

INFLUENCE OF STRATEGIC LEADERSHIP ON ORGANIZATIONAL PERFORMANCE; MEDIATING ROLE OF DIGITAL MATURITY AND DIGITAL TRANSFORMATION

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ABSTRACT

Strategic leadership refers to the ability of leaders to envision, shape, and execute strategies that drive organizational success through digitalization and create a sustainable competitive advantage. It involves integrating strategic thinking, decision-making, and execution skills to guide an organization towards its long-term goals and navigate complex and dynamic business environments. Strategic Leadership is critical for organizations to thrive in a competitive and rapidly changing business landscape. Effective strategic leaders inspire and guide their teams, make informed decisions, and drive the implementation of strategic initiatives, resulting in sustainable growth, innovation, and organizational success. This research aims to fill a critical gap in our understanding of how leadership decisions, cognitive processes, and digital strategies collectively contribute to an organization's performance outcomes.

Keywords: Digital Transformation, Digital Maturity, Strategic Leadership, Organizational Performance

INTRODUCTION

In recent decades, organizations have faced growing pressure to adapt due to globalization. In order for organizations to effectively integrate in highly competitive environments, the only way for achieving efficient integration are collaborative technologies and digital procedures (Bouncken et al., 2021). Given this, the importance of digital technologies has increased. According to the research, digital transformation should be incorporated into the current business perspectives because it covers a wide range of topics beyond merely technical changes and has an impact on most or all organizational sections. The key to successful organizational transformation according to Hess et al. (2016) is to achieve organizational agility through simultaneous exploration and exploitation of its potential. Disruptive breakthroughs in digital

technologies generate a digitalization environment. As a result of these changes, uncertainty exists, therefore businesses and industries try to adjust by using numerous strategies; one such strategy is innovation agile business implementation to provide them a competitive edge over rivals. To be competitive in the market, future prospects, agile companies incorporate transformation required in their strategy. This implementation highlights how digitalization is to maintain competitiveness in the digital economy (Bouncken et al., 2021).

Digital Transformation, Strategic leaders such as CEOs, BOD's and top managers; impact on organizations has long been a subject of interest for management theorists. However, despite extensive research in this area, there is a lack of consensus regarding strategic leadership conceptualizations leading to a various

definitions in literature (Samimi et al., 2022). According to the (Singh et al., 2023) In its most fundamental definition, Strategic leadership refers to the type of leadership that is present at utmost echelon of organization. This encompasses BOD's and members of top management team (TMT), including c-suite executives like the CEO, CFO, CIO, CMO, COO and CSO, as well as general managers responsible for strategic business units (SBUs).

Numerous research works on the subject of Strategic leadership. However, it is noteworthy that Strategic leadership as a management model and a field of study received substantial recognition primarily following the introduction of Upper Echelon Theory (UET) in literature (Shao, 2019).

Through the use of digital technologies or information and communication technology (ICT), organizations can more successfully entrance new market prospects, advance costumer information and development processes more productively (Ying-Yu et al., 2016). The twenty first century business environment has bought with it previously unheard of opportunities and challenges, necessitating a deep comprehension of the way in which strategic decision-making and leadership impact overall performance. The current period is known as a "digital age", and organizations all around the world now agree that digital transformation is necessary (Zhang & Chen, 2023).

As supported by the expanding literature, shifting trends in the development of new technologies have created significant problem, especially for industrialized and expanding economies. The question arises, if the high rate of change in cutting edge advanced technologies is a stringent challenge to the developed and emerging economies, what would be the plausible response of developing and under-developed systems to respond to this unparalleled rate of change. The following is the main issue this research attempts to address; In the modern day, how does Strategic Leadership as seen by Upper Echelons Theory affect the performance of Organization in the light of the mediating function that digital transformation and digital maturity play? This study attempts to close a significant knowledge

gap in the ways in which digital tactics, cognitive processes, and leadership choices all affect an organization's performance outcomes. The study's comprehensive approach explores not only the direct impact of strategic leadership but also the mediating influence of digital maturity and digital transformation, By examining these multifaceted relationships, this research seeks to provide valuable insights for organizations navigating the complex terrain of modern business environments and striving for enhanced performance and competitiveness.

These research objectives encompass a wide range of dimensions and relationships, allowing for a thorough investigation into the interplay between strategic leadership, digital maturity, digital transformation, and Organizational performance, while also considering potential mediating and moderating factors. By analyzing how Strategic leadership affects Organizational Performance, the study advances leadership theory, by exploration of Upper Echelon Theory, which holds that the senior executives' experience, background and thought processes affect organizational outcomes. It is essential for leadership scholars and practitioners to comprehend how strategic leadership affects performance. Digital transformation is a key factor in determining competitiveness in the digital age. The serial mediation of Digital Maturity and Digital Transformation is investigated in this study. It aids in comprehending how leadership choices and digitalization-related actions may affect a company's success. This information is especially important in a world where companies are depending more and more on digital technologies. The research conclusions may have practical implications for leaders and business executives. Their strategic leadership approach, digital transformation activities, and the significance of attaining digital maturity can all be better informed by it. Gaining an understanding of the connections among digital transformation, digital maturity, and strategic leadership can give businesses a competitive edge. Policymakers can benefit from the research by learning how important it is to encourage digitization and leadership development in both major businesses

and SMEs (small and medium-sized enterprises). It emphasizes how important it is to have laws that support the adoption of digital technology and the growth of leaders.

