THE IMPACT OF STRATEGIC LEADERSHIP ON ORGANIZATIONAL PERFORMANCE WITH REGARD TO THE ROLE OF ORGANIZATIONAL INNOVATION

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ABSTRACT

The ongoing changes in today’s business environment have led to a new kind of required leadership style that helps companies move successfully towards a dynamic and uncertain environment in which they compete. This style of leadership is called strategic leadership. Empirical evidence shows that strategic leadership affects many organizational variables. This research was conducted with the aim of investigating the impact of strategic leadership on organizational performance with regard to the mediating role of organizational innovation among managers and experts of Iran Khodro Company. In terms of research method, this study is based on the descriptive-survey method with applied nature and in terms of time is based on a cross-sectional time. The statistical population of this study included all managers and senior experts of Iran Khodro Company and its subsidiaries companies in Tehran, which was estimated to be about 370 people. According to Cochran’s formula, the sample size was calculated to be 190. The sampling method was also a simple random method. A standard questionnaire was employed as the data collection tool, with experts confirming its validity. The reliability of the tool was calculated and confirmed using Cronbach’s alpha. SPSS22 and smartPLS software were used for data analysis. The results of this research showed that strategic leadership has a positive effect on organizational innovation and organizational performance. Also, the effect of strategic leadership with the mediating role of organizational innovation on organizational performance was positive.

Keywords: Strategic leadership, Organizational performance, Organizational learning, Iran Khodro company.

INTRODUCTION

Company performance has been defined as the process of describing efficiency and effectiveness in the operational line, which indicates its presence in actions. In addition, this set is considered a measure used to quantify the efficiency of actions. The theoretical importance of organizational performance is located in examining the strengths and weaknesses of the company. Therefore, it should be understood in each line to allow management to take appropriate measures for the success of operational measures. Organizational performance is different and distinct due to TAS’ concerns about other performance scales. The necessity of continuous improvement in the organizational performance of companies from a theoretical point of view has been considered by previous researchers. Performance should be considered a concept that has increasingly become the focus of the literature on improving organizational performance. Generally, it is

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argued that the concept of performance can be a tool for companies' economic growth and development (Shahzad et al., 2017).

A review of previous studies shows that several factors affect organizational performance. However, variables in the leadership style of managers of organizations such as strategic leadership and inter-organizational factors such as organizational innovation are emphasized by thinkers because improving strategic leadership as a general approach and promoting the level of common culture and subcultures in the organization. The formation of innovation in the organization’s generality can lead to growth in organizational performance, especially in the field of organizational non-financial performance (Shahzad et al., 2017). Based on a comprehensive definition, strategic leadership means the ability of leaders to influence their followers in specific decisions to achieve the organization’s survival in the long run and gain public support. In another definition, strategic leadership refers to the ability to understand the whole organization and the environment in which they operate, and using such an understanding to create a strategic change in all people of the whole organization, is essential for the stability of short-term and long-term of the organization (Najmi et al., 2018). In the field of strategic leadership, organizational innovation has an important place. The concept of innovation refers to the identification of new ideas and the use of creative methods to supply or develop new goods and services. In fact, innovation is forcing organizations to innovate in business development and develop learning behaviors due to increasing and rapid changes in environmental dynamics and competition. Therefore, innovation is defined as successfully implementing a creative idea in an organization. As a result, innovation is a fundamental tendency to abandon old and existing technologies and methods to seek new things for the better. Based on this issue, it is argued that innovation is a basic need to improve organizational performance processes. In this regard, strategic leadership by facilitating the elements of creativity, promoting employee’s creativity, developing their valuable insights into new cases and managing procedures and devices in organizations and companies, as well as identifying processes, aggregating, analyzing, measuring, preparing, and interpreting information. In addition to strategic leadership, evaluation and control in an organization and ensuring the adequacy of resources and the use and accountability for them are emphasized (Alameri et al., 2019).

