

# The Mediating Role of Organizational Culture and Its Impact on Organizational Performance: Evidence from Multi-Group Analysis in Saudi Arabian Holding Companies

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## Abstract

The purpose of this study is to investigate the function that organizational culture plays as a mediator in the relationship between transformational leadership characteristics, which include Idealized Influence, Professional Creativity, Professional Motivation, and Professional Empowerment, and job performance in Saudi Arabian holding corporations. The research investigates, through the utilization of multi-group analysis, the ways in which variances in organizational culture influence the efficacy of transformational leadership in improving job performance. The results of the study indicate that the relationship between transformational leadership and job performance is highly mediated by organizational culture. This conclusion highlights the significance of culturally congruent leadership techniques in Saudi Arabia. These discoveries add to a more in-depth understanding of how transformational leadership can be effectively implemented in organizational settings that are culturally diverse. They also give practical implications for leaders and managers in the region.

**Keywords:** *Saudi Arabian Holding Companies, Idealized Influence, Professional Motivation, Professional Creativity, Analysis*

## 1. Introduction

Contemporary research on organizational behavior and leadership continues to place a substantial emphasis on the connection that exists between transformational leadership and the success of an organization. The potential of transformational leadership to improve job performance and promote organizational success has been widely acknowledged (Northouse, 2021). This type of leadership is defined by a number of qualities, including Idealized Influence, Professional Creativity, Professional Motivation, and Professional Empowerment. Nevertheless, the success of transformative leadership is significantly influenced by the organizational culture in which it is situated. Because of this, the study of this interplay is essential for comprehending the results of leadership (Jones & George, 2021). According to Cameron and Quinn (2021), organizational culture, which encompasses the values, beliefs, and practices that are held in common by members of an organization, acts as a crucial mediator that determines how leadership behaviors translate into employee performance and the efficacy of the organization. This mediating position is especially relevant in the context of Saudi Arabian holding

businesses, which are characterized by cultural norms that are heavily influenced by Islamic and traditional values. Leadership strategies that are not only effective but also culturally compatible are required in Saudi Arabia because of the country's distinctive cultural dynamics, which include a high-power distance, collectivism, and firmly embedded hierarchical structures (Alshahrani, 2021).

Within the context of Saudi Arabian holding corporations, the purpose of this study is to analyze the function that organizational culture plays as a mediator in the relationship between transformative leadership and job performance. Through the utilization of multi-group analysis, the research will investigate the ways in which variances in organizational culture influence the efficacy of transformational leadership in a variety of organizational settings. One of the most important things for leaders in Saudi Arabia to do is to gain an understanding of this mediating impact since it offers insights into how leadership techniques can be matched with cultural values in order to maximize the performance of the organization. This research contributes to the expanding body of literature on leadership in non-Western contexts and offers practical implications for the

development of leadership in environments that are culturally diverse.

## 2. Problem Statement

Numerous studies have highlighted the potential of transformational leadership to improve employee enthusiasm, creativity, and overall work performance (Northouse, 2021; Yukl, 2020). The relationship between transformational leadership and organizational performance has been thoroughly established in the literature. On the other hand, the application of transformational leadership within a variety of cultural contexts, notably in the Middle East, is still largely unexplored. As a result of Saudi Arabia's distinctive cultural framework, which is characterized by high power distance, collectivism, and a strong adherence to Islamic values, the country presents a complex environment in which traditional Western models of leadership may not directly translate into effective practice (Alshahrani, 2021; Al-Dabbagh & Assaad, 2020). In spite of the fact that Saudi Arabian holding businesses are becoming increasingly important to the Saudi economy, there is a significant gap in the empirical research concerning the function that organizational culture plays as a mediator in the connection between transformative leadership and job performance within these organizations. It has been emphasized in official reports from the Saudi Ministry of Human Resources and Social Development that there is a need for leadership models that are in line with the Kingdom's Vision 2030. This vision seeks to modernize the economy while maintaining cultural integrity (Saudi Ministry of Human Resources and Social Development, 2020). In spite of this, there is a significant gap in the research due to the absence of specific studies that investigate the ways in which organizational culture affects the efficiency of transformational leadership in this particular setting. This gap not only restricts the strategic potential of leadership development in Saudi Arabian enterprises, but it also poses a risk to the successful implementation of leadership practices that have the potential to drive organizational growth and employee performance. Therefore, there is an immediate need to investigate how organizational culture mediates the relationship between transformational leadership and job performance in Saudi Arabian holding companies. The purpose of this investigation is to provide evidence-based insights that can guide leadership development that is aligned with both cultural values and organizational goals.