Literature Review

Strategic leadership according to (Singh et al., 2023) the type of leadership that is present at utmost echelon of organization. This encompasses BOD's and members of top management team (TMT), including c-suite executives, as well as general managers responsible for strategic business units (SBUs). As per (Samimi et al., 2022; Shao, 2019) numerous studies demonstrated the background, prior experiences, personality traits, and values of top executives can affect their ability to make strategic decisions and, consequently, the results of their organizational outcomes. Empirical and conceptual studies consistently affirm that the actions and decisions of Strategic leaders exert a substantial impact on performance outcomes (Jaleha & Machuki, 2018). The authors (Samimi et al., 2022) aim to answer essential questions about strategic leadership, including what it is, what strategic leaders do, why they do it, and how they do it. They present an overview of their strategic leadership framework

Strategic leadership encompasses the ability to establish a clear sense of purpose and direction, which are essential for engaging with key stakeholders both inside and outside the organization to achieve high performance (Mui et al., 2018). This perspective by highlighting that Strategic leadership not only involves possessing unique abilities for learning and absorbing new information but also the adaptive capacity to effectively respond to the ever-changing and complex external environment.

The field's scholars have been made aware of the intrinsic worth of strategic leadership. All of the research has been conducted in Europe, America, as well as Asia. Studies on Strategic leadership and the performance of SMEs or businesses in Pakistan are rare. This results in a major research gap in Strategic leadership, which has previously been absent, particularly among Pakistani SMEs.

Digital Transformation

The interest in technology transformation has grown, and some research has focused on the digital prospects for enhancing business performance (Chouaibi et al., 2022). The process of implementing and integrating digital technologies, strategies, and practices throughout an organization to radically alter how it functions, provides value, and engages with stakeholders is referred to as digital transformation. Singh et al. (2023) suggest utilizing digital technologies like automation, cloud computing, data analytics, artificial intelligence, and the Internet of Things (IoT) to boost productivity, improve consumer experiences, spur innovation, and develop new business models. Organizational change has numerous facets that are affected by digital transformation. According to this report, digital transformation refers to significant adjustments made to an organization's internal processes, organizational structure, business model, and personnel skill sets using newer digital technologies (Liu et al., 2023). In recent times, a great interest generated in technology transformation even research projects have focused on the digital prospects for enhancing Organizational performance. Significant changes in organizational processes enabled by digital transformation, that result in agility seems factor for competitiveness and innovation (Chouaibi et al., 2022).

Digital Maturity

Digital transformation affects all sectors of activity, each with its own specificities. Measuring the digital maturity of each sector, while taking into account its particularities, is a necessity in order to obtain a comparable measure of digital maturity. Increased use of digital technologies has had a significant impact on transformation in many different industries. Internal business processes, customer interfaces, customer experiences, and business model frameworks are all impacted by digital technology. In order to successfully manage the transition process, businesses must therefore create digital abilities. According to earlier studies, the development of a certain set of digital capabilities results in more digital maturity.

Additionally, the level of digital maturity can have an effect on an organization's performance (Rossmann, 2020).

The Digital Internet Maturity Model (DIMM) is a tool that allows companies to measure their digital maturity. It applies to both the private and public sectors, where dematerialization is gaining ground (e-government, in particular). The DIMM model is based on six levers: strategy, organization, personnel, offer, technology and innovation, environment. For each lever, sub-themes are identified, i.e. groupings of indicators, each associated with five levels of maturity. These indicators must be interpreted according to the sector of activity: thus, if the indicator is the percentage of annual turnover allocated to R&D, its level of maturity will be reached in the more or less long term depending on the production infrastructure of the company and the category of goods it offers. Coefficients also make it possible to analyze the impact ('moderate/strong/very strong') of indicators on digital transformation.

Organizational Performance

Defining firm performance is challenging due to its multifaceted nature. However, researchers commonly use various determinants and characteristics to measure it. These include financial ratios, IT capabilities, and resource based theory, as suggested by (Mihaela et al., 2018), who break it down into financial performance.

A study by (Loon et al., 2022) emphasized the importance of developing an organizational performance evaluation system that is results-oriented and guided by stakeholders' interests. From a team management perspective, organizational performance entails an evaluative process. Therefore, core organizational performance revolves around value creation.

