

# Transformational leadership, employee self-efficacy, employee innovativeness, customer-centricity, and organizational competitiveness among insurance firms

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## Abstract

**Purpose** – This study aims to assess how employee innovativeness, employee self-efficacy and customer-centricity intervene in the relationship between transformational leadership and organizational competitiveness of insurance firms.

**Design/methodology/approach** – This study was a survey, with data collected using a structured questionnaire. The population was the insurance firms in Ghana, and the target respondents were employees. The sample comprises 218 employees drawn from 19 insurers. Data was analyzed using structural equation modeling.

**Findings** – This study concludes that transformational leadership had a direct effect on organizational competitiveness. Employee innovativeness partially mediated the relationship between transformational leadership and organizational competitiveness. Employee self-efficacy moderated the effect of transformational leadership on employee innovativeness. Finally, customer-centricity moderated the effect of employee innovativeness on the organizational competitiveness of insurance firms.

**Research limitations/implications** – Future studies should pay particular attention to the individual dimensions of transformational leadership (individualized consideration, intellectual stimulation, inspirational motivation and idealized influence), in combination with the other constructs studied.

**Practical implications** – Insurance is a service industry, which sells mostly unsolicited products. Customer-centricity is therefore very crucial in achieving organizational competitiveness. Attention should also be paid to transformational leadership and employee self-efficacy, as they enhanced employee innovativeness needed for competitive advantage.

**Originality/value** – This study contributed to the understanding of the relationship between transformational leadership and organizational competitiveness, by identifying employee innovativeness, employee self-efficacy and customer-centricity, as intervening variables.

**Keywords** Transformational leadership, Employee self-efficacy, Employee innovativeness, Customer-centricity, Competitive advantage, Insurance

**Paper type** Research paper



## 1. Introduction

Insurance serves as a means of protecting one from financial loss or damage. It is a way of managing risks and uncertainties in human life. The company that provides insurance is termed the insurer and the insured is the person who buys insurance, also termed a

policyholder (Verma *et al.*, 2021). Insurers, alongside pension funds, are among the leading investors globally, as their assets under management sum to trillions of dollars. In 2017 alone, the pension asset in the OECD region was worth \$43.4tn (Organisation for Economic Co-operation and Development – OECD, 2018). Insurance companies can therefore not be left out when it comes to economic development. Insurers have played a major role when it comes to economic growth. According to Bayar *et al.* (2021), insurance has provided a great positive impact on the growth of the economy worldwide by bringing people out of crisis and restoring hope to them. Insurance has not only contributed to benefiting the economy, it has its own negative impact but the advantages of it strongly supersede the negativities (Apergis and Poufinas, 2020). In Ghana as well, the insurance sector has contributed greatly to the development of the country. The industry is however faced with intense competition. Currently, there are 39 insurance firms battling it out in Ghana (National Insurance Commission – NIC, 2021). In such an industry, remaining competitive becomes a key concern, due to the fierce competition which could make firms lose business easily. This present study thus considers how insurance firms could achieve a competitive edge by using some organizational and employee factors.

First, this study focuses on the potential effect of transformational leadership on insurance firms' competitiveness. For an organization to be effective, it needs to be governed by leaders with a clear and concise vision and mission, well-structured plans and proactive employees who will be ready to serve in achieving organizational success (Chaubey and Sahoo, 2019). Similarly, for insurance companies to achieve a competitive advantage, they must be led and guided by transformational leaders. Transformational leaders are visionary; they strive toward a better future, care about the well-being of employees, encourage team attitude among employees and are able to make small things great for the organization to move in the right direction (Steinmann *et al.*, 2018; Li *et al.*, 2019). Transformation leaders will thus clearly communicate their vision for an insurance company to its employees, express charisma by listening, making him/herself available and appreciating employees when things go right, taking responsibility when things go wrong and providing constructive criticism to team members (Pilone, 2021). According to Phungsoonthorn and Charoensukmongkol (2018), transformational leaders are able to manage and minimize risk, which could help an insurance firm to be outstanding among its competitors. Transformational leaders always create an avenue to achieve greater goals by always striving for the ultimate (Xenikou and Simosi, 2006). Although abundant studies exist on the effect of transformational leadership style on organizational performance in general (Alsayyed *et al.*, 2020; Putra *et al.*, 2020; Ejere and Abasilim, 2013; Pereira and Gomes, 2012), only a few studies have paid specific attention to the effect of transformational leadership on organizational competitiveness (Vasilcovschi and Georgescu, 2012; Wu *et al.*, 2012; Nicoleta, 2009). While Vasilcovschi and Georgescu (2012) focused on the shipping industry, Wu *et al.* (2012) focused on the automobile industry. Limited attention was paid to the insurance sector. The first contribution of this study was thus assessing the effect of transformational leadership on organizational competitiveness within the Ghanaian insurance industry. Focusing the study within the Ghanaian insurance study is essential due to the highly competitive nature of the industry (Yankson *et al.*, 2022). Based on these, the first objective, therefore, is to assess the effect of transformational leadership on organizational competitiveness among insurance firms in Ghana.

