the Middle East and North Africa (MENA), Oman underperforms in research and development (global economic, 2018). Accordingly, the Omani IT sector cannot compete with regional competitors such as UA Emirates and Qatar, which have lower cost factors including cost of labor. Nonetheless, the Omani IT sector struggles with significant challenges in maintaining growth in competition with UA Emirates, Qatar, Tunisia, and other Asian countries.

1.3 Information Technology Sector in Oman

An important contributor to Oman's economy is the IT sector which is a prioritized policy and investment focus of the government, currently listed as the third sector of Oman Vision 2040. Moreover, this sector is expected to make substantial contributions to Oman's economic performance. The IT sector is the leading sector in Oman's manufacturing industry. Indeed, it has contributed to a significant 2.1 percent of Oman's GDP in 2016, employing an estimated number of 13,980 people (SME Development Authority, 2021). Also, it comprises three sub-sectors, namely telephone, computer, and internet.

The Omani IT sector struggles with significant challenges in maintaining growth in competition with Turkey, UA Emirates, Malaysia, India, and other Asian countries. In addition, the share of this sector in Omani exports has been declined over the recent years. As such, the following challenges highlight the main issues faced by the IT sector of Oman.

Firstly, the IT sector's share of Oman's exports and the economy has declined. This sector's contribution to Omani exports increased considerably during the 2016s when the country was industrialized and initiated enabling policies such as free trade zones. However, this sector's exports declined from 0.5 percent in 2017 to 0.44 percent in 2018 (global economy, 2022).

Secondly, the IT sector struggles with growing competition from the UAE, which is becoming the Arab gulf countries' factory as well as a significant threat. Indeed, a study by the United Nations demonstrates that export competition between Oman and the UAE is increasing. To elaborate, the Omani high-tech product export revenue which was 73.3 million US dollars in 2018 was intimidated by that of the UAE which was 676.2 million US dollars in the same year.

Thirdly, the global innovation index of 2021 has shown that the Sultanate of Oman ranks 67th in innovation inputs. Also, with the same estimate, Oman ranks 90th in innovation outputs. Nevertheless, as another country in Northern Africa and Western Asia, the United Arab Emirates ranked 23rd in innovation inputs and 47th in innovation outputs in 2021 (Global Innovation Index, 2021). Therefore, Oman needs to emphasize on the importance of innovation in the information technology sector through the Oman Vision 2040: "Innovation, research, science and technology will form the pillars of a knowledge-based, highly productive, and competitive economy."

Fourthly, the GDP share of IT in the Sultanate of Oman stood at a mere 2.1 percent in 2016. However, in 2019, the IT sector's GDP contribution declined to -2.6 percent. To compare to another country, the United Arab Emirates contributed to a GDP growth of 2.9 percent (Ansari et al., 2020). Thus, Oman has a significant chance of development on almost all essential factors for industry players. To avoid competing directly with countries such as the UAE, the Sultanate of Oman needs to increase the value chain by offering the appropriate working environment, availability of talent, R&D expenditure on IT which is critical for innovation, as well as dealing with government-related organizations or public authorities' facilitation with IT firms (Al-Busaidi, 2020).

Furthermore, Ahmed, Al Kindi, and Al Samad (2018) compared several indicators of innovation in selected Omani industries in both manufacturing and other services including the IT sector. Using data obtained from questionnaires, inquiries about novel product or innovation processes were formed. As such, they found that innovation is poorly practiced in Omani industries, which can lead to the growth of companies that may impact and even destroy small start-ups. Even IT firms which should be the most innovative still focus on less complicated activities. Hence, to be successful in overall industrialization growth, industries are required to be as innovative as possible in order to survive in today's competitive business environment. Without innovative activities, whatever the types or formats, industries will not be able to sustain in the market with goodwill and profitability.

Additionally, Oman's inability to compete has led to a decrease in its share in its exports over the past years. This country's focus is usually on assembly, which is considered as a low-value added part of the industry. This is while countries such as the UAE, Malaysia, and India have achieved higher-value added activity levels,

namely design, research and development, and manufacturing. This has significantly impacted innovation in Oman's IT sector.

