

Leadership Styles, Performance, and Innovation: A Study of SMEs of the United Arab Emirates

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Abstract :

For the enhancement of the productivity of an organisation, the way a leader interacts has a consequential impact on his or her stakeholders' performance and the way they deal with them influences their ideation. The objective of this study is to understand how different leadership styles impact performance and innovation in SMEs in the UAE. A sample size of 500 comprised the randomly selected employees of SMEs in Abu Dhabi. The analysis of the data revealed that there are positive impacts of leadership performance and innovation. The findings also indicate that there is a significant relationship between transformational leadership, transactional leadership, and the performance and innovation of the SMEs sample studied. The findings encourage the SMEs of UAE to develop policies to adopt such leadership styles to boost employees' performance and innovation for the development of the nation.

Keywords: leadership styles, transformation leadership, transactional leadership, performance, innovation, SMEs, UAE

Introduction

Leadership styles in any company can lead to some changes as well as enhance innovation and performance of such companies including Small and medium-sized enterprises (SMEs). In this regard, Crawford (2005) comments that leaders of companies have an essential role that could build and enhance innovation and performance. Point of fact, company leaders should attach high values to encouraging experimentation and questioning through some factors such as building trust, empowerment, and facilitating experiential learning (Afsar, et al., 2019; Le, & Lei, 2018). In this regard, some questions may emerge about what are the leadership styles that could meet the above-mentioned requirements to enhance successfully and effectively SMEs' innovation and performance.

The role of company leaders is rapidly emerging as an essential determinant of innovation and effective performance since leadership in the organisation has been highlighted as the central ingredient in shaping the firm's competitive advantage (West et al, 2003). Introducing novel concepts, establishing clear objectives, and supporting innovation proposals from their

subordinates are always leaders who can have an impact on innovation in the workplace, (Jung, et. al., 2003). It can be said that leadership styles are to be leaders' approach to delivering direction, putting plans into action, and encouraging followers.

According to various studies (Madi Odeh, et al., 2023; Philip, 2021; Schiuma, et al., 2022), transformational leadership possesses a combination of good behavioural traits that are known to boost performance and innovation among followers inside businesses. For instance, it is claimed by Alsharif, et al., (2021), Kucharska, and Rebelo, (2022), Pawar and Eastman (1997) that the style of transformational leadership demonstrates behaviour that fosters an environment suited for innovation to flourish, in contrast to the transactional leadership style's preference for the status quo, which is characterised by stability and limited change as the norm. Transactional leadership, on the other hand, is more reactive than proactive and is based on the exchange of benefits between leaders and followers. Transformational leadership promotes behaviours that include taking risks, whereas transactional leadership emphasises the opposite (Northouse, 2021). In other words, it likes to keep things as they are rather than seek change.

Undoubtedly, the success of the organization is determined by many factors, including leadership styles that occur within the organization, and to become successful he/she needs to create a work atmosphere that can stimulate the organisation and growth and development of the performance of employees (Ichsan, et al., 2021; Saputra, 2021). Leaders can positively influence their subordinates to carry out appropriate and directed action to achieve the stated goals. Leadership style affects the performance of subordinates, as shown in several studies, where many results have found that leadership styles are positively correlated with group performance and organizational performance (Guterresa, et al., 2020). Since knowledge leadership is seen as an important factor that affects organization and it seems that leadership style plays an important role affect performance.

Since leadership is goal-oriented (Gao, et al., 2022; Harahap, et al., 2022; Northouse, 2021), it is crucial to guide the team members' efforts. Leaders concentrate their attention on the group as a whole to achieve their objectives. As a result, when people collaborate to accomplish a goal, leadership occurs and has an influence (Northouse, 2021). This aspect of leadership has frequently been cited as the key distinction between leadership and management. It is asserted that a leader's main responsibility is to create an organization's strategic strategy (or agenda). Long-term goals are presented, together with a strategy for achieving them, by the leader. The vision is set by the leader, but it is up to the manager and his or her team to make it a reality (Gao, et al., 2022; Harahap, et al., 2022; Northouse, 2021).

In addition, the study of organisational innovation provides fresh insights into several fascinating topics that have come to the fore in recent years. These topics include the dynamics of knowledge societies (Mulgan, 2019; Vătămănescu, et al., 2022), the issues of societal evolution and institutional change, and the integration of macro and micro levels of analysis. In addition to the field of sociology, organisational innovation has the potential to make significant contributions to many significant fields of new research within the field of

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management. Research on national systems of innovation (Mulgan, 2019) is the most obvious example; nonetheless, it is equally pertinent to endogenous models of organization growth (Blanco, et al., 2022), in a broader sense.