Second, transformational leaders provide their subordinates the opportunity to adjust and adapt themselves to a new working environment, so as to learn new things (Baafi *et al.*, 2021). They give employees the chance to contribute to ideas that can benefit the organization and also appreciates the input of employees, no matter how little it may be (Nguyen, 2022). Transformational leaders involve employees in decision-making, bring

employees together and promote unity in the organization, which helps to advance the operations of insurance firms (Top *et al.*, 2020). They also guide and motivate employees to be more efficient and effective, thereby becoming more innovative. Employees feel more comfortable and think innovatively when they are given the free will to contribute greatly to organizational performance (Dani and Gandhi, 2021). Transformational leadership thus contributes toward employee innovativeness. Employees' innovative behavior gives insurance companies the upper hand over the others when it comes to reaching customers and satisfying customers' needs. Employee innovativeness involves the employee's potential in generating new ideas, business procedures, technologies and strategies (Kimwolo and Cheruiyot, 2018). One major factor influencing organizational competitiveness is how employees think and behave innovatively (Jing *et al.*, 2021). Employee innovativeness will help insurance firms to attract and retain more clients, thereby granting a competitive edge to firms. Transformational leaders motivate employees to be more proactive and productive, leading to an insurance firm gaining a competitive advantage. From these discussions, it could be realized that employee innovativeness could potentially mediate the relationship between transformational leadership and the organizational competitiveness of insurance firms. Although past studies (such as Vasilcovski and Georgescu, 2012; Wu *et al.*, 2012; Nicoleta, 2009) assessed the direct effect of transformational leadership on organizational competitiveness, there could be some potential intervening variables that were unexplored. A study by Alrowwad and Abualoush (2020) assessed the effect of transformational leadership on organizational innovation and, subsequently, the effect of organizational innovation on organizational performance. All relationships in their study were found to be statistically significant, suggesting the potential of organizational innovation acting as a mediating variable. No statistical test was however conducted to test this potential mediating effect. This present study contributes to literature by testing for the potential mediating effect of employee innovativeness in the relationship between transformational leadership and organizational competitiveness among insurance firms in Ghana. Based on these, the second objective, therefore, is to ascertain the mediating effect of employee innovativeness in the relationship between transformational leadership and organizational competitiveness among insurance firms in Ghana.

Furthermore, although the effect of transformational leadership on employee innovativeness seems to be direct (Ardi *et al.*, 2020), there could be some potential intervening variables between this relationship. For example, employees' ability to independently produce desired organizational results (self-efficacy) could potentially influence the relationship between transformational leadership style and employee innovativeness (Poespowidjojo *et al.*, 2018). While the transformational leadership style grants the employee the opportunity to develop and become an innovative thinker (Ardi *et al.*, 2020), employees with high self-efficacy could become more innovative. Self-efficacy helps employees to explore their field of work and to develop new and productive ideas that could promote organizational change (Rahimi and Fathi, 2021). Past studies (Sarıköse and Türkmen, 2020; Raj and Srivastava, 2016; Suharyati *et al.*, 2016) have sought to establish the relationship between transformational leadership and innovativeness, with some identifying organizational learning as a potential intervening variable. Çelik (2013) and Kumar and Uzkurt (2011) have also predicted a significant relationship between self-efficacy and innovation, while Walumbwa and Hartnell (2011) and Pillai and Williams (2004) also identified a significant relationship between transformational leadership and self-efficacy. The next contribution of this study was thus positing that employee self-efficacy potentially moderates the relationship between transformational leadership and employee innovativeness, such that employees with high self-efficacy who are subordinates to transformational leaders be more innovative than employees with low self-efficacy. Based on these, the third objective thus seeks to determine the moderating role of