Iran Khodro Company is at the heart of the supply chain due to its production nature. However, based on the initial interview with this company’s managers and their performance evaluations, we acknowledged that the non-financial performance process in this company is not at the desired level and the improvement in organizational performance is a challenge that has caused great costs for this company. Since the organizational performance of Iran Khodro Company is not at the desirable level, the results of the present study can be important from two perspectives. First, from a negative point of view, not paying attention to the results of the present study can still engage these organizations with the challenge of poor performance and lead to increased costs, and dissatisfaction of stakeholders and managers. Second, from a positive point of view, the present study can formulate strategies to improve operational performance by empirical evaluation and testing of antecedents based on common research relationships. Accordingly, the objective of this study is the impact of strategic leadership on organizational performance concerning the mediating role of organizational innovation in Iran Khodro Company.
Strategic Leadership

Strategic leadership means that the organization’s leadership must focus on the future to create excitement for the future and what is happening today. The main goal of a strategic leader is to better understand the business situation, environment and other aspects that identify future challenges (Serfontein, 2010). Ireland and Hitt (1999) have defined strategic leadership as follows; the ability to anticipate a set horizon, maintain flexibility, think strategically, and work with others to initiate change that creates a sustainable future for the organization. Rowe (2001) states that strategic leadership is the ability to influence others to make decisions on a voluntary basis that increase the organization’s ability to survive in the long term. At the same time, he has defined it as short-term financial goals sustainability. Davies (2003), in his research, identifies nine key factors related to strategic leadership, whereby five items of them are related to organizational capabilities as follows: strategic spirit, turning strategy into action, aligning people and organization, examining and showing the positive effects of strategic movements, developing competitive strategies. The other four items are related to personal characteristics, which are as follows: dissatisfaction with the current situation, the ability to absorb, the ability to adapt and flexibility and knowledge (quoted by Zarei et al., 2017).

According to Boal and Hooijberg (2001), a literature review on strategic management shows a distinction between leadership theory and strategic management. They believe those leadership theories are about an organization’s leadership and management, but the strategic leadership goal is the organization’s leadership. Serfontein (2010) considers the components of strategic leadership, including goals and perspective, the development of the core competencies, the development of individuals, the culture of pride and organizational control.

- **Goals and Vision**

According to Prokesch (1997), the goal and vision of an organization coordinate the actions of individuals in the whole organization. A real vision is very prominent, and all of the individuals of an organization understand this vision and live with it. Nell (2008: 15) warns that: “The biggest trap that leadership encounters in organizations is when they must be so confident in their vision and direction that they do not see new opportunities,” so one of the most important characteristics of strategic leadership is having a vision and clear goals.

- **Development of Core Competencies**

Grant (1996: 375) stated, “Core competencies are the resources and capabilities that give a competitive advantage to an organization over its competitors. Competencies in terms of behavioral perspectives are based on emotional, social and cognitive intelligence. An integrated concept regarding intelligence competencies of a theoretical structure introduces a new theoretical model that relates intelligence competencies to management / organizational performance, which indirectly affects organizational performance through management execution structure; for example, a better quality of interaction between a manager and his subordinate influence the leadership performance and leadership performance has a positive
effect on the organization atmosphere which also affects the performance of the organization (Mohammadi Fateh et al., 2020).

- **Individual Development**

Regarding the development of individuals, Nell (2008: 12) stated: “Any change constantly requires the development of some new attitudes, knowledge and skills. Under normal circumstances, it is still possible for individuals to perform their tasks over time and develop necessary competencies. This is especially true when the situation has been relatively stable for some time. However, the capacity of individuals to learn through experience is highly dependent on the environment, so one of the factors that can develop the capacity of individuals' learning is strategic leadership. Neil (2008: 16) states that “knowledge and human capital skills are all an organization's assets. Strategic leaders are those who use these knowledge resources of employees in the interests of the organization.