Organisational innovation has been generally defined as the adoption of a novel idea or behaviour by the organisation (Alrowwad, et al., 2020; Clohessy, & Acton, 2019). The innovation may take the form of a new product or service, a new technology, a new administrative practice, or some combination of these. Research often concentrates on the rates of invention rather than individual innovations, except in diffusion studies (Touboul, et al., 2023; Wagner, & Komarek, 2022), in which the question of how quickly a concept gets adopted is addressed. In addition, the term "innovation" refers to the process that a person or organisation goes through to conceive brand-new things, processes, and ideas, or to approach already existing products, processes, and ideas in new ways.

Companies' performance is an essential factor to be enhanced. According to Daniel (2019), increasing the quality level of an employer's workforce is inextricably linked to that organization's ability to more effectively perform its core functions. Leaders are capable of completing tasks and taking on responsibilities. An effective performance allows the organisation to respond to and anticipate changes in the market flexibly and speedily. For a business to remain successful in today's climate of cutthroat competition, it is imperative that they continually work to enhance the quality of their offerings. The performance reveals the degree to which the organisation has been successful in accomplishing its goals, objectives, vision, and mission through the successful implementation of activities. Therefore, it is of the utmost importance to have an understanding of the factors that influence the performance of employees (Karneli, 2023).

Performance of companies is defined as achieving the targeted responsibilities in a manner that contributes to the organization's success in reaching its objectives (Al Aina, & Atan, 2020; Sawaeen, 2020). It is also defined as the productivity (Susanto, et al., 2022). This definition comes from two different sources. The performance is evaluated based on the quality and amount of work accomplished by the tasks that have been allocated. Indeed, performance has a direct impact on the outcomes of an organisation, both financially and non-financially, additionally, for businesses to realise their corporate goals, vision, and mission and secure a position of pre-eminence in their industry, they require high-performing personnel (Al Aina, & Atan, 2020; Sawaeen, 2020; Susanto, et al., 2022).

SMEs make up over 90% of the total number of businesses in countries. Furthermore, they employ roughly 60% of the overall labor force and contribute 50% of gross domestic product (GDP) among many countries. It has been demonstrated that SMEs enhance output growth, which is important for public welfare and it influences structural changes as the economy develops. We are aware of those countries which have a strong interest in the SME sector as one of the most significant pillars of the economic cycle and find that SMEs are one of the sectors that contribute to the country's GDP (Shihab & Khaliq, 2021).

In UAE, SMEs are regarded as the cornerstones of the UAE economy because they make up about 95% of all businesses there. For around 43% of the nation's workforce, SMEs have been the source of employment. According to the Department of Economic Development Research, women own 48% of all SMEs in the UAE, and the majority of them are sole proprietorships (Gupta, & Mirchandani, 2018). Hence, it is important to study leadership styles (transformational and transactional styles) in UAE SMEs' innovation and performance. Therefore, there is a real need to conduct such a study that aims to see the effect of leadership styles in the context of the UAE.

Conceptual Framework and Hypotheses

The research model for this study is depicted in Figure 1.

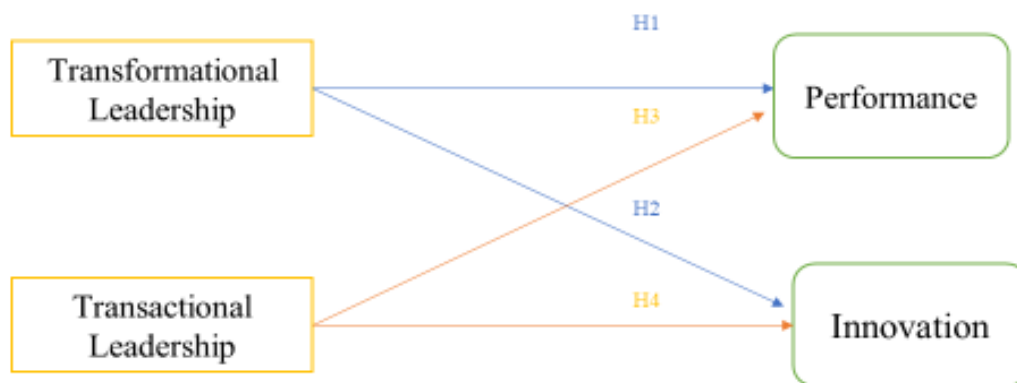


Figure 1: Conceptual Framework

Transformational and Transactional Leadership Theory

Previous leadership theories, such as the transformational and transactional leadership theories, have assisted us in better understanding leadership and have laid the groundwork for the development of a new leadership style that is more effective. Leadership is usually understood to be synonymous with management. This view emphasises the vision of the leader as well as the learning of the business. The new approach emphasises instigating further effort from followers by utilising measures such as motivation, inspiration, organisational dedication, and so on. This is one of the primary focuses of the new method. This section discusses the transformational and transactional schools of thought on leadership, which are the two primary schools of thought on the subject.