employee self-efficacy in the relationship between transformational leadership and employee innovativeness among insurance firms in Ghana.

Finally, the insurance industry is faced with a number of challenges (such as lead generation, disconnect between customers and producers, trust in the industry, the economy, pricing competition and technology roadblocks), making it difficult to attract customers (King, 2020). Unlike insurance products such as motor insurance, which is mandatory (by law), nonmandatory products are difficult to sell (Dambra *et al.*, 2020). Senior Market Sales – SMS (2016) reported five major challenges facing life insurance, which include procrastination by clients, clients not recognizing the need for life assurance, clients perceiving insurance to be too and underwriting problems. These show the critical role of customer-centric strategies in attracting and retaining clients for an enhanced competitive advantage (Arslan, 2020). The customer-centric approach in an organization helps to understand the customer needs through the creation of products and services to satisfy those needs. Studies such as Golysheva (2020) assessed customer-centricity as the tool of innovative marketing for increasing company competitiveness, while Maposah (2014) assessed how firms could leverage customer-centricity to attain sustainable competitive advantage in the banking sector. These studies suggest a strong relationship between customer-centricity, innovation and organizational competitiveness. The final contribution of this study thus focused on the potential moderating role of customer-centricity in the relationship between employee innovativeness and organizational competitiveness in the insurance sector of Ghana, such that innovative employees working in a customer-centric insurance firm will likely contribute more toward organizational competitiveness than innovative employees in a non-customer-centric firm. Based on these discussions, the last objective of this study seeks to ascertain the moderating role of customer-centric strategies in the relationship between employee innovativeness and organizational competitiveness among insurance firms in Ghana. Figure 1 presents the conceptual framework of the study.

2. Literature review

2.1 Definition of key variables

Transformational leadership is defined as a style of organizational leadership where leaders build a connection between themselves and followers (employees), by becoming role models to the followers, influencing followers, encouraging followers to offer maximum output, cooperating to achieve organizational goals and targets, building team spirit and unity among followers and opening to change and development (Koranteng *et al.*, 2022; Bonsu and Twum-Danso, 2018). Employee innovativeness is defined as “engagement in innovative behaviors, which includes behaviors related to the innovation process, i.e. idea generation, idea promotion, and idea realization, with the aim of producing innovations” (Parzefall *et al.*, 2008, p. 166).

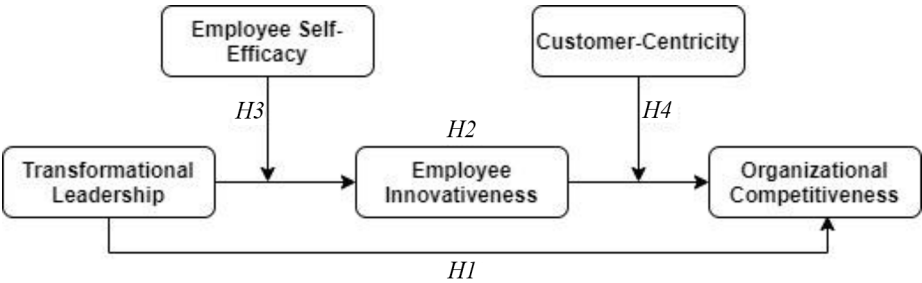


Figure 1. Conceptual framework

Employee self-efficacy is defined as an employee's perception of his/her ability to accomplish his/her job task (Bandura, 1977). Customer centricity is defined as "putting customers' interests at the center of a firm's actions" (Habel *et al.*, 2020, p. 25). Organizational competitiveness is defined as "the position of one economic entity in relation to other economic entities, by comparing the superiority and inferiority of their activities or achievements" (Tian *et al.*, 2021, p. 153).