Traditionally, researchers measured organizational performance by considering both financial and non-financial aspects. Vass (2018) added that despite its paramount importance for all organizations, whether for-profit or non-profit, conceptualizing performance measurement remains a challenging task. Financial performance primarily involves assessing changes in the financial state of an organization and can be seen

as the financial outcomes resulting from management decisions and their execution by organizational members. Conversely, non-financial performance encompasses returns to owner-managers, including lifestyle benefits for employees and considerations related to the environment, such as work location, work hours, and social interactions (Vass, 2018).

An Upper Echelon theory perspective

A management theory named Upper Echelons Theory (UET) by Donald C. Hambrick and Phyllis A. Mason in 1984. The top level management team's managerial background can predict organizational outcomes (Hambrick & Mason, 1984). This study grounded theoretical foundation of Upper echelons theory (UET), which posits that the background traits, values and knowledge of key members within the influential managerial positions of top tier organizations' s dominant coalition paly a substantial role in shaping organizational performance (Jaleha & Machuki, 2018).

This theory explores how the background, experiences, values, and personalities of top executives the "upper echelons" influence the strategic choices and decisions made by an organization. The key idea behind the Upper Echelon Theory is that the backgrounds and experiences of top executives shape their cognitive frameworks. These cognitive frameworks, in turn, affect their perceptions, interpretations, and decision-making processes (Hambrick, 2007). In other words, the theory suggests that who you are (your personal characteristics) and where you come from (your experiences and background) significantly influence how you approach and make decisions in an organizational context.

The UET relevant and applicable in the study "The Impact of Strategic Leadership on Organizational Performance; mediating role of digital maturity and digital transformation. According to theory, senior executives' characteristics, beliefs, and life experiences have a significant impact on organizational outcomes and strategic decision-making. (Popli et al., 2022).

In the context of the study, UET be used to understand how the characteristics and attributes

of strategic leaders (such as their prior experiences, education, values, and cognitive abilities) in SMEs in Pakistan influence the adoption and implementation of digital transformation initiatives, which in turn impact organizational performance (Saiyed et al., 2023). The theory recognizes that the beliefs, experiences, and cognitive frameworks of strategic leaders shape their strategic choices and decision-making processes, and ability to lead digital transformation initiatives, thereby influencing the organization's direction and performance outcomes (Popli et al., 2022). Furthermore, the Upper Echelon Theory can also shed light on the role of organizational ambidexterity as a moderator. It suggests that the characteristics and attributes of strategic leaders, such as their ability to balance exploration and exploitation, influence the organization's ambidexterity. The theory can be used to examine how strategic leaders' cognitive capabilities and decision-making processes impact the organization's ability to simultaneously pursue digital transformation initiatives (exploration) and exploit existing resources (exploitation), thereby

moderating the relationship between strategic leadership, digital transformation, digital maturity, and organizational performance.

Following are the hypothesis for the study:

H1: Strategic Leadership has an impact on Organizational Performance.

H2: Digital Maturity has an impact on Organizational Performance.

H3: Digital Transformation has an impact on Organizational Performance.

H4: Strategic Leadership has an impact on Digital Maturity.

H5: Strategic Leadership has an impact on Digital Transformation.

H6: Digital Maturity has an impact on Digital Transformation.

H7: Digital Maturity mediates the relationship between Strategic Leadership and Organizational Performance.

H8: Digital Transformation mediates the relationship between Strategic Leadership and Organizational Performance.

H9: Digital Maturity and Digital Transformation has a serial mediation between Strategic Leadership and Organizational Performance.