1.4 Problem Statement

According to the global innovation index (GII, 2021), the main challenges faced by the Omani IT sector include the dwindling share of exports which severely affects their performance. Other challenges are low-value added activities like assembly versus high-growth and high-value sectors, lack of suitable working environments, and lack of available talents. Moreover, Brockmann et al. (2016) highlights lack of innovation in industrial and export sectors which leads to a shortage in corresponding research and development. Furthermore, the Omani economy is dominated by SMEs plagued by low skills, low research and development, and low innovation intensity (Al Bulushi & Bagum, 2017). These issues suggest that SMEs in the IT sector lack innovation, which influences their organizational innovation. This problem forms the focus of the present study.

Innovation serves as a potential indicator of creativeness which contributes to organizational development and is a key to success in the marketplace. Empirical studies demonstrate that in order to move through growth and survival, companies strive to develop new and incomparable approaches to attract and save their customers in. This enables them to generate new ideas in developing organizational innovation (Naranjo-Valencia, Jiménez-Jiménez & Sanz-Valle, 2016). Hence, the key to successful improvement of business performance and competitiveness lies in the effective adoption of key innovation, which results in organizational innovation (Teece, 2010).

Aside from that, organizational innovation represents the necessary conditions that assist in using technical product and innovation processes efficiently. Furthermore, Chatzoglou and Chatzoudes (2017) revealed that organizational innovation is considered as “sources of competitive advantage” and affects business performance with respect to lead time, quality, productivity, and flexibility. In addition, Büchel, et al. (2013) argued that organizational innovation is deemed as a prerequisite for developing technical products and the innovation process efficiently. Thus, organizational innovation impacts the productivity, quality, and flexibility of firms. Therefore, innovation capability aspects might share a relationship with a firm’s overall performance through intermediate measures (Laforet, 2013).

With this respect, organizational innovation is a critical way for organizations to remain competitive and gain advantage over their rivals, especially in a world of increasing globalization, rapidly-changing technology, and increasing customer demands for quality services and products (Damanpour, Schneider & Chiu, 2018). Organizational innovation consists of the implementation of new organizational methods, namely changes in business practices, in workplace organization, or in a firm’s external relations. In summation, Morente and Ferràs-Hernández (2017) consider organizational innovation to be related to innovation capacities, leadership, and creativity.

One of the characteristics of a successful and innovative organization is building and maintaining creative employees. Indeed, researchers have proven that employees’ creativity in the workplace is one of the key drivers of organizational innovation (Azeem, et al., 2021; Chaubey & Sahoo, 2021). Creative employees provide their organization with important inputs for subsequent development and

implementation of new products, services, as well as work processes and procedures (Tien et al., 2019).

Employees with creative ability can only generate unique and useful ideas. Thus, an employee's creativity becomes the key supporting element to organizational innovation (Hughes et al., 2018; Hon & Lui, 2016; Khalili, 2016; Serrat, 2017). Indeed, successful creativity is a result of supportive leaders (Tse et al., 2018; Koh, Lee & Joshi, 2019). As such, leaders are required to encourage and support their staff (Tung & Yu, 2016; Schuckert, Kim, Paek & Lee, 2018). According to Moreno and Thomas (2020), lack or little support from leaders is the biggest reason for creativity failure. Therefore, leaders must motivate their team members and strive to achieve creativity among them so as to work efficiently (Huang, Krasikova & Liu, 2016; Slåtten & Mehmetoglu, 2015; Robinson & Aronica, 2016).

Furthermore, leadership plays a vital role in gaining competitive advantage (İşcana, Ersarı, & Naktiyokc, 2014). Indeed, it has a higher significance in driving toward business targets since the Omani government has been taking actions with the goal of boosting innovation (Bagheri, Lope Pihie & Krauss, 2013). Also, Raj and Srivastava (2014) indicated that transformational leadership impacts organizational innovation at both individual and organizational levels. However, Khan and Aslam (2012) concluded that the effect of transformational leadership and creativity remains only at the individual level, whereas the impact of innovation reaches the organizational level. Furthermore, organizational innovation, which refers to a firm's capability to initiate and implement innovations with speed, is pivotal to its survival and growth (Hassan et al., 2013; Raj & Srivastava, 2014).