### *2.2 Transformational leadership and organizational competitiveness*

Leadership explains the relationship that exists between superiors and subordinates by influencing subordinates to complete tasks. Leaders are expected to support employees to think innovatively, increase productivity and profitability, define a clear vision, possess the ability to improve organizational performance and also help firms achieve competitive advantage (Li *et al.*, 2019). That is, leaders are expected to be visionary, goal-oriented, good communicators, charismatic, support employee innovativeness and play keen roles to achieve organizational competitiveness (Lorinkova and Perry, 2019). These attributes of a leader are embedded in the characteristics of a transformational leader (Steinmann *et al.*, 2018). The concept of transformational leadership was propagated in the 1970s by the political sociologist Burns (1978), who sees transformational leaders as people who inspire their subordinates to achieve a common goal. This leadership depends on the ability of the leader to inspire followers to become more efficient and more ethical (Bonsu and Twum-Danso, 2018). Therefore, transformational leaders are leaders who cause great positive change and are able direct and shape the operations of the organizations. They are leaders who focus more on employee improvement and job performance (Lorinkova and Perry, 2019).

There are four main components of transformational leadership, namely, individualized consideration, intellectual stimulation, inspirational motivation and idealized influence (Bass and Riggio, 2010). Individualized consideration is when leaders demonstrate a sincere concern for the needs and feelings of followers and help them self-actualize to help achieve organizational competitiveness (Cahyono *et al.*, 2020). Intellectual stimulation takes place when leaders contest other competitors by adopting new strategies and procedures toward organizational competitiveness (Top *et al.*, 2020). Inspirational motivation is demonstrated when leaders inspire and motivate employees to work to achieve organizational competitiveness over other competitors they never give up when it comes to institutional operations (Top *et al.*, 2020). Idealized influence occurs leaders serves as a mentor to followers and is admired to gain a competitive edge (Afshari, 2021). These factors when exhibited by an insurer could stimulate its ability to capture the insurance market to achieve a competitive advantage (Ardi *et al.*, 2020). We, therefore, hypothesize based on the discussions that:

- H1. Transformational leadership has a direct positive effect on the organizational competitiveness of insurance firms.

### *2.3 Mediation role of employee innovativeness*

Employee innovativeness can be defined as an engagement in innovative behaviors, which include idea generation, idea promotion and idea realization with the aim of producing innovations (Abbas and Wu, 2019). Employee innovativeness is where an employee examines the innovation procedures from early idea generation to product growth. Innovative employees help to commercialize a firm's product and also develop a new structure in the organization for competitive advantage (Al-Khatib *et al.*, 2021). Employee

innovativeness, on the other hand, is greatly influenced by transformational leaders who create opportunities for employees to put their creativity into use within the organization (Liu, 2017). Amabile's (1983) creativity theory identified three factors defining creativity, namely, domain-relevant skills, creativity-relevant skills and intrinsic motivation (Amabile, 1983). Domain relevant skills represent realistic knowledge and expertise in a particular field and the employee's ability to base on a factual idea to develop new ideas (Thuan, 2020). Creativity-relevant skills describe the approaches and cognitive styles that create idea generations (Thuan, 2020). Intrinsic motivation refers to the employee's genuine interest to perform a task individually, and this controls the extent to which domain-relevant skills and creativity-relevant skills will be appropriately applied toward innovative behavior (Ryan and Deci, 2020). According to this theory, an employee has the capability to develop new ideas that will ensure organizational competitiveness.