## 3. Literature Review

The leadership style known as transformational leadership has garnered a lot of attention in recent years due to its capacity to encourage innovation, engage people, and improve the overall performance of a business. According to Bass and Riggio (2006), the five characteristics of transformational leadership—Idealized Influence, Professional Creativity, Professional Motivation, and Professional Empowerment—play critical roles in determining the behavior of employees and the outcomes of organizations. The concept of

idealized influence refers to the way in which leaders act as role models who successfully instill trust and respect in their followers. According to Northouse (2021), leaders that have a high idealized impact are seen as ethical and are admired by their followers. This, in turn, can result in improved employee loyalty and dedication towards the organization. Professional Creativity is a program that encourages leaders to cultivate an atmosphere that values creative problem-solving and innovative approaches to tackling problems. According to Shin and Zhou (2003), this aspect is of utmost significance in industries that are both dynamic and competitive, as adaptability is of the utmost importance. It is the ability of a leader to articulate a compelling vision that encourages people to connect their own goals with those of the organization that is referred to as professional motivation (Ryan & Deci, 2000). Last but not least, according to Kirkman and Rosen (1999), professional empowerment is the process of providing individuals with the autonomy and resources they require to properly carry out their duties. This can result in higher job satisfaction and performance.

However, the acts of the leader are not the only factor that determines the effectiveness of these transformational leadership aspects. The relationship between transformational leadership and job performance is mediated by organizational culture, which plays an important role in the role of a mediator. According to Schein (2010), the way in which employees interpret and carry out leadership behaviors is influenced by the organization's culture, which is comprised of the values, beliefs, and practices that are held in common by all participants within the business. According to Hartnell, Kinicki, and Lambert (2011), the influence of leadership on work performance is greatly magnified when the values that are advocated by transformational leadership are aligned with the culture of the organization or organizational culture. The power of the mediator variable, organizational culture, to shape the setting in which transformational leadership is exercised is the primary contribution that it makes to the study. The amount to which leadership behaviors are effective in achieving desired outcomes is determined by the organizational culture, which acts as a mediator between the relationship between transformational leadership and job performance. According to Al-Dabbagh and Assaad's research from 2020, in Saudi Arabian holding businesses, whose cultural values are strongly ingrained in organizational practices, it is essential to comprehend and connect transformational leadership with corporate culture in order to improve job performance and accomplish organizational objectives.

## 4. Methodology

The purpose of this study is to investigate the role that organizational culture plays as a mediator in the relationship between transformational leadership dimensions (Idealized Influence, Professional Creativity, Professional Motivation, and Professional Empowerment) and job performance within Saudi Arabian holding companies. The research methodology

utilized in this study is quantitative research. For the purpose of gathering information from a target population consisting of one thousand employees, a structured survey was utilized. These individuals represented a wide variety of roles that were located at different levels of the organizational hierarchy. 260 employees were chosen from the sampling frame using a method known as systematic random sampling. This was done in order to guarantee that the sample would be representative of the whole. This approach entailed selecting every *n*th employee from the list, which made it possible to conduct an accurate and objective analysis of the correlations between the variables that were being investigated. Following the collection of quantitative data, it was subjected to statistical analysis in order to establish the impact of transformational leadership on job performance. The organizational culture served as the mediating variable in this investigation.

**5. Research Framework**

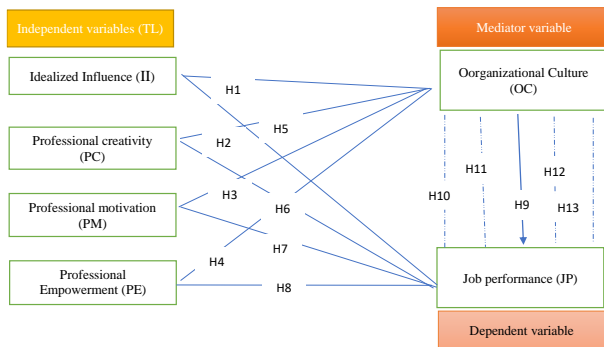


Figure 1 Research Hypotheses in Research Structural Model (Al-Qahtani, 2015, p. 66) with modification

**6. Results of Hypothesized Direct Effects**

It was discovered that the five pathways leading from Idealized influence (II), Professional creativity (PC), Professional Motivation (PM), Professional empowerment (PE), and Organizational culture (OC) to Job performance (JP) were all statistically significant. This was based on the information that was shown in Table 4.10. Comparison of their p-values to the conventional significance level of 0.05 was the method that was used to arrive at this conclusion. Consequently, the hypotheses H1, H2, H3, H4, H5, H6, H7, and H9 were shown to be correct. Within the framework of the structural model, the succeeding section investigates the results of route analysis in relation to the hypotheses that were previously given.