Literature has proven the direct relationship between transformational leadership and organizational innovation (Prasad & Junni, 2016; Liao et al., 2017; Bhutto et al., 2018; Waruwu et al., 2020) as well as through employee creativity as a mediator (Khan et al., 2014; Jaiswal & Dhar, 2015; Khalili, 2016; Sajjad et al., 2019). In the present study, the researcher suspected that employee creativity may play a mediating role, as suggested by Gumusluoglu and Ilsev (2009), who discovered creativity to have a mediating effect. As such, this study proposes that employee creativity may play a mediating role in the relationship between transformational leadership and organizational innovation.

In this research, organizational support refers to support for generating new and creative ideas and projects, which is essential for innovation within an organization (Zhang & Bartol, 2010; Harris, Boswell, Zhang & Xie, 2014; Vadera, Pratt & Mishra, 2013). The importance of organizational support and its relationship with creativity encourages, rewards, and recognizes creativity that transcends a specific role which has been reviewed extensively (Suifan, Abdallah & Al Janini, 2018; Kim & Park, 2017). The main goal of organizational support is to increase employees' felt obligation to help the organization reach its objectives, their effective commitment to the organization, and their expectation that improved performance will be rewarded (Rhoades & Eisenberger, 2002). In addition, perceived organizational support is extremely crucial to resilience in organizations to provide a sustainable competitive advantage (Hassan et al., 2013). Accordingly, there exist many guidelines for members to propose creative ideas and implement them on their own. Being in such a position enables them to contribute to organizational innovation in their companies (Hu et al., 2018).

Since there is little proven empirical analysis of the relationship between organizational support and organizational innovation, researchers (Field & Buitendach, 2012; Arasanmi & Krishna 2019; Hoi, 2020) recommend investigating the effect of organizational support on innovation in IT firms. This is due to the insufficient empirical knowledge available regarding the impact of organizational support on workers in IT firms.

Thus, the present study can provide SMEs with an actionable framework, in turn developing innovation in organization environments in the IT industry.

1.5 Research Objectives

The primary objective of this study is to understand organizational innovation through transformational leadership and perceived organizational support among IT SMEs. Many elements have been identified as independent variables that impact organizational innovation based on prior research. In addition, transformational leadership and employee creativity were identified as a mediator that could play a role in promoting organizational innovation among IT SMEs in particular, and the primary objectives of this study are listed as follows:

- 1- To examine the positive impact of transformational leadership on organizational innovation in Omani IT SMEs.
- 2- To examine the positive impact of transformational leadership on employee creativity in Omani IT SMEs.
- 3- To examine the positive impact of perceived organizational support on organizational innovation in Omani IT SMEs
- 4- To examine the positive impact of perceived organizational support on employee creativity in Omani IT SMEs

- 5- To examine the positive impact of perceived organizational support on transformational leadership in Omani IT SMEs
- 6- To examine the positive impact of employee creativity on organizational innovation in Omani IT SMEs
- 7- To examine the positive mediating role of the employee in the relationship between transformational leadership and organizational innovation in Omani IT SMEs
- 8- To examine the positive mediating role of employee creativity in the relationship between perceived organizational support and organizational innovation in Omani IT SMEs
- 9- To examine the positive mediating role of transformational leadership on the relationship between perceived organizational support and organizational innovation in Omani IT SMEs
- 10- To examine the positive mediating role of transformational leadership on the relationship between employee creativity and perceived organizational support in Omani IT SMEs.

1.6 Research Questions

Based on the background, problem statement, significance, contributions, and research objectives of this study, the following research questions were formulated:

- 1- Is there any positive relationship between transformational leadership and organizational innovation in Omani IT SMEs?
- 2- Is there any positive relationship between transformational leadership and employee creativity in Omani IT SMEs?