Empirically, it is found that there is a direct positive relationship between transformational leaders and employee innovative behavior (Widodo and Mawarto, 2020). Productive and proactive employees could help contribute to organizational success through innovative behavior. Organizations can achieve a competitive advantage when their employees behave and think innovatively. From these relationships, it could be realized that, although transformational leadership could have some direct effects on the competitiveness of insurance firms (Widodo and Mawarto, 2020), this effect could also be seen through the intervention of employee innovativeness. That is, it is expected that transformational leadership characteristics will create the needed atmosphere for employee innovativeness to thrive (Su *et al.*, 2020; Suifan *et al.*, 2018), while innovative employees will in turn enhance the competitiveness of insurance firms (Thomas and Murphy, 2020). We, therefore, hypothesize that:

*H2. Employee innovativeness mediates the relationship between transformational leadership and organizational competitiveness of insurance firms.*

#### *2.4 Moderation role of employee self-efficacy in relationship between transformational leadership and employee innovativeness*

The concept of self-efficacy is rooted in the social cognitive theory developed by Bandura (1986). Social cognitive theory defines the unique approach by which a person acquires and maintains behavior, bearing in mind the social environment in which the individual's behavior was exhibited, as well as the past experiences of the individual (Wood and Bandura, 1989; Bandura, 1986). There are six dimensions of social cognitive theory, which are reciprocal determinism, behavioral capability, observational learning, reinforcements, expectations and self-efficacy (LaMorte, 2019). Self-efficacy focuses on an individual's confidence in his or her ability to successfully perform an action, and this is influenced by an individual's capabilities and other external factors (LaMorte, 2019). Employee self-efficacy thus refers to how employees approach tasks and challenges in the work environment, that is, the ability of an individual to complete a task with confidence in the shortest possible time (Wei *et al.*, 2020). Self-efficacy is the employee's ability to produce a desired effect of results independently and the capability to work alone has the tendency to influence employee innovative behavior (Syabarrudin *et al.*, 2020). According to Khalique and Singh (2019), it is necessary for employees to understand the role of self-efficacy at the workplace. It is established that the transformational leadership style creates the necessary atmosphere for employees to exhibit their innovative behaviors at the workplace (Lei *et al.*, 2020); however, employees with a high level of self-efficacy under a transformational leader could have superior innovative tendencies. Employees' confidence in achieving results independently greatly impacts innovative behavior (Hermann and Helmersen, 2020), under



a transformational leader (Song *et al.*, 2020). The innovative behavior of employees in the insurance sector could thus be greatly enhanced when employees with high self-efficacy are nurtured by transformational leaders. We, therefore, hypothesize that:

- H3. Employee self-efficacy positively moderates the relationship between transformational leadership and employee innovativeness of insurance firms.

### *2.5 Moderation role of customer-centricity in relationship between employee innovativeness and organizational competitiveness*

The customer-centricity theory was developed by Drucker (1954) and was defined as the manner in which firms use the needed resources to understand and satisfy customers. According to this theory, customers define what a firm should produce and what the market accepts. Customer-centricity is about meeting customers' expectations and satisfying their needs (Brochs-Haukedal, 2017). Customer-centricity means putting the customer first and at the center of everything that the organization is doing. Customer-centricity is as much a strategy as a culture that promotes firm competitiveness (Brochs-Haukedal, 2017). Customer-centric approaches are strategies and cultures for doing business and focus more on creating the best experience for the customers to build customer loyalty to create a memorable event that enhances firm competitiveness. That is, customer-centricity offers firms the chance to create a vital customer-brand experience (Walden, 2017). Kumar and Reinartz (2016) suggested that customer-centricity helps firms to achieve a competitive advantage, by creating enhanced customer value, leading to satisfied and loyal customers. Employees who are innovative and work in a customer-centric organization are more likely to produce more satisfied and loyal customers (Inversini, 2020). In a service firm such as insurance, where a large majority of products are unsolicited, customer-centric culture will augment the efforts of innovative employees aiming at churning out satisfied and loyal customers (Ceesay, 2020). Based on this, it is expected that the effect of employee innovativeness on the organizational competitiveness of insurance firms, will be greatly enhanced by customer-centric organizational culture (Das and Mishra, 2019). We, therefore, hypothesize that:

- H4. Customer-centricity positively moderates the relationship between employee innovativeness and organizational competitiveness of insurance firms.