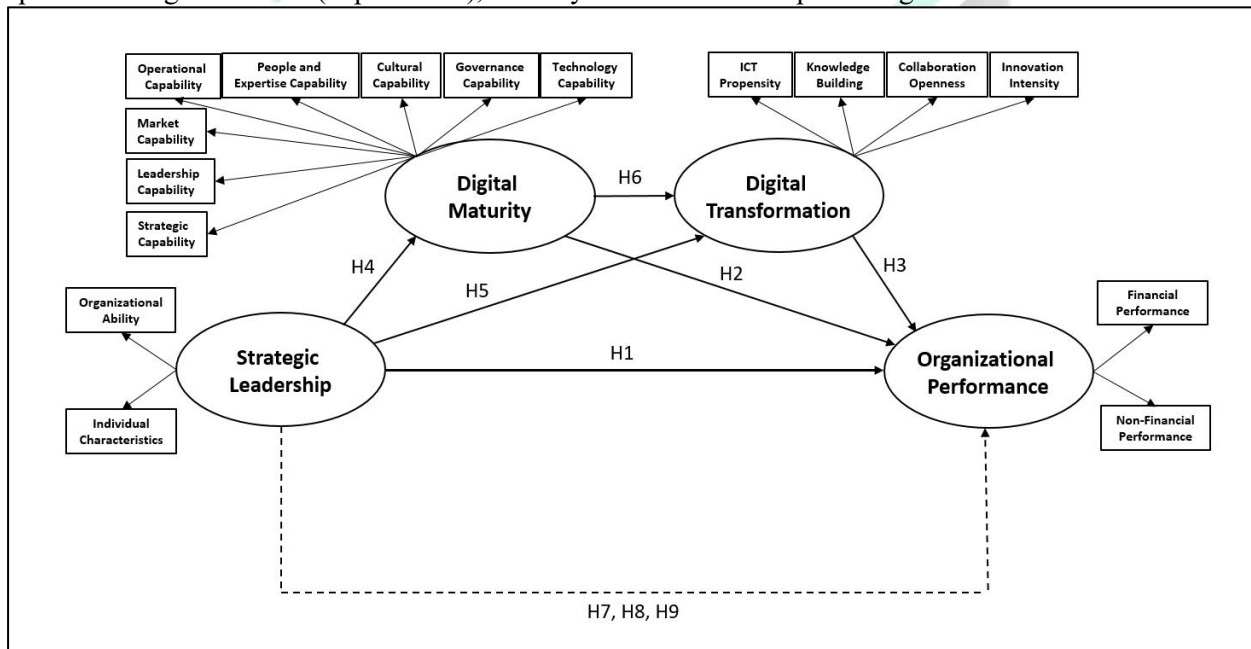


Figure 1: Conceptual Diagram

Methodology

Research can concentrate on research methods; of deductive reasoning as it needs to build up a logical structure to accomplish the aim of the

study which depends on the explanation and hypothesis. Hypothesis are created subject to the literature review obtained from extent source and after that SEM framework is used to test these

hypotheses. At last, the outcomes can be utilized for generalization. The research study will be quantitative as the research topic and problem statement, study design will be cross-sectional to collect data at a specific point in time. This design allows for analyzing the relationships among variables and testing hypotheses within the given sample. The purpose of the study would be Explanatory. Strategy is on survey-based for the availability of time and resources, and behind philosophical paradigm.

The purpose of the study to address research questions to test the relationship between Strategic leadership, digital transformation, digital maturity, and Organizational performance; A perspective of UET on the bases of response given by the SME sector of Pakistan. For data collection, a survey questionnaire method was used.

The population of the thesis is the Strategic Leadership of an organization in SME sector of Pakistan located within the Golden Triangle (Sialkot, Gujranwala, and Gujrat). Strategic leadership refers to the type of leadership that is present at the highest echelon in organizations.

Random sampling would be the method of sampling. The current study's item response ratio is 1:5 (Bentler & Chou, 1987), less than 100 would be regarded as little, between 100 and 200 as medium, and more than 200 is deemed large for SEM, In the present study, a 1:5 ratio was employed by Bentler & Chou (1987), with a total of 64 items and a 320 person sample size. The unit of analysis for the study will be the Organization, The BOD's and the members of the top management team (TMT), including the c-suite executives will be the respondent of the questionnaire.

To check the relationship between latent variable correlation coefficient were utilize in current study for analysis of data. Calculate descriptive statistics (e.g., mean, standard deviation) to summarize the demographic information and variables of interest. Perform regression analysis to examine the relationships between strategic leadership, digital transformation, digital maturity, and organizational performance. Assess the direct and indirect effects using mediation analysis.

In the current study, conceptual hypotheses were tested using SEM. SEM is a multivariate analytic approach that is used to the data obtained to ascertain correlations expressed through conceptualized models.

Analysis

It presents the demographic data of the respondents, such as gender, age, education, and experience. A total of 350 questionnaires were distributed to the boards of directors (BODs) and top management teams (TMT). Out of a total 350 questionnaires, 335 of these surveys were sent back. However, 15 had missing values in both Section A (participants' information) and Section B (major variables). Consequently, these partial responses were excluded from the final dataset. The total dataset consists of 320 completed questionnaires. 37% of the respondents are women and 63% of the respondents are men, of the respondents, 06% were between the ages of 21 to 30, making them the smallest group within the top management team and BOGs. The range of 31 to 40 years old accounted for 21% of responses, making it the third largest age group, the largest group, 27% of the respondents, were between the age of 41 to 50. Those between the ages of 51 to 60 made up the second largest group (24%), followed by those over 60 (22%). 12% of the respondents had less than a year of experience, which was the fewest percentage, 22% have 1 to 5 years of experience, and 24% have 6 to 10 years of experience. The biggest percentage of respondents 42% have more than 10 years of experience. According to the educational demographics, 41% of respondents have a graduation degree, 12% have a diploma, 6% have a matric degree, 16% have an intermediate degree, and 25% of the respondents have a post-graduate degree.

Descriptive Statistics of the study variables

Following table shows the descriptive statistics (i.e. mean, standard deviation, skewness, and kurtosis) of all study variables.

Table 4.1: Descriptive Statistics

Variable	Mean	Std. Deviation	Skewness	Kurtosis
Strategic Leadership	0.002			
Digital Maturity	0.002	0.858	-0.797	0.111
Digital Transformation	0.002	0.745	-0.799	0.110
Organizational Ambidexterity	0.002	0.768	-0.799	0.107
Organizational Performance	0.002	0.735	-0.797	0.113

the

Measurement Model

The measurement model and the structural model are the two stages of the PLS-SEM analysis process. The initial step in PLS-SEM analysis is

measurement model. Validity, reliability, and outside loadings are noted in measurement model analysis.