- 3- Is there any positive relationship between perceived organizational support and organizational innovation in Omani IT SMEs?
- 4- Is there any positive relationship between perceived organizational support and employee creativity in Omani IT SMEs?
- 5- Is there any positive relationship between perceived organizational support and transformational leadership in Omani IT SMEs?
- 6- Is there any positive relationship between employee creativity and organizational innovation in Omani IT SMEs?
- 7- Is employee creativity positively mediating the relationship between transformational leadership and organizational innovation in Omani IT SMEs?
- 8- Is employee creativity positively mediating the relationship between perceived organizational support and organizational innovation in Omani IT SMEs?
- 9- Is transformational leadership positively mediating the relationship between perceived organizational support and organizational innovation in Omani IT SMEs?
- 10- Is transformational leadership positively mediating the relationship between perceived organizational support and employee creativity in Omani IT SMEs?

1.7 Significance of the Study

The focus of earlier research has been mainly on elements that drive organizational innovation via transformational leadership, perceived organizational support, and employee creativity particularly among Omani SMEs. However, this study has several implications, both practical and theoretical. The theoretical relevance of this research is addressed in the first portion while its practical significance is addressed in the second section.

1.7.1 Theoretical Significance

First and foremost, this research contributes to the body of knowledge by investigating the relationship between transformational leadership and organizational innovation. Although several studies presently exist on transformational leadership and various research works are available on organizational innovation, research concerning the relationship between these two constructs appears to be empirically limited (García-Morales et al., 2008; Gumusluoglu & Ilsev, 2009a; Hsiao et al., 2009; Jung et al., 2008; Makri & Scandura, 2010; Mumford, 2002).

Furthermore, this research is significant since it develops its own conceptual framework by introducing employee creativity as a mediating variable. As suggested by previous studies, it is favorable to investigate the moderating or mediating role of other variables in this relationship (Hsiao & Chang, 2011). Hence, this research contributes to the body of knowledge by exploring the mediating effects of employee creativity on the relationship between transformational leadership and organizational innovation in a real organizational context.

Moreover, based on the research gaps, the majority of corresponding studies associating transformational leadership with organizational innovation have been carried out at the individual level or organizational subunits (Mumford et al., 2002). As such, a company as a whole could still be left without effective responses to the challenges of a competitive business environment (Jung et al., 2008). Therefore, extending this research to the organizational level of analysis will make a significant contribution to the literature.

Additionally, this research's further advancement over prior studies is that in spite of difficulties and complexities of research at the organizational level, this study utilizes a larger number of companies to source data. This permits more powerful hypothesis testing in such a level of analysis. Aside from that, since different employees may have different perceptions of their superior's leadership style (Jung et al., 2003), having more than one respondent for each variable in every organization serves as another significance of this research.

Finally, this study proposes to search the relationship of transformational leadership and organizational innovation in Oman as a developing country from an organizational perspective. To the best of our knowledge, no existing research has been conducted on this subject before, hence this study's findings may contribute to the ongoing knowledge in this area. In addition, the validity and reliability of leadership theories and instruments across countries with different cultures creates a strong case for investigating the existing transformational leadership models outside the western context. Therefore, this study examines Bass's transformational leadership model in Oman as perceived by middle-level managers.

1.7.2 Practical Significance

Understanding the factors affecting organizational innovation for Omani SMEs in the IT sector serves as a guide for management and policymakers to consider ways to increase or enhance organizational innovation. In IT companies, it is critical for management to understand the factors that influence innovation and creativity (Van de Ven & Sun, 2011).

As such, managers can comprehend more regarding organizational innovation and how to be more innovative to maintain their organizations' competitive advantage (García-Morales et al., 2012). Moreover, leaders of small and medium-sized companies will be able to reconsider their organization's position in the market and compare it with the 10th Omani plan to obtain leading positions in information technology products within their region. In addition, it is hoped that the current research on transformational leadership, organizational support, employee creativity, and organizational innovation will be a worthwhile study to explore for the future. Thus, the current study of HR personnel can provide a practical framework for planning HR initiatives in developing key human resources or senior leaders who fit within HR or organizational strategies.