- **Culture of Pride**

Drucker (1997) stated that every organization has a culture that helps to shape and define a context in which individuals’ behavior is understood and judged. A leader’s emphasis is influenced by the organization’s culture and formal and informal reward systems that reinforce that culture. Often the strongest factors are weak, and their observation is difficult unless they are a part of the system. Powerful rules that reinforce and improve the behavior of leaders are often unwritten and unspoken issues woven into the fabric of everyday life. Employees consider these subtleties by their reward or punishment systems way. Rewards and punishments themselves are often subtle. They shape behavior and are stronger when they are outside of leadership consciousness (Serfontin, 2010).

- **Organizational Control**

The organization’s capacity to control, monitor, and track the progress of monthly plans, projects, and outcomes should be well defined. Therefore, leaders are responsible for developing and effectively using two types of internal controls: strategic and financial (Hitt et al., 1996). Strategic controls require exchanging information between the CEO, members of the leadership team, and employees. To exercise effective strategic control, leaders must deeply understand the competitive conditions and dynamics of each unit or department in charge. Information exchange occurs through informal, unscheduled meetings and formally planned interactions. When strategic leaders can use different sets of information to provide competition-related insights, the effectiveness of strategic controls increases significantly. Organizational performance is a mirror that shows the ability of the organization to achieve high productivity, provided that it is accompanied by customer satisfaction and has a good share in the market that can provide good financial repayment and satisfy social and moral responsibilities to the environment that organization and society work in them (Tobigi & Al-Shui, 2015).

- **Organizational Performance**

Performance is the result of activities. This includes the actual results of the strategic management process (Alrubaiee, 2013). Ben Zayed et al. (2015) stated that the organization's performance successfully achieved its goals. Organizational performance constitutes all
behaviors related to organizational goals depending on the degree of participation of individuals in the organization (Borman & Motowidlo, 1993). Similarly, researchers considered organizational performance as the interaction between the activities of the information and communication technology and its resources, or the difference between financial and non-financial goals over a certain period. In addition, Wankrataman and Vasudwan (1986) point out that measuring organizational performance depends on the areas of performance in business organizations and is varied according to their different occupations, the nature of activities and the degree of focus on areas that are thought to achieve goals is the organization priority. Performance in organizations is measured to respond to stakeholders and improve an organization's performance (Denhardt & Aristigueta, 2008; Marr, 2009).

Performance measurement helps public organizations make more informed decisions and respond more to citizens (Marr, 2010). This issue shows whether an organization responds to the values of its stakeholders or not (Rocheleau, 2006). Organizations use performance measurement to respond to external reporting and compliance (Marr, 2009). Governments have limited performance measurement and reporting for compliance purposes, and only a few seek to comply with performance management beyond performance measurement. Performance measurement as a response tool has a punitive meaning, while as a performance management tool, it can improve performance instead of taking responsibility (Kettl & Kelman, 2007). According to Marr (2010), performance measurement can be used as a performance improvement tool that provides feedback about the organization over time or compared to other organizations. Providing performance information is not enough to improve the organization's performance. Using performance information improves organizational performance. The use of performance information depends on the nature and strength of the information demand by stakeholders (Mackay, 2007). Mackay believes that determining the use of performance information and how to use this information is important to increase awareness among stakeholders.

Regarding strategic leadership and organizational performance, scientists have argued that top managers have enough authority to influence performance. Therefore, the role of top managers of companies and organizations is crucial in the effectiveness of their organization's performance through their behaviors and strategic choices. Therefore, strategic leadership's effect on performance will differ according to the level. Change in organizational performance with different choices is created by the strategic leadership of an organization that is involved in organizational change and greatly impacts performance. Therefore, strategic leadership must express a clear vision for the successful implementation of long-term performance in the future (Jaleha & Machuki, 2018).