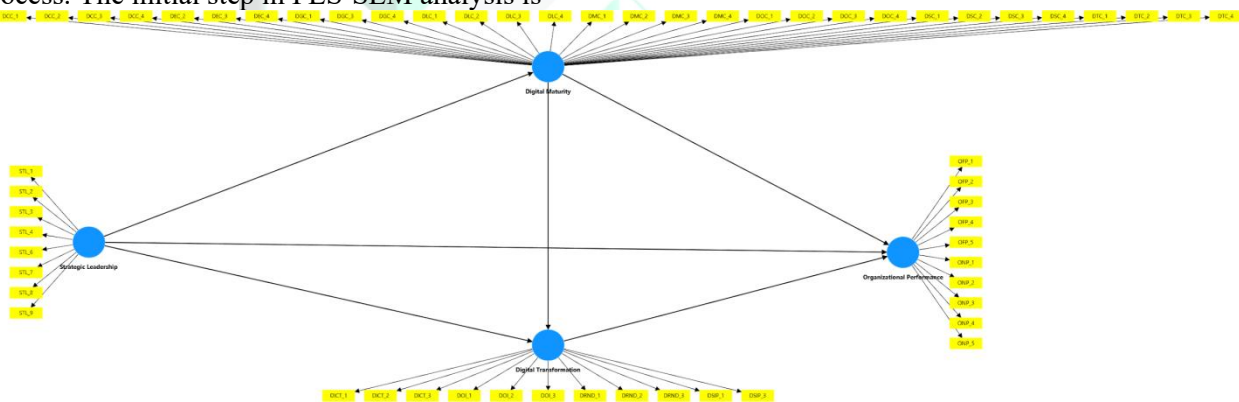


Figure 4.1: Measurement Model

Step-1 estimate factor loadings (λ) with significance

The estimation of significant factor loadings is the initial evaluation phase. Each item's standard loadings against its corresponding latent variable are observed by researchers. The bootstrapping method is used to estimate loadings. According to Hair et al. (2011), at the 5% significant level, loading values should be 0.708 or higher with a t value of ± 1.96 . Additionally, Hair et al. (2017) recommended that before deciding whether to delete or keep the indicator, the value of outer loadings between 0.40 and 0.70 should be examined for their contribution to the CR and AVE estimate.

Strategic leadership, or STL, is the study's first exogenous variable. Nine items—STL_1, STL_2, STL_3, STL_4, STL_5, STL_6, STL_7, STL_8, and STL_9—are used to quantify strategic leadership. Every item has an exterior loading value greater than 0.70 and is significant according to the threshold, according to the

observed outer loadings. Consequently, all nine components make up strategic leadership in the end. Strategic leadership's outer loadings fall between 0.316 to 0.781.

Digital Maturity, or DMT, is the study's second exogenous variable. Thirty items (i.e., DMT_1, DMT_2, DMT_3, DMT_4, DMT_5, DMT_6, DMT_7, DMT_8, DMT_9, DMT_10, DMT_11, DMT_12, DMT_13, DMT_14, DMT_15, DMT_16, DMT_17, DMT_18, DMT_19, DMT_20, DMT_21, DMT_22, DMT_25, DMT_26, DMT_27, DMT_28, DMT_29, and DMT_30) are used to quantify digital maturity. Every item has an loading value greater than 0.70 and is significant according to the threshold, according to the observed outer loadings. As a result, all thirty items make up digital maturity.

Digital Maturity's outer loadings fall between 0.602 to 0.728. Therefore, digital maturity is finally comprised all thirty items. The range of outer loadings of Digital Maturity is 0.602-0.728.

Digital transformation, or DTT, is the study's third exogenous variable. Eleven elements (i.e., DTT_1, DTT_2, DTT_3, DTT_4, DTT_5, DTT_6, DTT_7, DTT_8, DTT_9, DTT_10, and DTT_11) are used to assess digital transformation. Every item has an exterior loading value greater than 0.70 and is significant according to the threshold, according to the observed outer loadings. The digital transformation's outer loadings fall between 0.708 and 0.783.

Organizational Performance, or OPT, is the study's fourth exogenous variable. Twelve items (OPT_1, OPT_2, OPT_3, OPT_4, OPT_5, OPT_6, OPT_7, OPT_8, OPT_9, and OPT_10) are used to measure organizational performance. The outer loadings are observed, and all of the items have an outer loading value greater than 0.70, making them all significant according to the criterion.

Organizational Performance's outside loadings fall between 0.441 and 0.792.

Table 4.2 lists the outer loadings along with their significant values.