Transformational Leadership

A style of leadership that emphasises getting individuals to collaborate to realise their full potential and have a positive effect on the organisation or community in which they are based. This type of leadership encourages followers to realise their full potential and perform at the

highest level possible by combining vision, charisma, and inspiration in their interactions with others.

A transformational leader is one who typically possesses a clear vision for the future, can convey this vision with their followers, and can motivate their followers to strive towards attaining this vision. They cultivate in their followers' ties of trust, respect, and mutual understanding, which in turn motivates dedication and devotion on their part. Because of the high levels of ethics and integrity that they exhibit, transformational leaders are frequently perceived as being in the role of role models.

The importance of personal growth as a component of transformational leadership is underlined. Therefore, those who follow transformational leaders are more equipped to broaden their horizons in terms of learning, experience, and personal growth. They encourage uniqueness and creativity while fostering a culture of constant learning and development.

Overall, transformational leadership is a strong and effective leadership approach that may help companies achieve their goals, support the growth of strong teams, and have a positive impact on the world.

Scholars have developed various definitions of transformational leadership, and each definition has merit. Burns (1978) defined a transformational leader as someone who motivates and inspires their followers to effect the desired change. Burns contends that when leaders respond to the moral requirements of their followers—such as the desire to support a cause or adopt a more moral stance on an issue—they become more accountable to them. (1986; Tichy & Devanna) People aspire to think that a greater organisational spiritual goal inspires all of their behaviour. According to Bass, Avolio, and Goodheim (1987), transformational leadership motivates its followers to work towards more worthwhile goals by inspiring them to look beyond petty needs and desires. These statements claim that a transformational leader forges a new course for the business, one that frequently necessitates a change in cultural norms to make room for more creativity.

Yukl (2006) asserts that followers who have encountered transformational leadership feel a sense of trust, adoration, loyalty, and respect for their leader and are motivated to go beyond what they had previously believed was possible. Transformational leaders "seek to raise the consciousness of followers by appealing to higher ideals and moral values like liberty, justice, equality, and peace" (Yukl & Van Fleet, 1992, p. 176). This is as opposed to appealing to followers' baser emotions like fear, greed, jealousy, or hate. These leaders exude the necessary charisma, show concern for their followers as people, engage their thoughts, and motivate them. According to the definitions given by Bass (1997) and Bass and Avolio (1990), the basis of transformational leadership is comprised of the following four elements: *Idealised Influence*: Leaders are those whose actions are looked up to and emulated by their subordinates (Northouse, 2001). *Individualised Consideration*: it is a leadership trait that enables a leader to foster a supportive environment, in which they devote personal attention to each employee and

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treat them on an individual basis. According to Avolio, Waldman, and Yammarino (1991) and Bass and Avolio (1990), such leaders pay attention to and share the concerns of individuals while simultaneously assisting in the development of the individual's confidence. Intellectual Stimulation: An intellectually stimulating leader is one that, according to Avolio (et al., 1991; Northouse, 2001), stimulates people to think outside the box, experiment with new ideas, and question both their basic principles and the core ideals of the company. Motivational Inspiration Transformational leaders have a variety of tools at their disposal, including simple language, symbols, and imagery, which they use to motivate and inspire their followers by presenting them with meaningful challenges and opportunities (Bass, 1997).

According to Bass and Avolio (1993), a clear indicator that transformational leadership cares about the results that are achieved by its followers and works to assist those followers in reaching their full potential is the fact that transformational leadership is concerned with those results. In this regard, Bass (1990) indicates that transformational leadership extends beyond the relationship between leaders and followers to encompass a broader perspective that serves to elevate employee interest, encourages employees to look beyond their interests to what benefits the group, and encourages employees to accept the organization's missions as if they were their own. Transformational leadership, on the other hand, "originates in the personal values and beliefs of leaders, not in the exchange of commodities between leaders and subordinates" (Podsakoff, et al., 1990). This is in contrast to transactional leadership, which "originates in the exchange of commodities between leaders and subordinates. According to Bass's argument from 1985, transformative leaders are governed by moral principles such as fairness and integrity. Followers look up to transformative leaders because they continually put the requirements of the company and their followers first. Such leaders encourage the investigation of fresh solutions to time-tested issues to inspire and motivate their employees (Bass, 1985). As a result, transformational leaders might encourage their people to put in more effort and provide greater outcomes.