1.8 Scope of the Study

This research aims to investigate organizational innovation among IT firms in Omani SMEs. As such, the researcher personally approached respondents in several IT firms in Oman. Moreover, empirical data collected from middle managers presently working in these IT organizations is believed to enhance representatives of the study sample. Consequently, the unit of analysis in this study is firms, IT firms located in Oman.

1.9 Definition of Key Terms

The following definitions explain the terms that used in this study:

Transformational Leadership

Hadden (2003) utilized TL to assess an individual's leadership skills, proposing that a successful leader could guide, motivate, inspire, and persuade group members to work together toward a shared objective or task.

Employee creativity

Employee creativity refers to an individual's generation of novel and useful products, ideas, and procedures that serve as raw materials for innovation (Cummings & Oldham, 1997).

Perceived organizational support

This term refers to employees' overall perceptions of an organization's commitment to their work and concern for their socioemotional needs; most notably how organizations foster a positive work environment, value their effective performance, recognize their accomplishments, and care about their well-being (Eisenberger et al., 1986).

Organizational Innovation

Organizational innovation is defined as the creation of valuable and useful new products or services, and more efficient and adaptive administrative mechanisms that support product or service innovation (Kang et al., 2015).

1.10 Organization of Chapters

This study consists of five chapters. An overview of each chapter is as follows:

Chapter One – Introduction:

This chapter includes an overview of the present research, comprising an introduction as well as a brief background on small and medium enterprises and the IT sector in Oman. This is followed by this study's problem statement, research questions, and research objectives, which determine the significance and a brief scope of the research. Lastly, this chapter ends with the definition of important key terms and the organization of all chapters.

Chapter Two – Review of Literature:

This chapter contains information on prior research on organizational innovation, transformational leadership, perceived organizational support, and employee creativity. Moreover, it elucidates linkages demonstrated in the theoretical framework and formation of the research's hypotheses.

Chapter Three – Research Methodology:

The purpose of this chapter is to describe the research design used in this study. As such, this chapter discusses the research population, sample size, sampling strategies, questionnaire design, and variable operationalization. Moreover, the methodology used to acquire primary data for this research is thoroughly described. Finally, this chapter's conclusion discusses how the pretesting was conducted.

Chapter Four – Results:

Summarizing this study's variable analysis, this chapter depicts the response rate and responder characteristics. Furthermore, hypothesis testing serves as this chapter's highlight, with a summary of findings recorded in its final section.

Chapter Five – Discussions and Conclusion:

The final chapter summarizes this study's findings, discussion, and interpretation of the analysis results. Also, it informs readers about the study's implications and limits, as well as how researchers might approach future research in transformational leadership and organizational innovation.

1.11 Chapter Summary

This chapter discussed the research subject and methodology. The issue was introduced by discussing the rationale for doing this investigation. Furthermore, this research's significance was stressed to justify its theoretical and practical contributions. Finally, the research was outlined, and keywords were specified.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter, reviews of corresponding literature are presented. As such, this chapter firstly goes over literature on the study variables including organizational innovation, transformational leadership, perceived organizational support, as well as employee creativity. Additionally, the underlying theory and afterwards the research gap are discussed. Also, literature regarding the mediating effect of employee creativity is presented. Furthermore, previous empirical findings are introduced and examined. Lastly, at the end of this chapter, a proposed conceptual framework and hypotheses are presented.

2.2 Organizational Innovation

According to De Jong et al. (2015), innovation is the process of creating novel services, products, or brands, aiding in the development of the economy. Moreover, Anderson et al. (2014) deemed innovation as a purpose of processes, products, or ideas that are new in the production of a group or organization, benefiting the related individuals or organization. Also, Damanpour and Arvind (2012) defined innovation as an adoption of the purchased system, program, device, process, policy, or product, which is new to the adopting organization. In addition, innovation serves as the operation of processes, improving products or services, new methods in marketing and business practices, and organizational relations (Winand et al., 2013).

Furthermore, Kahn (2018) stated that organizations valuing innovation and creativity among their members are more vigilant in turbulent environments. This is also noticed by Mumford et al. (2019), maintaining that innovation introduces change into the outputs, structure, or processes of an organization. In turn, innovative environments allow organizations to maximize the potential of their employees, which is especially vital when physical and financial resources are scarce and external environments are challenging and competitive.