4.2: Factor Loading

	Digital Maturity	Digital Transformation	Organizational Performance	Strategic Leadership
DMT1	0.670			
DMT2	0.629			
DMT3	0.657			
DMT4	0.631			
DMT5	0.627			
DMT6	0.663			
DMT7	0.686			
DMT8	0.664			
DMT9	0.643			
DMT10	0.639			
DTT1		0.773		
DTT2		0.738		
DTT3		0.732		
DMT11	0.670			
DMT12	0.671			
DMT13	0.660			
DMT14	0.717			
DMT15	0.660			
DMT16	0.656			
DMT17	0.733			
DMT18	0.697			
DMT19	0.684			
DMT20	0.675			
DMT21	0.709			
DMT22	0.632			
DTT4		0.729		
DTT5		0.741		
DTT6		0.772		
DTT7		0.781		
DTT8		0.781		
DTT9		0.744		
DMT23	0.578			
DMT24	0.670			

DMT25	0.674		
DMT26	0.683		
DTT10		0.750	
DTT11		0.711	
DMT27	0.714		
DMT28	0.659		
DMT29	0.647		
DMT30	0.639		
OPT1			0.739
OPT2			0.794
OPT3			0.783
OPT4			0.766
OPT5			0.754
OPT6			0.731
OPT7			0.431
OPT8			0.710
OPT9			0.761
OPT10			0.727
SLT1			0.673
SLT2			0.746
SLT3			0.727
SLT4			0.772
SLT5			0.759
SLT6			0.753
SLT7			0.689
SLT8			0.635

Step-2 Reliability analysis

Estimating the internal consistency is the second evaluation phase. Cronbach alpha and composite reliability are the two main measures that Hair et al. (2017) suggested be used to assess internal consistency.

Cronbach Alpha

Cronbach alpha (α) is a measure of internal consistency that was first introduced by Cronbach (1971). According to Hair et al. (2011), a Cronbach alpha threshold of ≥ 0.70 is appropriate (Nunnally & Bernstein, 2010; Kline, 2016), however ≥ 0.60 is also acceptable. All constructions have above-average alpha ratings, as seen in Table 4.3's Cronbach alpha statistics.

Table 4.3: Cronbach Alpha Results

Variable	Cronbach Alpha (α)
Strategic Leadership	0.867
Digital Maturity	0.956
Digital Transformation	0.922
Organizational Performance	0.897

Composite reliability

Resultant value of composite reliability lies between 0 and 1. Higher value denote higher consistency. It is interpreted as Cronbach alpha. The threshold value should be between 0.70-0.90 in advanced stages of research (Hair, 2017). Table 4.4 demonstrated the composite reliability results

and all constructs have above the mark composite reliability scores.

Table 4.4: Composite Reliability Results

Variable	Composite Reliability
Strategic Leadership	0.871
Digital Maturity	0.952
Digital Transformation	0.921
Organizational Performance	0.905

Step-3 validity analysis

Hair et al. (2017) recommended two major types of validity analysis to test the measurement model (i.e. convergent validity and discriminant validity). For assessing the convergent validity of measurement model, outer loadings of indicator and average variance extracted (AVE) are analyzed. Evaluation of discriminant validity can be derived through three metrics i.e. cross

loadings, Fornell-Larcker method (Fornell & Larcker, 1981), and HTMT (Henseler et al., 2015). AVE is average value of commonality (square of loadings). The acceptance value of AVE is 0.50 and above. The value 0.50 or above denote that this construct explained variance is more than 50%. Table 4.5 demonstrated the AVE scores and all constructs have above the mark AVE scores. It shows all variables have good validity.

Table 4.5: Convergent validity Results

Variable	Convergent validity
Strategic Leadership	0.511
Digital Maturity	0.441
Digital Transformation	0.563
Organizational Performance	0.521

Hair et al. (2019) define the discriminant validity as the degree to which a composite distinct empirically from remaining composite variables in structural model. Evaluation of discriminant validity can be derived through three metrics i.e. cross loadings, Fornell-Larcker method (Fornell & Larcker, 1981), and heterotrait-monotrait ratio (HTMT) (Henseler et al., 2015).

To evaluate the discriminant validity, Fornell-Larcker procedure is adopted at first level. In the evaluation method of discriminant validity. Table 4.6 demonstrated the discriminant validity score method. All diagonal values are greater than its respective correlation scores. It shows all variables have good discriminant validity as per Fornell-Larcker method.

Table 4.6: Fornell-Larcker validity analysis

Constructs	Digital Maturity	Digital transformation	Organizational Performance	Strategic Leadership
Digital Maturity	0.662			
Digital transformation	0.801	0.751		
Organizational Performance	0.782	0.780	0.723	
Strategic Leadership	0.851	0.731	0.722	0.696

The second evaluation method to test the discriminant validity is heterotrait-monotrait ratio (HTMT). The value above 1 shows poor discriminant validity. Table 4.7 demonstrated the HTMT scores and all constructs HTMT scores do not cross the limit. It shows all variables have good discriminant validity as per HTMT ratio method.