A general lack of satisfaction with the status quo is the foundation of transformational leadership, and these leaders are eager to steer the organisation down a different route. As part of the process of changing the entire business, transformational leaders foster a creative and rewarding corporate culture (Bass & Avolio, 1993; Masood, Dani, Burns, & Backhouse, 2006). Transformational leaders must first understand an organization's culture to change it. Once they have done so, they may realign the culture of the organisation to reflect a new vision as well as updated standards and values (Bass, 1985). Similarly, Bass and Avolio (1993), Chelladurai (2006), and Tichy and Devanna (1986) concur that the ability to imagine the organisation is the key to transformative leadership.

Giving their team members the flexibility to pursue original and innovative methods of reaching the stated goal, a transformational leader fosters a culture of creative change and development as opposed to one that only upholds the status quo (Chelladurai, 2006; Tichy & Devanna, 1986). They control how their group's destiny is shaped (Bass & Avolio, 1990).

Transformational leaders aggressively seek out ways to support their staff members' professional and personal growth, according to Tichy and Devanna (1986). Transformational leaders frequently offer financial incentives to entice their followers to participate in educational programmes that support and develop abilities to achieve extraordinary performance.

In particular, an organisation is more likely to exhibit transformational leadership at the top levels of the organisation if it selects its leaders based on their ability to change and improve its work units. Although it has its place, transformational leadership is not meant to take the place of other leadership philosophies, such as transactional leadership (Avolio et al., 1991). However, it is crucial to note that transformational leadership complements transactional leadership rather than replacing it by enhancing the influence of the leader on the work, performance, innovation, and productivity of their followers (Avolio et al., 1991; Bass 1985; Howell & Avolio 1993; Robbins 2006). This leads to the following hypotheses:

H1: Transformational leaders significantly affect the innovation of SMEs in the UAE

H2: Transformational leaders significantly affect the performance of SMEs in the UAE

Transactional Leadership

A leadership approach known as "transactional leadership" focuses on using rewards and penalties to motivate employees to achieve a goal. The literature review that follows explores the main concepts and traits of transactional leadership, as well as its development, advantages and disadvantages, and numerous organisational applications. James MacGregor Burns introduced the idea of transactional leadership in the widely-read book *Leadership*. Burns distinguished between transactional and transformative leadership styles. Transactional leadership is focused on encouraging followers to work towards a common goal and create a shared vision through rewards and punishments, whereas transformational leadership is focused on inspiring followers to work towards a common goal and create a shared vision.

The principles of transactional leadership include short-term goals, conditional rewards, observing and managing follower conduct, and taking corrective action when necessary. Transactional leaders are also more directive and task-focused than transformational leaders, who are more inspiring and people-focused. Leaders frequently use contingent incentives to motivate followers to carry out a list of desirable behaviours. This could take the shape of financial compensation, opportunities for career promotion, or any other benefit. Effective monitoring and control of follower behaviour require establishing clear expectations and holding followers accountable for their actions.

The majority of modern theories of leadership, such as the Ohio State research, Fielder's model, the path-goal theory, and others, according to Bass (1985, 1990), Chemers (1984), and Robbins (2001), support the premise that leaders interact with their team members. Contrary to transformational leadership, transactional leadership is built on a series of fair arrangements or

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transactions that aid both the leader and the followers in achieving their individual goals (Bass, 1985, 1990). To accomplish both individual and organisational goals, transactional leaders define the duties and obligations of each team member during these discussions (Kuhnert & Lewis, 1987). According to Howell and Avolio's hypothesis from 1993, leaders and followers might concur on a predetermined level of performance and the benefits that go along with it.

Simply defined, transactional leaders instruct their followers on what needs to be done, how it should be done, and what results they may anticipate. Employees are more capable of performing their duties and understanding what is expected of them by the business and their boss. Additionally, transactional leaders make it obvious what the followers will get in exchange for the precise amount of effort and/or performance that is expected of them (Avolio, et al., 1991), which motivates and drives employees to meet predetermined performance requirements. Rewards for projected success may include favourable assessments, salary raises, acclaim and recognition, and superior job assignments, depending on the organisational context.