• **Organizational Innovation**

Organizational innovation is a useful and main method for achieving change and development in the organization's results and indicating the ability to create methods, techniques and ideas for work that improve working conditions, employee motivation, and increase product performance. Abilities and talents help to achieve the best goals of the organization (Çakar & Erturk, 2010). Rogers (1995) considers organizational innovation as the creation of a new object, practice, or idea based on the perspective of individuals. In a limited sense, organizational
innovations can be considered organizational changes in companies. Pleschak and Sabisch define organizational innovation as the redesign or improvement of a process or structural organization in companies. The globalization of services, manufacturing activities, and the advancement of the business environment has led to increasing uninterrupted competitive pressure. This issue encourages organizations to change and revitalize their processes, systems, techniques, and services. This subject is generally referred to as organizational innovation for competitive advantage (Hussinki et al., 2017). To achieve these competitive advantages, organizations must focus on the capabilities of their workforce. However, organizations have changed their attention from tangible to intangible resources such as knowledge, technologies, core competencies, and innovative capabilities (Obeidat et al., 2017). Thus, organizations rapidly change their activities and management systems to be able to maintain themselves in a competitive environment consisting of globalization and various technologies (Hamoud et al., 2016; Obeidat et al., 2017). In their research, Sung and Kim (2021) found that change management factors positively affect innovative behavior and organizational innovation. In addition, the innovative behavior of government officials has played a mediating role between change management and organizational innovation. It was acknowledged that the innovative behavior of the organization's members is essential to achieving organizational innovation. Among change management factors, participation and communication had the greatest impact on innovative behavior and organizational innovation. Bonacci et al. (2020) consider organizational climate effective in developing organizational innovation. Chatterjee et al. (2020) consider factors such as new technologies to be effective in organizational innovation. Also, a review of the previous literature shows the relationship between organizational innovations in organizational performance. Innovation can be classified into five types of new products: new production methods, new sources of supply, exploitation of new markets and new ways of organizing business. This perspective sometimes suggests numerous studies of organizational innovation as a way to improve organizational performance (Khan et al., 2018)

MATERIALS AND METHODS

In terms of research orientation, the applied type is used, the approaching terms are based on a deductive approach and in terms of strategy is the survey type. The research's statistical population includes 370 experts and managers of the Iran Khodro complex. Cochran's formula was used to determine the sample size, and 190 people were selected. The collection tool (Questionnaire) has been prepared using theoretical foundations, relevant articles and texts and approved by experts. The content validity of this questionnaire has been confirmed by reading books and articles related to the research, preparing the necessary information items, and applying corrective opinions. Then the questionnaires were distributed between 12 professors and experts, and the content validity for the diagnostic indicators was calculated based on the opinions of 12 evaluators. Based on the number of 12 evaluators according to the table below, the acceptable CVR minimum is equal to 0.56, which shows the results of numerical calculations between 0.56 and 1 for each item. For this purpose, to evaluate the reliability of the research tool, a preliminary questionnaire was distributed among 30 members of the statistical population. The data obtained from these 30 preliminary questionnaire were entered into SPSS
software version 22. Using this data, the Cronbach’s alpha values for each questionnaire were calculated, indicating each variable's values to determine the reliability in Table 1.

### Table 1. Cronbach’s alpha values for each variable

<table>
<thead>
<tr>
<th>Variable name</th>
<th>The alpha value of variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic leadership</td>
<td>0.87</td>
</tr>
<tr>
<td>Organizational innovation</td>
<td>0.94</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.96</td>
</tr>
</tbody>
</table>

Cronbach’s alpha value for all three main variables of the research was obtained from the critical value above 0.70, so the reliability of the data collection tool is confirmed. Then, using the inferential statistic tests, the hypotheses investigation will be performed using SPSS24 software. In order to test the research model, the PLS, a variance-based path modeling technique, was used.