Table 4.7: Heterotrait-Monotrait validity analysis

Constructs	Digital Maturity	Digital Transformations	Organizational Performance	Strategic Leadership
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Digital Maturity				
Digital transformation	0.851			
Organizational Performance	0.841	0.855		
Strategic Leadership	0.932	0.831	0.824	
Technology Capability	0.971	0.869	0.860	0.908

Structural Model

After measurement analysis, structural model is analyzed which is as follow.

Results revealed that there is no issue collinearity in the data as all values of VIF is less than 3 as per the threshold of Hair et al. (2020).

Step-1 multicollinearity analysis

Structural model is analyzed by Multicollinearity, the first step of analysis of structural model.

Table 4.8: Multicollinearity analysis of inner model

Constructs	Digital Maturity	Digital Transformation	Organizational Performance
Digital Maturity		3.618	5.251
Digital transformation			4.632
Strategic Leadership	1.000	3.618	3.771

Step-2 evaluate size and significance of path coefficients

After running the algorithm of PLS-SEM, structural model relationship estimates are obtained that represent the path coefficients that show the hypothesized relationship between study variables. The standardized value of path coefficients fall between -1 and +1. The resultant

value of path coefficient close to +1 represent strong positive relationship while the value of path coefficient close to -1 represent strong negative relationship that are usually significant. When the value of coefficient is near to 0 that show weaker relationship. The value that is very close to 0 is usually insignificant.

Table 4.9: Examination of relevance and significance of structural paths

Direct Path	Beta	T statistics	P values	Decision
Strategic Leadership -> Organizational Performance	0.112	2.534	0.011	
Digital Maturity -> Organizational Performance	0.224	3.758	0.000	
Digital transformation -> Organizational Performance	0.216	4.215	0.000	
Strategic Leadership -> Digital Maturity	0.851	74.130	0.000	
Strategic Leadership -> Digital transformation	0.185	3.548	0.000	
Digital Maturity -> Digital transformation	0.651	13.826	0.000	

Step-3 examination of coefficient of determination (R2)

The next and third step in structural model evaluation is to analyze the R2 (coefficient of determination) value of endogenous composite constructs. The range of R2 is from 0 to 1 and greater values showing a higher explanatory power. For a threshold, 0.25, 0.50, and 0.75 could be considered as weak, moderate, and substantial

(Henseler et al., 2009, Hair et al., 2011, Hair et al., 2019).

Table 4.10 Examination of coefficient of determination R2

Constructs	R-square	R-square adjusted
Digital Maturity	0.723	0.723
Digital transformation	0.662	0.661
Organizational Performance	0.709	0.707

Step-4 examination of effect size f²

The next and fourth step to evaluate the structural model is to measure effect size (f²). It is used to gauge change in value of R² of overall model, the f² effect size is used when researcher want to study whether omission of certain variable have

significant impact on endogenous variables. Sarstedt, Schwaiger, & Taylor (2017). The threshold of effect size (f²) is 0.02 for small effect, 0.15 for moderate effect, and 0.35 for large effect (Chin, 1998a; Cohen, 1988).

Table 4.11 Examination of effect size f²

Constructs	Digital Maturity	Digital Transformation	Organizational Performance
Digital Maturity		0.347	0.033
Digital Transformation			0.034
Strategic Leadership	2.617	0.028	0.011

Step-5 examination of predictive accuracy

The next and fifth step to evaluate structural model is to analysis Q². To analyze the predictive accuracy or relevance of PLS path model. To evaluate Q² value, procedure of blind folding is used, that eliminate single points (dth data point) from the data matrix, eliminated points are imputed with mean, and predicts model considerations (Sarstedt et al., 2014; Rigdon, 2014; Hair et al., 2019). The recommended eliminated distance d range from 5 to 10, because number of

valid observations divided by “d” would be higher than zero for a given endogenous variable. So, when the value of Q² is higher than zero for endogenous composite constructs that represent and confirm predictive relevance of structural model (Hair et al., 2019; Hair et al., 2017; Garson, 2016; Sarstedt et al., 2011). The rule of thumb for values of Q² greater than 0, 0.25, and 0.50 represent small, moderate, and larger predictive accuracy/relevance of PLS path model.

Table 4.12 Examination of predictive accuracy Q²

Contracts	Q ² predict
Digital Maturity	0.707
Digital Transformation	0.537
Organizational Performance	0.499

Mediation Effects

The indirect effect demonstrates the mediation relationships among variables.

Table 4.13 Indirect Effect

Indirect Effects	Beta	T value	P values
Strategic Leadership -> Digital Maturity -> Organizational Performance	0.191	3.733	0.000
Digital Maturity -> Digital transformations -> Organizational Performance	0.140	3.977	0.000
Strategic Leadership -> Digital transformations -> Organizational Performance	0.040	2.753	0.006
Strategic Leadership -> Digital Maturity -> Digital transformations -> Organizational Performance	0.119	3.953	0.000

Discussion and Conclusion

This study will provide valuable insights for both researchers and practitioners in the fields of strategic management, digital innovation, and organizational leadership. Ultimately, the findings will contribute to a better understanding of how organizations can effectively navigate the digital landscape to achieve sustainable success.