This section has covered the ideas of transactional and transformational leadership styles. The concept of transformational leadership has been referred to as a hybrid since it draws from a variety of schools of thinking (Yukl & Van Fleet, 1992). The heart of transformational leadership is to "lift ordinary people to extraordinary heights" (Yukl, 2006) and inspire followers to "do more than they are expected" (Yukl, 2006) and "perform beyond the level of expectation" (Bass, 1985). Leaders are said to be adopting a transformational leadership style when they encourage their followers to respect, trust, and appreciate them. Instead, the relationships between leaders and their subordinates are the focus of the transactional leadership style. The principles of fairness and integrity, which are at the heart of transformational leaders' deeds, cannot be bargained with or shared by others (Kuhnert & Lewis, 1987).

Transformative leadership produces levels of employee effort and performance that are above and above what would be the case with a transactional approach alone (Robbins, 2006). Transactional leadership is built on top of transactional leadership. Effective leaders frequently combine transactional and transformational leadership approaches (Bass, 1990; Yukl, 2006). According to earlier empirical studies (Avolio et al., 1991; Bass 1985, 1997; Bass & Avolio 1993), a single leader may demonstrate both transformational and transactional leadership styles. These styles may complement one another to differing degrees. Many transformational leaders exhibit some transactional habits, but they also employ some transformational leadership strategies. According to Tosi et al. (1994), charismatic leaders who are also effective managers would gather resources and assign responsibilities.

According to numerous studies (Awamleh & Gardner, 1990; Bass & Avolio, 1990; Howell & Avolio, 1993; Podsakoff et al., 1990; Tichy & Devanna, 1986), both transformational and transactional leadership styles are positively correlated with organisational commitment, work satisfaction, and performance. According to this research, organisational knowledge

management practices and these two leadership philosophies are related. The next section discusses how transactional and transformational leadership affects knowledge management. This leads to the following hypotheses:

H3: Transactional leaders significantly affect the innovation of SMEs in the UAE

H4: Transactional leaders significantly affect the performance of SMEs in the UAE

Companies' Performance

Performance expresses the completion of the work to be achieved. Performance also reflects behavior that is measured by the companies' abilities to contribute to achieving their goals and it is evident through the relationship between the following elements: results - resources - goals that show the extent to which effectiveness and performance are linked. Moreover, Salajegheh & Pourrashidi (2013) define it as a criterion for measuring the results of companies' decisions and operations and determining the completion rate. It also indicates the success of these companies in achieving their goals and mission (Al-Saffar & Obeidat, 2020).

Performance Main Elements:

According to (Al-Saffar & Obeidat, 2020), the elements that make up the performance of the companies are:

1. The employee: in terms of the employee's skills, knowledge, interests, values, and motives.
2. Job: in terms of the job itself, challenges, and requirements.
3. The company itself: in terms of the environment and the organizational function, including the climate of supervision and work, the abundance of resources, the organizational structure, and the administrative systems.

Pribadi, Effendi, and Suryani (2020) defined performance as the work that a person or group within the company can accomplish following their powers and responsibilities to achieve the goals of the concerned companies legally and following public morals. Performance is also the work results that the company accomplishes in carrying out the tasks entrusted to it based on its employees' skills, experience, sincerity, and time management. According to Pribadi et al. (2020), performance is determined by a confluence of three critical elements: the worker's aptitude and motivation, their capacity and acceptance of the task and function of delegation, and their level of acceptance. The organisation is expected to perform successfully if each individual or employee does well. Performance is determined by the amount and quality of work an employee completes while carrying out their tasks in line with their job description. Despite an employee's willingness and ability, performance opportunities must be further improved. The aims and objectives of an employee's work effort during a specific period are outlined in the performance standards. Employees must focus all of their efforts, ideas,

expertise, abilities, and working hours on achieving the goals outlined in the performance criteria (Pribadi, et al., 2020).

Innovation of the Company

It is the ability to produce or generate new ideas and then find or come up with new ways to use those ideas and share them with others to serve the work (Alaoun, 2018).

Innovation is about process, people, and service. (Abernathy, et al., (1988) stated that innovation means developing new services and working on existing services to improve them, and innovation also refers to the development or introduction of new services, processes, or technologies. Sari and Firdaus (2015) stated that innovation is the provision of services or goods, new ideas, or methods that add benefit or value to customers as well as companies. Goetsch and Davis (2016) indicated that innovation is how organizations constantly improve the quality and cost of their products as well as the quality of their services. In short, innovation means the level of uniqueness of new services, how many new services are offered to customers, and the use of updated technology in developing and delivering new services (Alaoun, 2018). In this study, innovation is defined as the process of providing new services more than competitors, as well as the progress of UAE SMEs for new production processes, and the development of these SMEs.