## **3. Methods**

### *3.1 Population, sample and sampling technique*

The insurance sector of Ghana is governed by the National Insurance Commission (NIC). From the official records of the NIC, there were 39 active insurance firms in Ghana (NIC, 2021). The study's population, therefore, covers these 39 insurance firms. Because the population was relatively small (39 firms), the study adopted a census sampling strategy, where all firms were targeted for the study. From the list provided by the NIC, the contact address and e-mails were added to the list of the firms. The researchers wrote via e-mail and post, to all the firms, indicating the intended study, its purpose and an introductory letter. After three weeks of waiting, 19 insurance firms got back to the researchers, indicating their willingness to participate in the study.

The target respondents to this study were full-time employees of these insurance firms. A cover letter and the link to the e-questionnaire were emailed to the official contacts of the firms. Clear instructions were provided in the cover letter, indicating who qualifies to

complete the questionnaire, the number of respondents needed from each firm, the definition of the study variables and an explanation of the purpose of the study. Each firm was supposed to administer the questionnaire to 15 of its full-time staff, who had an active engagement with clients of the insurance firms. The e-questionnaires were to be sent to the employees through their official email addresses. As there were 19 firms, and each was expected to administer 15 questionnaires, the total number of respondents was supposed to be 285. However, after the data collection process, which took place within four weeks, the researchers realized 218 fully completed questionnaires. The data analysis was thus based on the 218 data sets.

### *3.2 Data collection instruments*

The study used a structured questionnaire as the data collection instrument, with seven sections. Section A presented the organizational characteristics; Section B had respondents' demographics; Section C had items measuring transformational leadership; Section D measured employee innovativeness; Section E measured employee self-efficacy; Section F measured customer-centricity; and Section G measured organizational competitiveness. An electronic questionnaire (e-questionnaire) was adopted for the study. The measurement items under transformational leadership and employee innovativeness were adapted from [Sudibjo and Prameswari \(2021\)](#). The measurement items under employee self-efficacy were adapted from [De Clercq et al. \(2018\)](#), those of customer-centricity were adapted from [Scheinbaum and Wang \(2018\)](#) and those of organizational competitiveness were adapted from [Liu \(2017\)](#).

### *3.3 Methods of data analysis*

Because the e-questionnaire was used in the data collection, the researchers made all questions compulsory (restricted), such that respondents could not proceed without answering any question. Based on this, there was no missing value in our data set. The downloaded data was in Excel, so the researchers exported them into SPSS. SPSS (v.23) software was used to check for the normality of distributions in the data set. After which exploratory factor analysis (EFA) was conducted to assess how well the measurement items loaded on their respective constructs. Poorly loaded items and items loading under different constructs were deleted, as a matter of principle in EFA ([Sarsah et al., 2020](#)).

The path analysis adopted was a covariance-based structural equation modeling (SEM), which was run in Amos (v.23). The SPSS data set, with the retained variables from EFA, was exported to the Amos software. Before SEM is estimated, it was essential to run confirmatory factor analysis (CFA). A well-fitted CFA model gives the green light for SEM to be run, as was experienced in this present study. Discriminant validity was also run to check for multicollinearity. Because the model sought to estimate a mediating (indirect) effect, the SEM analysis was based on a bootstrap bias-corrected confidence interval of 95%.

### *3.4 Data validity and reliability*

To begin with, the study conducted an EFA, which was run in SPSS (v.23). The essence was to assess if the measurement items were properly loaded onto their corresponding latent variables. There were five main variables studied, which were transformational leadership (TRANS\_L), employee innovativeness (EMPL\_INN), employee self-efficacy (SELF\_EFF), customer-centricity (C\_CENT) and organizational competitiveness (COMP\_AD). Results from our EFA model indicated that all measurement items were loaded correctly under their respective latent variables, with factor loadings of at least 0.6. The total variance extracted from the EFA was 74.12% which is higher and met the minimum requirement of 50%. The Kaiser-Meyer-Olkin (KMO) which measures sample adequacy was expected to be at least 0.6. The KMO for this study



was however 0.858, indicating high sample adequacy. Also, Bartlett's test of sphericity was expected to be statistically significant, to mean there was enough correlation among the measurement items to qualify for EFA. The analysis had ( $X^2 = 5131.04$ ;  $p < 0.01$ ), indicating there was an adequate correlation to qualify for EFA estimation. The correlation determinant must not be equal to zero (0), as an indication of positive definiteness in the data used for the estimation. The determinant obtained for EFA was 4.117E-6, which was not equal to zero (0).

