

THE IMPACT OF DIGITAL LEADERSHIP ON EMPLOYEE ENGAGEMENT AND INNOVATION IN PAKISTANI ORGANIZATIONS

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Abstract

This study investigates the impact of digital leadership on employee engagement and innovation in Pakistani organizations. With the increasing adoption of digital technologies, leaders are required to leverage digital tools to inspire, motivate, and guide employees effectively. Drawing on a sample of 280 employees from multinational and local organizations across Pakistan, this research examines the relationships between digital leadership practices, engagement levels, and innovative behavior. The findings reveal that digital leadership significantly enhances employee engagement, which in turn positively influences innovation. Furthermore, organizational culture and technological infrastructure were found to moderate these relationships. The study provides practical recommendations for managers seeking to cultivate digital leadership capabilities and foster a culture of engagement and innovation.

Keywords: *Digital Leadership, Employee Engagement, Innovation, Organizational Culture, Pakistan*

Introduction

Background

Digital transformation is reshaping organizational structures and management practices worldwide. Leaders in modern organizations must not only adopt digital tools but also foster environments where employees can engage and innovate effectively (Avolio, Kahai, & Dodge, 2000). In Pakistan, organizations are increasingly investing in digital technologies to enhance productivity, yet leadership approaches often lag behind technological adoption. Digital leadership—defined as the ability of leaders to leverage digital platforms, communicate effectively, and inspire employees in digital contexts is emerging as a critical factor influencing employee engagement and innovation (El Sawy et al., 2016).

Employee engagement, characterized by dedication, vigor, and absorption in work, is a key determinant of organizational performance and innovation. Studies indicate that engaged employees are more likely to contribute creative solutions and participate actively in knowledge-sharing initiatives (Saks, 2006). In Pakistan, socio-cultural and organizational factors, including hierarchical structures, limited digital literacy, and traditional management practices, may affect how digital leadership translates into engagement and innovation.

Problem Statement

Despite growing interest in digital leadership, there is limited empirical evidence on its impact on employee engagement and innovation within Pakistani organizations. Many organizations invest in digital technologies without aligning leadership strategies, leading to underutilization of these tools. Understanding the mechanisms through which digital leadership influences engagement and innovation is critical for enhancing organizational performance.

Research Questions

1. What is the current level of digital leadership practices in Pakistani organizations?
2. How does digital leadership affect employee engagement?

3. How does employee engagement mediate the relationship between digital leadership and innovation?
4. What organizational factors moderate the effectiveness of digital leadership in fostering engagement and innovation?

Research Objectives

- To assess digital leadership practices in Pakistani organizations.
- To investigate the relationship between digital leadership and employee engagement.
- To examine how engagement mediates the relationship between digital leadership and innovation.
- To identify moderating factors such as organizational culture and technological infrastructure.

Significance of the Study

The study contributes to theory by linking digital leadership with engagement and innovation in the context of an emerging market. Practically, it provides actionable recommendations for managers to enhance leadership effectiveness, employee engagement, and innovation through digital initiatives.

Literature Review

Digital Leadership

Digital leadership involves guiding, motivating, and influencing employees through digital tools, communication platforms, and virtual workspaces. It encompasses:

- **Visionary leadership:** Setting clear digital transformation goals.
- **Communication competency:** Using digital platforms to ensure effective communication.
- **Empowerment:** Enabling employees to make decisions using digital tools.
- **Innovation orientation:** Encouraging creative problem-solving and knowledge sharing.

Empirical studies show that digital leadership enhances team performance, innovation, and employee engagement (El Sawy et al., 2016; Vial, 2019).

Employee Engagement

Employee engagement refers to the emotional and cognitive commitment an individual has toward their work. Engaged employees exhibit higher energy, involvement, and willingness to contribute ideas (Saks, 2006). Engagement mediates the relationship between leadership and organizational outcomes, including innovation, productivity, and retention (Bakker & Demerouti, 2008).

Innovation in Organizations

Innovation is defined as the generation and implementation of new ideas, products, or processes that create value (Amabile, 1996). Leadership plays a critical role in promoting innovation by fostering supportive environments, reducing fear of failure, and encouraging knowledge sharing (Jansen et al., 2009).