Methodology

Research Design

A research design, according to Creswell (2014), is a type of investigation that provides the required stages or guidelines for carrying out research utilising quantitative, qualitative, or mixed approaches. This kind of study design aims to build the research framework through the application of science. Additionally, it organises the research so that it can be used in ways that show how the study claims its territory and aims to respond to its open-ended questions. Additionally, it tries to describe the pertinent data, the methodology employed, and how those methodologies served the research objectives. Accordingly, this study adopts a quantitative research approach using a questionnaire.

Sampling and Procedure

All employees of SMEs in Abu Dhabi make up the study population, and a random sample technique was used. According to the discussion above, 384 samples from Krejcie and Morgan (1970) are intended to be technically sound, finished, and returned. However, according to earlier studies (Salem et al., 2021; van der Wal et al., 2020), the reported response rate ranges from 40 to 60 percent. Additionally, the findings from a sizable sample may be extrapolated to the entire population (Hair et al., 2017). This information led the researcher to choose a sample size of seven hundred (500) participants. To achieve a bigger sample size, the sample size is accordingly 500.

Instrument Measurement

Questionnaires are seen to be a popular research instrument as questionnaires offer quick as well as efficient tools to gather large information amount from a specific and sizeable sample. Indeed, a subject’s behaviour, preferences, intentions, attitudes, and opinions can be measured particularly accurately with the help of the questionnaire. This questionnaire is used to reach a large number of respondents (Birmingham & Wilkinson, 2003). According to Wellington and Szczerbinski (2007), the objective of the quantitative technique in this situation is to manage, predict, and explain social processes. A quantitative approach, according to Sakaran (2003), tries to both explain and solve challenging situations. A quantitative technique can also accomplish the objectives of the study by utilising empirical valuations that include measurements, analyses, and numerical values (Zikmund et al., 2013). They also stress that one common goal of quantitative research is to test certain research questions or hypotheses. Furthermore, according to Sekaran (2003), a quantitative research design enables researchers to focus on a specific topic, pursue rigorous procedures, and provide dependable findings.

Data Analysis

As the primary objective of this study is to identify the relationship between leadership styles (transactional and transformational styles) on the innovation and performance of SMEs in UAE, some specific data analysis procedures were followed. This study used descriptive analysis including mean, standard deviation, and frequency. It also used inferential analysis to test the hypothesis, the relationship between variables as well as the correlation.

The five-stage Likert scale was adopted to correct the study measures, where each of its items is given one score out of its five degrees (strongly agree, agree, neutral, disagree, strongly disagree), and it is represented numerically (5, 4, 3, 2,1). The following scale was adopted to analyze the results as shown by using the following equation:

$$\frac{\text{The upper limit of alternatives} - \text{the limit the minimum for alternatives}}{\text{The number of levels}} = \frac{5-1}{3}$$

- according to the following equation: The response range is $5 - 1/3 = 4/3=1.33$, so the values are as follows:
 - A. The mean value from (1 to less than 2.33), the response is of a low degree.
 - B. The mean value (2.34 to less than 3.67) is of moderate degree.
 - C. The mean value from (3.68 to less than 5) the response is high.

Demographic Information of Respondents

This section consists of demographic information of respondents including gender, age, and experience. Table 1 illustrates the demographic information.

Table 1: *Demographic information of respondents (N=467)*

		Frequency	Percent
Gender	Male	270	57.8
	Female	197	42.2
Age	Below 25	73	15.6
	25-35	202	43.3
	36-45	101	21.6
	46-55	78	16.7
	More than 55	13	2.8
Qualification	Diploma Degree	65	13.9
	Bachelor Degree	308	66.0
	Master Degree	67	14.3
	Ph.D. Degree	27	5.8

As indicated in Table 1, the majority of the respondents were male comprising (57.8%), while the remaining were female (42.2%). Regarding age, the majority of the respondents belong to the age group of 25-35 at (43.3%), followed by the age group between 36-45 at (21.6%), the age group of 46-55 at (16.7%), it is followed by those who are below 25 years old at (15.6%), while the least age group of respondents are those who are Less than more than 55 years old at (2.8%). As for respondents' qualifications, Table 1 shows that (66%) of the respondents have a bachelor's degree. In addition, it shows that (14.3%) of them have a master's degree, and (13.9%) of them have a diploma degree. The lowest degree is for those who have Ph.D. degree with a percentage of (5.8%).