As recognized by managerial and organizational theorists, innovation may affect an organization's ability to successfully compete and survive in the current rapidly-changing and competitive global environment (Anderson & Kragh, 2013). Also, several researchers insisted that employees working in innovative organizational environments demonstrate a higher level of job satisfaction, motivation, activity, and organizational commitment; moreover, they become more excited about the importance of their work and are more willing to take risks needed for change (Mathisen, 2011; Alves et al., 2018).

In addition, Damanpour and Aravind (2012) explained organizational innovation as the attitude of an organization to introduce new or improved products and services to the market, which makes for a successful organization. Also, Amabile and Pillemer (2012) indicated that organizational innovation is the new formation of services or products that are valuable and useful in an organizational context. Aside from that, Garcia-Morales et al. (2012) defined organizational innovation as novel products or services to a firm that differ from the products or services being offered during promotional time. As suggested by Kang et al. (2015), organizational innovation is the creation of new, valuable, and useful products or services, as well as more efficient and adaptive administrative mechanisms that support product or service

innovation. Furthermore, Sarros et al. (2011) discovered that organizational innovation is the new process, system, or product inside an organization. In other words, organizational innovation is an essential factor for an organization's survival in the long term (De Jong, 2016). Also, Rosenbusch et al. (2011) revealed that organizational innovation serves as a spark that keeps organizations and people moving ever onward and upward. Indeed, “without innovation, new products, new services, and new ways of doing business would never emerge, and most organizations would be forever stuck doing the same old things the same old way.”

In the organizational context, organizational innovation plays an extremely important role in a company’s competitiveness. According to many researchers, organizational innovation with increasing relevance can be explained by the fact that organizational innovation influences the performance of organizations. Firstly, organizational innovation is viewed as an enabler and facilitator of technological innovation. Secondly, organizational innovation can be an immediate source of competitive advantage. Thirdly, organizational innovation is relevant as the prerequisites of knowledge development in companies (Schweitzer, 2014; Nandram, 2016). Moreover, in order to cope with a dynamic business environment and increasing competition, organizations search for viable options to maintain their competitive position in the market. One good option available for organizations to stay ahead of the competition is to continuously learn from their experiences and develop capacity to adapt to an ever-changing environment (Gray et al., 2011; Stowe & Grider, 2014).

As suggested by corresponding literature, there exist subjective and objective approaches to innovation. The subjective approach focuses on subjects such as groups, organizations, the industry, and country. On the other hand, the objective approach focuses on innovation itself (Eisenbeiß & Boerner, 2010). In addition, Gumusluoglu

& Ilsev (2009) described organizational innovation as the creation of new products or services that are useful and essential for an organization.

This is further supported by Diane and Di Benedetto (2011) who considered a new product as an expected problem solver in a technology company that brings benefits to the organization. As such, they stated that the focus of organizational innovation is on the creation or editing process of an idea to produce new products, services, processes, structures, and policies for organizations (Makkonen et al., 2016). This can be in agreement with the study of Aryana and Boks (2012), who identified that a new product is classified into different categories. To reduce costs, they replaced it with existing products to achieve better performance and more benefits at a lower cost. In this study, the researcher adopted the definition of organizational innovation by Kang et al. (2015).

In addition, globalization, rapid changes in the market environment, and ever-changing information technology cause enterprises to face fierce competition not only at an early stage, but also in the recent context. Indeed, Wang and Wang (2011) concluded that by the late twentieth century, most industrial economies had moved to an “innovation-driven” stage, during which firms competed on how to rapidly and profitably innovate.

Also, Brown (1998) noted three streams in innovation research: economic-oriented, organization-oriented, and project-oriented streams. Studies of the economic-oriented stream show that small businesses represent an important driving force for innovation and are as innovative as large enterprises. In addition, investigations in the organization-oriented stream examine factors contributing to SME success as well as factors determining SME innovation. These suggest that networking, regional support,