After the EFA, a CFA was run in Amos (v.23), to further check the reliability of the measurement items in loading unto their respective latent variables. The results of the CFA were presented in Table 1. From the results, the standardized factor loadings for the measurement variables were all greater than 0.6. This shows that all measurement items significantly explained their latent variables. Cronbach's alpha was also run in SPSS (v.23), using the retained variables. The results as presented in Table 1 indicate that all latent variables had an alpha score higher than the minimum expected value of 0.7. This indicates that there was a high internal consistency (reliability) among the measurement variables. According to Fornell and Larcker (1981), a minimum average variance extracted (AVE) of 0.5 was required to claim for convergent validity, and composite reliability on the other hand was required to be at least 0.7. These were all achieved for all the latent variables.

In running CFA, model fit indices are key indicators to determine the validity and reliability of the CFA results. From the Hair *et al.*'s (2010) model fit indices criteria, CMIN/DF was expected to be less than 3, PClose to be more than 0.05, Tukey-Lewis index and comparative fit index were both expected to be greater than 0.9, while root mean square error of approximation and SRMR were also expected to be less than 0.08. As could be seen from Table 1, the results met these thresholds, and so the study concludes that the data appropriately fit the construct model.

Discriminant validity was assessed by comparing the squared-root of the AVEs ( $\sqrt{\text{AVEs}}$ ) with the inter-correlation scores. To achieve discriminant validity, the least  $\sqrt{\text{AVE}}$  should be greater than the largest correlation score (Amoako *et al.*, 2022). From the analysis, the least  $\sqrt{\text{AVE}}$  was 0.716, which was greater than the largest corresponding correlation score of 0.619 (Table 2). This indicates the study achieved discriminant validity. Furthermore, it was concluded that there was no multicollinearity in the data set, as the highest correlation coefficient 0.661 did not exceed 0.7.

#### 4. Path estimates

Results from the SEM were presented in Table 3 and Figure 2. The study controlled for respondents' gender, age, educational qualification (Edu) and years of service (YoS) with their respective insurance firms. Results, as presented, showed that gender, age and education, had a positive but statistically insignificant effect on organizational competitiveness. Years of service, on the other hand, had a significant positive effect on organizational competitiveness ( $\beta = 0.194$ ;  $p < 0.05$ ). This implies that respondents who had spent more years with their respective firms rated the firm as more competitive.

First, the study sought to ascertain the effect of transformational leadership on the organizational competitiveness of insurance firms. Results, as presented, indicated that the transformational leadership style had a significant positive effect on organizational competitiveness ( $\beta = 0.323$ ;  $p < 0.01$ ). The coefficient shows that an effective transformational leadership style enhanced organizational competitiveness by 32.3%. *H1*: "Transformational leadership has a direct positive effect on organizational competitiveness of insurance firms," was thus supported.

Second, the study assessed the potential mediating effect of employee innovativeness, in the relationship between transformational leadership and organizational competitiveness of insurance firms. To assess this, first, the direct effect of transformational leadership on employee innovativeness was assessed and found to be significantly positive ( $\beta = 0.371$ ;  $p < 0.01$ ).