Descriptive Statistics Analysis of Study's Variables**Table 2:** *Descriptive Statistics of the Study Variables*

Descriptive Statistics				
	N	Mean	Std. Deviation	Rank
Transformational Leadership	467	3.96	.468	High
Transactional Leadership	467	3.45	.604	Moderate
Innovation	467	3.89	.573	High

Performance	467	3.97	.795	High
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Table 2 shows the descriptive analysis of the study's main variables. Specifically, it presents that transformational leadership has (a mean= 3.96, and SD=0. 468), transactional leadership has (a mean=3.45, and SD=0.604), innovation has (a mean=3.89, and SD=0.573), and performance has (a mean=3.97, and SD=0.795).

Inferential Analysis and Discussion

This section discusses the inferences that may be gleaned from the data. It addresses the research's main goals. More deeply, it aims to examine the following hypotheses:

Table 3: *Uses Regression Analysis to test H1 discerning the relationship between the study variables as listed below*

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.420	.225		15.175	.000
	Transformational leadership	.118	.056	.096	2.089	.037

a. Dependent Variable: Innovation

Table 3 displays the relationship’s findings between transformational leadership and innovation. It is found that there is a significant relationship between transformational leadership and innovation as the p.value is (0.037) which is below (0.05). This finding agrees with the study of Rafique, et al., (2022) who found that there is a significant relationship between transformational relationship and innovation.

Table 4: *Uses Regression Analysis to test H2 discerning the relationship between the study variables as listed below*

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.170-	.248		-.686-	.493
	Transformational Leadership	1.044	.062	.615	16.822	.000

a. Dependent Variable: Performance

Table 4 displays the relationship’s findings between transformational leadership and performance. It is found that there is a significant relationship between transformational leadership and performance as the P. Value is below (0.000) which is below (0.05). This finding agrees with the study of Alwali and Alwali, (2022) indicating that there is a significant relationship between transformational leadership and performance. In addition, in this study, Sürücü, et al., (2022) transformational leadership has a positive effect on job performance.

Table 5: Uses Regression Analysis to test H3 discerning the relationship between the study variables as listed below

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.182	.151		21.093	.000
	Transactional leadership	.205	.043	.215	4.754	.000

a. Dependent Variable: Innovation

Table 5 displays if there is a statistically significant effect at the level of significance ($\alpha = 0.05$) on the relationship between transactional leadership and innovation. It is found that there is a significant relationship between transactional leadership and innovation as the p.value is below (0.000) which is below (0.05). The finding agrees with the study of Norena-et al., (2022).

Table 6: Uses Regression Analysis to test H4 discerning the relationship between the study variables as listed below

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.186	.197		11.088	.000
	Transactional Leadership	.516	.056	.391	9.172	.000

a. Dependent Variable: Performance

Table 6 displays if there is a statistically significant effect at the level of significance ($\alpha = 0.05$) on the relationship between transactional leadership and performance. Specifically, it is found that there is transactional leadership and performance as the p. value is (0.000) which is below (0.05). The finding agrees with the study of Abdelwahed, et al., (2023) who indicated that there is a statistically significant effect between transactional leadership and performance.

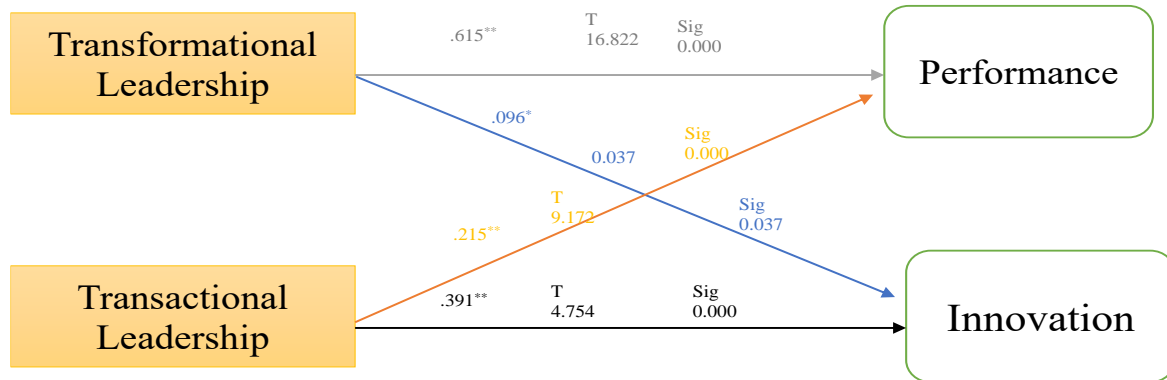


Figure 2 Analysis Results

Table 7: Correlations Matrix of Study Variables

Correlations					
		Transformational leadership	Transactional leadership	Innovation	Performance
Transformational leadership	Pearson Correlation	1	.652**	.096*	.615**
	Sig. (2-tailed)		.000	.037	.000
	N	467	467	467	467
Transactional leadership	Pearson Correlation	.652**	1	.215**	.391**
	Sig. (2-tailed)	.000		.000	.000
	N	467	467	467	467
Innovation	Pearson Correlation	.096*	.215**	1	.046
	Sig. (2-tailed)	.037	.000		.321
	N	467	467	467	467
Performance	Pearson Correlation	.615**	.391**	.046	1
	Sig. (2-tailed)	.000	.000	.321	
	N	467	467	467	467