### RESULTS AND DISCUSSION

In order to use statistical techniques, it must first be determined whether the collected data have a normal distribution or not. The normality of the questionnaire questions was assessed using the Kolmogorov-Smirnov test (Table 2).

### Table 2. Results of Kolmogorov-Smirnov test

<table>
<thead>
<tr>
<th>Research Variables</th>
<th>𝑘f Test (Significance level)</th>
<th>Significance level</th>
<th>Test Results</th>
<th>Distribution Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic leadership</td>
<td>0.085</td>
<td>0.002</td>
<td>0.05</td>
<td>Null hypothesis rejection</td>
</tr>
<tr>
<td>Organizational innovation</td>
<td>0.106</td>
<td>0.000</td>
<td>0.05</td>
<td>Null hypothesis rejection</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.110</td>
<td>0.000</td>
<td>0.05</td>
<td>Null hypothesis rejection</td>
</tr>
</tbody>
</table>

According to the Kolmogorov-Smirnov test, whose results have been shown in Table 2, for all three variables of the research, since the significance level is less than the 0.05 error value, it can be concluded that the distribution of scores of the variables of this research are not normal. Therefore, the distribution of data in the statistical population was not normal. As a result, in order to analyze the data, structural equation modeling based on partial least squares is used. The next criterion of the measurement models is the hybrid reliability criterion. If the CR value for each structure is above 0.70, it indicates suitable internal stability for the measurement models and a value less than 0.60 indicates a lack of reliability. The below table shows these criteria.

### Table 3. Reliability indicators obtained from PLS software output

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dimensions</th>
<th>Beta</th>
<th>Alpha</th>
<th>Hybrid reliability</th>
<th>Common values</th>
</tr>
</thead>
</table>

...
According to Table 3, Cronbach’s alpha values for all four main variables of the research are higher than 0.70, the critical value. The values related to hybrid reliability are also in the desired condition, and finally, the common values are obtained higher than 0.50, the critical value.

### Table 4. Evaluation of Convergent validity of the research model

<table>
<thead>
<tr>
<th>Variables</th>
<th>AVE Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic leadership</td>
<td>0.57</td>
</tr>
<tr>
<td>Organizational innovation</td>
<td>0.85</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.71</td>
</tr>
</tbody>
</table>

According to Table 4, the calculated value of the shared average variance for all four structures is higher than 0.50, the critical value, so the convergent validity of the research model is also acceptable.

### Table 5. Evaluation of divergent validity of the model by Fornell and Locker methods

<table>
<thead>
<tr>
<th></th>
<th>OI</th>
<th>OP</th>
<th>SL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational innovation</td>
<td>0.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.78</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>Strategic leadership</td>
<td>0.54</td>
<td>0.62</td>
<td>0.75</td>
</tr>
</tbody>
</table>

According to Table 5, derived from Fornel and Larker's (1981) method, it was found that the value of the AVE root of the latent variables in the present study, which are located in the existing cells of the original main diameter of the matrix, is greater than the amount of correlation between them in the below cells of the original diameter. Hence, it can be stated that in the present study, the constructs (Latent variables) in the model have more interaction with their indicators than other constructs; in other words, the divergent validity of the model is placed at an appropriate level.
Figure 1 shows the research model in the significant state of coefficients (t-value). This model tests all measurement equations (first- and second-order factorial loads) using the t-statistic. According to this model, the path coefficient and factor load are significant at the 95% confidence level if the value of the t-statistic is outside the range of -1.96 to +1.96. According to the above diagram, all model relations are significant. The calculated GOF values in this research model were obtained equal to 0.62, indicating a strong overall fitness and the model is confirmed.

\[
GOF = \sqrt{\text{communalities} \times R^2}
\]  

\[
GOF = \sqrt{0.72 \times 0.60} = \sqrt{0.43} = 0.66
\]