Table 1. Examining Results of Hypothesized Direct Effects of the Constructs

Path	Unstandardized Estimate		Standardised Estimate	C.R	P-value	Hypothesis Result
	Estimate	S.E.	Beta			
II → JP	.277	.051	.296	5.420	.000	(H1) Supported
PC → JP	.305	.053	.315	5.736	.000	(H2) Supported
PM → JP	.213	.052	.225	4.090	.000	(H3) Supported
PE → JP	.198	.032	.243	6.117	.000	(H4) Supported
II → OC	.321	.054	.371	5.995	.000	(H5) Supported
PC → OC	.203	.056	.228	3.651	.000	(H6) Supported
PM → OC	.182	.055	.208	3.340	.001	(H7) Supported
PE → OC	.021	.034	.028	.618	.537	(H8) Rejected
OC → JP	.664	.053	.613	12.457	.000	(H9) Supported

**7. Results of Hypothesized Mediation Effects**

For the purpose of determining the mediating effects of organizational culture (OC) on the relationship between idealized influence (II), professional creativity (PC), professional motivation (PM), and professional empowerment (PE) as independent variables and job performance (JP) as the dependent variable, the administration of the mediation analysis was carried out. To be more specific, the investigation focused on determining how OC influences II (H10), PC (H11), PM (H12), and PE (H13) in connection to JP. In addition to this, the researchers investigated the indirect effects that the independent variables had on the dependent variable by means of the mediating variable. Both correlation and a decision tree architecture are examples of the types of statistics that are utilized in mediation analysis. An independent variable (IV), a potential mediating variable (M), and a dependent variable (DV) are the three variables that are investigated using these approaches. The objective is to determine the relationships between these variables. Figure 2 provides a visual representation of this structure for your perusal.

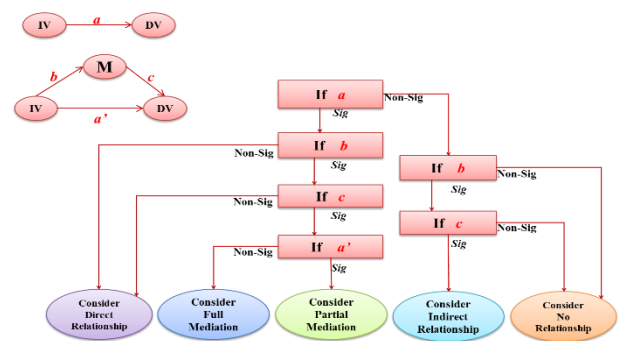


Figure 2. Decision Tree for Evidence Supporting Different Intervening Effects,(Source: Al-Jounaidi, 2018, p.167).

**8. Recommendation and Suggested Future Research**

According to the findings that confirm the direct effects of Idealized Influence, Professional Creativity, Professional Motivation, Professional Empowerment, and Organizational Culture on Job Performance, it is recommended that organizations, particularly holding companies in Saudi Arabia, place a greater emphasis on cultivating an organizational culture that aligns with transformational leadership practices. This

recommendation is provided on the basis of the findings. It is recommended that leaders place their attention on improving these aspects of leadership because it has been demonstrated that they have a substantial impact on work performance. It should be a top priority to prioritize training and development programs that enhance leadership qualities in these areas. To add insult to injury, the mediation effects of organizational culture imply that cultural congruence is essential for achieving the highest possible level of success with transformational leadership. across subsequent study, it is recommended to evaluate the long-term influence of these leadership approaches on job performance, as well as the involvement of other potential mediators, such as organizational commitment or employee engagement, across a variety of cultural settings. It might be possible to gain a more comprehensive knowledge of the relevance of these findings through comparative studies that are conducted across a variety of industries and areas within Saudi Arabia.

## 9. Conclusion

According to the findings of the study, there are strong direct effects of Idealized Influence, Professional Creativity, Professional Motivation, Professional Empowerment, and Organizational Culture on Job Performance in Saudi Arabian holding corporations. The findings also emphasize the crucial role that organizational culture plays as a mediator, underscoring the significance of cultural alignment in the process of improving the efficiency of transformational leadership. These findings contribute to a more comprehensive understanding of how leadership techniques might be enhanced within particular cultural contexts in order to improve the outcomes of organizations. Organizations are able to more effectively adopt leadership tactics that drive performance and build a pleasant and empowering work environment if they acknowledge and capitalize on the cultural variables that are at play. Future study should continue to investigate the intricate relationships that exist between leadership, culture, and performance in order to provide companies operating in a variety of contexts with more in-depth insights and recommendations that are more specifically customized to their needs.

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