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

This table presents the correlation between variables and it shows the direction of such relation. The correlation coefficient illustrates that transformational leadership and transactional leadership have a positive relationship with innovation and performance. Indeed, it is known that when the Pearson correlation is close to 1 then there is a strong correlation between

variables and if it is close to zero then it is weak. Specifically, it is seen that there is a correlation between innovation and performance of UAE SMEs and all transformational and transactional leadership as the p.value is lower than 0.05.

Discussion

These days, SMEs have to be able to make a noticeable difference by incorporating innovative practices into their business models and relying on innovation to boost their companies' overall performance. Although the dynamic business climate has increased the level of competition faced by SMEs, the leaders of these enterprises should place their primary emphasis on innovation to develop their businesses and achieve growth in performance (Qalati et al. 2020). According to Abdulqader and Al Marri (2020), the UAE is devoting a significant amount of time, energy, and resources towards expanding its capacity for innovation across its many companies to better serve the requirements of its population. Therefore, SMEs need to be creative in all aspects of their organisational activities to satisfy the requirements of customers who are becoming more discerning in their choices of goods and services (Fitriati et al. 2020; Gherghina et al. 2020). In addition, in today's highly competitive market, small businesses need to place a primary emphasis on the determinants of success that bring in clients. According to Lopes et al. (2017), achieving a high level of performance may be challenging if the organisation does not have a transformational leader as well as a transactional leader who possesses the personal attributes necessary to urge people to be creative as well as encourage innovation among the workforce. As a consequence of this, an SME needs to be able to cope with creative concerns and come up with inventive solutions for the complicated obstacles that any company can confront (Liao & Tsai, 2019). According to Mishra et al. (2018), an SME needs to adopt transformational leadership and transactional leadership to innovate. Innovation comes from people, who are the intellectual assets of every organisation.

Over ninety percent of all businesses in the world are classified as SMEs, and this proportion accounts for a sizeable share of the GDP in many developing nations (Ogundana et al. 2017). While the UAE is one of the countries that are rapidly developing, the government of this country needs to concentrate on the competitive advantages that come from SMEs. This will allow them to access larger markets, which in turn will allow for their growth and continued existence (Dutot et al. 2014). Additionally, the government needs to improve the globalisation of SMEs and support various types of mechanisms, such as innovation (Costa et al. 2020). According to Cao and Yu (2019), may be in a stronger position in the market if they relied on innovative practises and effective leadership styles. As a result, it is essential to investigate the factors that encourage the performance of SMEs, such as the various types of leadership and the levels of innovation (Abdul-Halim et al. 2019). Even though SMEs have few resources at their disposal, they have a fantastic chance in this day and age to capitalise on innovations and technologies such as social media as free platforms to enhance their operations. According to the findings of numerous research (Ahmad et al. 2019), innovation has a beneficial effect on the performance of SMEs. In addition, there is a significant opportunity for small and medium-sized businesses to contribute to the realisation of the goals outlined in the UAE Prospect Vision. Therefore, the research gap that was discovered in this study is the lack of a well-

defined framework for the sustained innovation and performance of SME businesses in the UAE through the implementation of various types of leadership styles, such as transformational and transactional ones. However, additional research is required to determine how the behaviours associated with these styles have the greatest influence on boosting employee performance and fostering innovation among SMEs. While qualitative studies are needed to bridge the knowledge gap about the relationship between the characteristics of transformational and transactional leadership styles and the success of SMEs from the point of view of innovation, quantitative research is required.

Conclusion

This study serves as a preliminary platform for future research exploring the impact of leadership styles on the innovation and performance of SMEs in the UAE. This study sheds light on the transformational and transactional leadership styles affecting innovation and performance of SMEs. Specifically, this study identified the impact of transformational leadership on innovation and performance of SMEs in UAE showing that there is a significant relationship. Also, this study identified the impact of transactional leadership on innovation and performance of SMEs in UAE showing that there is a significant relationship. There should be encouragement of the part of the SMEs to boost such leadership to enhance performance and innovation for the speedy development of the nation.

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