CONCLUSION

The objective of the present study is to investigate the effect of strategic leadership on organizational performance about the mediating role of organizational innovation in Iran Khodro Company. The results of structural equations showed that the coefficient impact of strategic leadership on organizational performance is positive and significant. These findings are consistent with the results of Abo Torabi et al. (2015), Mohammadi et al. (2016), Sehat and Yarahmadi (2015), Takei et al. (2021), Asayesh et al. (2017), and Jaleha and Mackay (2018). In the explanation of this finding, it can be said that the main goal of strategic leadership is the organization's survival in the long run, in line with the main goals of the business. In this regard, Hughes and Beatty (2005) believe that the focus of strategic leadership is a sustainable competitive advantage, with continued organizational success and overall performance improvement. The results of structural equations also showed that the coefficient of the impact of strategic leadership on organizational innovation is positive and significant. These findings are somewhat consistent with the results of research by Sarfarazi et al. (2021), Fallahnejad and
Azayesh (2021), Shojaei et al. (2019), and Adam et al. (2020). In the explanation of this finding, it can be said that the organizations to adapt to today’s changing world to institutionalize the climate of innovation in the organization and job empowerment of employees must be able to develop strategies to guide and control these changes with the help of strategic leaders. Strategic leaders using the mental encouragement of their followers and the stimulation of their innovative ideas in the whole organization could create a flexible organizational climate that challenges employees’ sense of job competence to seek new innovative perspectives on their jobs. In addition, leaders themselves must be interested in the innovation process; otherwise, they can be an obstacle to innovation and empowerment of employees in the organization. The structural equations also showed that the coefficient of the impact of organizational innovation on organizational performance is positive and significant. These findings are consistent with the results of research by Fallahnejad and Asayesh (2020), Moradi (2020), Abbasi et al. (2020), Shojaei et al. (2019), Zeb et al. (2021), Somuro et al. (2020), Adam et al. (2020) and Kasmsep (2017). In the explanation of this finding, it can be said that today’s modern organizations must use innovation to achieve high performance, compete with competitors, and survive in a highly competitive environment. It is believed that the concept of innovation can be considered a response to the constantly changing environment and maintaining high profits and performance of the company. The results showed that the coefficient of the impact of strategic leadership through organizational innovation on organizational performance is positive and significant. These findings are consistent with the results findings of research by Najmi et al. (2018), Yaghoubi et al. (2015) and Sawaean and Ali et al. (2020). In the explanation of this finding, it can be said that the development of innovation and organizational learning to achieve sustainable competitive advantage and improve organizational performance requires the existence of appropriate conditions and context in which management leadership styles are one of the effective factors in this field. Innovation is the most modern management orientation. This issue refers to the ability of organizations to create and develop new ideas and turn those ideas into processes, products and services. Applying innovations and ideas requires a platform in which the organization's leaders can influence organizational performance through organizational innovation by creating the necessary organizations. According to the rapid changes of the modern world, it is suggested that the studied organization and other organizations pay more attention to the issue of leadership at the strategic level. According to the long-term vision of strategic leadership, it is better for managers to first become accurately familiar with this style of leadership through various angles by studying and reviewing various resources, getting guidance and advice from senior managers, talking to researchers, professors and academic teachers, and experts in this field and then the employees in the form of holding several meetings familiar with this type of leadership and the requirements for its implementation in the organization. The results of this study showed that strategic leadership has a positive effect on organizational innovation since senior managers of an organization are responsible for the overall performance of the organization. Therefore, the responsibility for organizational survival and durability is also the responsibility of these managers, the survival and durability of the organization are achieved through innovation and creativity in the organization, so it is suggested that organizations use strategic leadership indicators to hire leaders when employing managers and leaders so that in this regard, the strategic capabilities of the leaders should be investigated. Also, since the necessity of having a strategy and strategic
vision in organizational leaders and senior managers is an important and inevitable matter, therefore, plans and principles should be developed and implemented for training and promoting strategy and strategic capabilities for these managers because these capabilities and strategic skills are acquired and learned.

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