This claim is consistent with a large body of data showing that an organization's success is

significantly influenced by its leadership. In addition to managing day-to-day operations, strategic leadership include establishing long-term goals, creating plans, and motivating staff to reach these targets. The many ways that strategic leadership affects organizational performance will be examined in this conversation. The low p-value, significant t-value, and positive β value all point to the importance of strategic leadership in influencing organizational performance.

There are a lot of studies on strategic leadership. It is important to highlight, nonetheless, that strategic leadership gained significant prominence as a management paradigm and as a subject of study, mostly as a result of the publication of Upper Echelon Theory (UET). This idea highlights the relationship between top executives' managerial qualities and organizational outcomes. In fact, numerous studies have shown that top executives' backgrounds, prior experiences, personalities, and attitudes have a big impact on strategic decision-making and, in turn, an organization's outcomes. (2019, Shao)

A company's successful digital transformation activities may be hampered by a lack of understanding of the potential of digital technologies (Mansurjonovich, 2023). Tutak and Brodny (2022) have advocated for research on digital skills and industry technology. DT brings significant changes to an organization's internal processes, structure, business model, and workforce skills (Liu et al., 2023). This transformation promotes organizational agility, competitiveness, and innovation (Chouaibi et al., 2022). Despite advancements in understanding DT, comprehensive insights into its implications at multiple levels are still needed (Gray & Rumpe, 2017; Kane, 2017; Matt et al., 2015). Wolfswinkel et al. (2013) define DT as a process aimed at improving organizational properties through information, computing, communication, and connectivity technologies. Digital technologies are inherently disruptive, impacting consumer behavior and organizational interactions with stakeholders (Chanas, 2010; Hong & Lee, 2017; Yoo et al., 2010).

Theoretical Implication

The study expands the Upper Echelon Theory by incorporating digital maturity and digital transformation as mediating factors in the relationship between strategic leadership and organizational performance. It delves into the Upper Echelons Theory, which posits that the backgrounds, experiences, and cognitive processes of top executives influence organizational outcomes. Understanding how strategic leadership impacts performance is crucial for leadership scholars and practitioners.

In the digital age, digital transformation is a critical driver of competitiveness. Research suggests that the digital capabilities of an organization are critical channels through which the strategic orientation and decisions of top leaders affect performance. This knowledge is particularly relevant in a world where businesses are increasingly reliant on digital technologies.

Managerial Implication

The resultant of the research can have significant practical implications for business leaders and executives. Organizations should focus on developing leaders who are not only visionary and strategic but also digitally savvy. Leadership development programs should incorporate training on digital maturity and transformation, emphasizing the importance of these capabilities in achieving organizational success. Leaders need to be equipped to understand and drive digital transformation initiatives, ensuring that their strategic vision is effectively translated into performance improvements.

The practical implication of digital maturity and transformation as mediators is that organizations must invest in building their digital capabilities. This includes not only adopting new technologies but also fostering a culture that supports digital innovation and continuous learning. Strategic leaders must prioritize these investments to ensure that the organization is digitally mature enough to undertake successful transformation initiatives, which in turn, enhance performance.

Limitation and future direction

Because the study used a cross-sectional design, it might be harder to determine if the factors are causally related. Future research could employ longitudinal designs to better capture the dynamic nature of the relationships between the variables over time. Second, the findings of the research may be context-specific, depending on the industry, geographic region, or organizational size of the sample. The results may not be fully generalizable to organizations operating in different contexts, particularly those in less digitized industries or regions with varying levels of digital infrastructure and readiness. To enhance the generalizability of the findings, future studies

could compare the impact of strategic leadership on organizational performance across different industries and regions. Future research could examine other potential mediators or moderators that might influence the relationship between strategic leadership and organizational performance. For example, the role of organizational culture, market competition, or technological turbulence could be explored to provide a more comprehensive understanding of how these factors interact with digital capabilities and ambidexterity.

Strategic Leadership involves integrating strategic thinking, decision-making, and execution skills to guide an organization towards its long-term goals and navigate complex and dynamic business environments. Strategic Leadership is critical for organizations to thrive in a competitive and rapidly changing business landscape. Effective strategic leaders inspire and guide their teams, make informed decisions, and drive the implementation of strategic initiatives, resulting in sustainable growth, innovation, and organizational success.

The evolving of digitalization, Organizations confronted the challenges of adapting their Strategic leadership practices to adoptive digital maturity. Organizational success in the digital era enabled digital transformation; however, the relationship between Strategic Leadership practices, digital transformation, and digital maturity is multifaceted and complex. To further thwart matters, the concept of Organizational ambidexterity; the capacity to simultaneously exploit existing capabilities and explore new opportunities, emerges as a significant factor that can affect the Strategic Leadership-digital transformation dynamics.

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