Digital Leadership, Engagement, and Innovation in Pakistan

Pakistan presents a unique context due to hierarchical organizational structures, variable digital literacy, and socio-cultural norms that can affect engagement and innovation. Research suggests that digital leadership practices can bridge the gap between technological adoption and employee behavior, enhancing engagement and innovation outcomes (Khan & Farooq, 2019).

Conceptual Framework

- Digital leadership positively impacts employee engagement.
- Employee engagement positively influences innovation.
- Engagement mediates the digital leadership–innovation relationship.
- Organizational culture and technological infrastructure moderate these effects.

Methodology

Research Design

This study uses a mixed-method approach combining quantitative surveys and qualitative interviews to explore the impact of digital leadership on engagement and innovation. The design ensures both statistical analysis and contextual insights.

Population and Sample

- **Population:** Employees of 4 multinational and 3 large local organizations in Pakistan (IT, FMCG, banking).
- **Sample size:** 280 employees selected using stratified random sampling to represent departments and job levels.
- **Sampling rationale:** Stratification ensures coverage across hierarchies and functional areas.

Data Collection

Quantitative Instrument

- Survey measured digital leadership (12 items), employee engagement (10 items), and innovation (8 items) on a 5-point Likert scale.

Qualitative Instrument:

- Semi-structured interviews with 12 managers explored leadership practices, engagement drivers, and innovation promotion.

Validity and Reliability

- **Content validity:** Items adapted from established scales (Saks, 2006; El Sawy et al., 2016).
- **Construct validity:** CFA confirmed factor structures; loadings >0.6.
- **Reliability:** Cronbach’s α : digital leadership = 0.91, engagement = 0.88, innovation = 0.90.

Data Analysis

- **Quantitative:** SPSS and PROCESS macro for regression, mediation, and moderation analysis.
- **Qualitative:** Thematic analysis of interview transcripts to identify recurring patterns.

Ethical Considerations

- Informed consent obtained.
- Confidentiality and anonymity ensured.
- Participation voluntary; withdrawal allowed anytime.

Results

Descriptive Statistics

Table 1. Descriptive Statistics

Variable	N	Mean	SD	Min	Max
Digital Leadership	280	4.05	0.58	2.5	5.0
Employee Engagement	280	4.12	0.55	2.5	5.0
Innovation	280	3.98	0.62	2.0	5.0

Interpretation

- **Digital Leadership:** Employees perceive that leaders are effectively using digital tools, providing vision, and fostering innovation. A mean of 4.05 indicates a strong presence of digital leadership practices.
- **Employee Engagement:** With a mean of 4.12, employees report high engagement, suggesting they are motivated, focused, and committed to their work.
- **Innovation:** The mean of 3.98 suggests employees are moderately to highly involved in innovative activities, indicating a generally supportive environment for creativity.
- **Variation:** Standard deviations (0.55–0.62) show moderate consistency in responses across employees, with no extreme outliers.

Interpretive insight: These descriptive statistics suggest a generally positive climate in Pakistani organizations where digital leadership, engagement, and innovation are present at reasonably high levels.

Correlation Analysis

Table 2. Correlation Matrix

Variable	1	2	3
1. Digital Leadership	1		
2. Employee Engagement	.71**	1	
3. Innovation	.68**	.65**	1

Note: $p < 0.01$

Interpretation

- **Digital Leadership and Employee Engagement:** The strong positive correlation ($r = .71$) indicates that organizations with strong digital leadership tend to have more engaged employees. This supports the premise that leaders using digital tools effectively can motivate and connect with staff.
- **Digital Leadership and Innovation:** A correlation of .68 suggests that digital leadership also directly promotes innovative behaviors among employees, likely by providing resources, autonomy, and a supportive digital environment.
- **Engagement and Innovation:** A moderate correlation (.65) indicates that engaged employees are more likely to participate in innovative activities, reinforcing the mediating role of engagement.

Interpretive insight: These correlations establish foundational relationships for further regression and mediation analysis, confirming that leadership, engagement, and innovation are interconnected in Pakistani organizations.

Regression Analysis

Table 3. Regression Results: Digital Leadership Predicting Engagement and Innovation

Predictor	B	SE B	β	t	p
Digital Leadership → Engagement	0.68	0.06	0.71	11.33	<.001
Employee Engagement → Innovation	0.58	0.07	0.65	8.29	<.001
Digital Leadership → Innovation (direct)	0.24	0.08	0.22	3.00	.003

Model Statistics:

- Digital Leadership → Engagement: $R^2 = 0.50$, $F(1,278) = 128.4$, $p < .001$
- Engagement → Innovation: $R^2 = 0.42$, $F(1,278) = 68.7$, $p < .001$

Interpretation

- Digital leadership strongly predicts employee engagement ($\beta = .71$), confirming that leaders' effective use of digital tools motivates employees.
- Engagement significantly predicts innovation ($\beta = .65$), showing that engaged employees are more proactive in creative and innovative tasks.
- The direct effect of digital leadership on innovation ($\beta = .22$) is smaller than the indirect effect through engagement, supporting the mediating role of engagement.

Interpretive insight: Engagement acts as a critical mechanism linking digital leadership to innovation, meaning leadership alone is not enough; it must inspire engagement to fully realize innovation potential.

Moderation Analysis

Table 4. Moderation Effects of Organizational Culture and Technological Infrastructure

Interaction Term	β	SE B	t	p
Digital Leadership \times Culture \rightarrow Engagement	0.17	0.08	2.12	.034
Engagement \times Technology \rightarrow Innovation	0.19	0.07	2.71	.008

Interpretation:

- **Culture Moderation:** A positive coefficient ($\beta = .17$) indicates that in organizations with supportive culture, digital leadership has a stronger effect on employee engagement. Hierarchical or unsupportive cultures weaken this effect.
- **Technology Moderation:** A positive coefficient ($\beta = .19$) suggests that modern digital infrastructure enhances the translation of engagement into innovative behaviors. Without adequate technology, even engaged employees may struggle to innovate effectively.

Interpretive insight: These findings highlight the importance of context; leadership effectiveness is amplified when culture and technology support collaboration and innovation.

Qualitative Insights

Key themes from manager interviews

1. **Leadership Visibility in Digital Spaces:** Managers who actively use communication tools increase transparency, trust, and engagement.
2. **Barriers:** Resistance to change and hierarchical decision-making can limit digital leadership effectiveness.
3. **Enablers:** Technology platforms, such as collaborative software, and training programs increase both engagement and innovation.

Interpretive insight: Qualitative findings complement quantitative results, providing organizational examples and highlighting real-world constraints in Pakistan.

Discussion

Summary of Findings

1. **Digital Leadership Drives Engagement:** Quantitative and qualitative data confirm that leaders using digital platforms, communicating effectively, and empowering employees increase engagement.

2. **Engagement Mediates Innovation:** Engagement acts as a mechanism through which digital leadership promotes innovation. Employees who feel motivated and involved are more willing to contribute creative solutions.
3. **Moderating Factors Matter:** Organizational culture and technological infrastructure significantly influence the effectiveness of leadership and engagement in driving innovation. Supportive culture and strong technology amplify outcomes.
4. **Contextual Insights:** Pakistan-specific factors, such as hierarchical management and variable digital literacy, affect leadership impact. Digital initiatives must consider socio-cultural realities to be effective.

Theoretical Implications

- Confirms the mediating role of engagement in linking leadership and innovation, extending prior leadership and engagement models (Saks, 2006; Avolio et al., 2000).
- Highlights the moderating role of organizational culture and technology, adding context-specific understanding for emerging markets like Pakistan.

Practical Implications

- **Leadership Development:** Organizations should train leaders in digital communication, empowerment, and innovation facilitation.
- **Culture Building:** Policies promoting openness, trust, and recognition increase leadership effectiveness.
- **Technology Investment:** Effective digital tools are necessary to allow engagement to translate into innovative outputs.

Limitations and Future Research

- Cross-sectional design limits causal inference; longitudinal research is recommended.
- Sample limited to 7 organizations; future studies should include more sectors for generalizability.
- Future research could explore sector-specific digital leadership strategies and their long-term impact on innovation.

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