Model fit indices: CMIN = 1341.55; DF = 536; CMIN/DF = 2.50; CFI = 0.921; TLI = 0.939; RMR = 0.051; RMSEA = 0.065; PClose = 0.115		Std. factor loading
<i>Transformational leadership (TRANS_L): CA = 0.842; CR = 0.880; AVE = 0.513</i>		
Leaders can clearly explain the vision and mission of the organization to employees (TL1)		0.711
Leaders do invite employees to work together on the organization's vision (TL2)		0.728
Leaders demonstrate integrity in their work (TL3)		0.658
Leaders show behavior that is in accordance with the values adopted by the organization (TL4)		0.714
Leaders show responsibility to make improvements in the organization (TL5)		0.742
Leaders provide opportunities for employees to work together (TL6)		0.701
Leaders encouraged employees to work together with other employees (TL7)		0.755
<i>Employee innovativeness (EMPL_INN): CA = 0.883; CR = 0.904; AVE = 0.575</i>		
I am aware of the challenges faced by the organization (EI1)		0.669
I am interested in new information or ideas required to get a solution (EI2)		0.692
I process new information or ideas that I acquire to support the success of the firm (EI3)		0.764
I can systematically explain my ideas to other leaders and employees (EI4)		0.805
I attempt to invite other employees to try the ideas I propose (EI5)		0.816
I have implemented a new idea that I got as part of daily life at my work (EI6)		0.778
I implement new ideas that I get from others in my daily work (EI7)		0.770
<i>Employee self-efficacy (SELF_EFF): CA = 0.891; CR = 0.877; AVE = 0.544</i>		
I feel confident analyzing a long-term problem to find a solution		0.765
I feel confident in representing my work area in meetings with management		0.777
I feel confident contributing to discussions about the firm/department's strategy		0.720
I feel confident helping to set targets/goals in my work area		0.807
I feel confident contacting people outside my firm to discuss problems		0.657
I feel confident presenting information to a group of colleagues		0.690
<i>Customer-centricity (C_CENT): CA = 0.877; CR = 0.895; AVE = 0.551</i>		
Our firm has a promise for our customers, not just a mission for ourselves		0.858
Our firm bundles services in with our products		0.691
Our website is a welcoming door, not a magnificent edifice		0.689
The customer finds it easy to contact us by whatever method is convenient		0.802
Our telephone system is "customer-friendly" and not just cost-effective		0.660
Our customers have one main contact who makes everything happen		0.696
Our customer service gives the service the customer really wants		0.778
<i>Organizational competitiveness (COMP_AD): CA = 0.871; CR = 0.855; AVE = 0.543</i>		
Our firm is superior to competitors		0.851
Our firm offers superior quality than that of the competitors		0.664
Our services or products are differentiated from other competitors		0.729
Our firm offers unique benefits than competitors		0.739
Our services or products are more advanced than competitors in the insurance market		0.686

**Table 1.**

Confirmatory factor analysis

**Notes:** CFI = Comparative fit index; CMIN/DF = Chi-square/degree of freedom; RMR = Root mean square residual; RMSEA = Root mean square error of approximation; TLI = Tukey-Lewis index

This implies that an effective transformational leadership style, enhanced employee competitiveness by about 37.1%. Also, the effect of employee innovativeness on the organizational competitiveness of insurance firms was assessed and also found to be significantly positive ( $\beta = 0.464$ ;  $p < 0.01$ ). This means that employee innovativeness enhanced organizational competitiveness by 46.4%. Finally, the indirect (mediating) effect was calculated, and the coefficient of 0.172 was found to be statistically significant, as both the lower and upper BCs were positive. Because the direct effect of transformational leadership on the organizational competitiveness of insurance firms was found to be significantly positive, it was concluded that

Variables	1	2	3	4	5	6	7	8	9
Gender (1)	—	—	—	—	—	—	—	—	—
Age (2)	−0.173**	—	—	—	—	—	—	—	—
Educ (3)	−0.099	0.641**	—	—	—	—	—	—	—
YoS (4)	−0.214**	0.661**	0.616**	—	—	—	—	—	—
TRANS_L (5)	−0.009	0.077	0.053	0.055	<i>0.716</i>	—	—	—	—
EMPL_INN (6)	−0.044	0.004	0.035	0.003	0.619**	<i>0.758</i>	—	—	—
SELF_EFF (7)	−0.015	0.020	0.037	0.005	0.329*	0.529**	<i>0.738</i>	—	—
C_CENT (8)	−0.058	0.092	0.091	0.068	0.287*	0.344**	0.254*	<i>0.742</i>	—
COMP_AD (9)	0.071	0.115	0.075	0.158*	0.574**	0.452**	0.407**	0.587**	<i>0.737</i>

Insurance  
firms

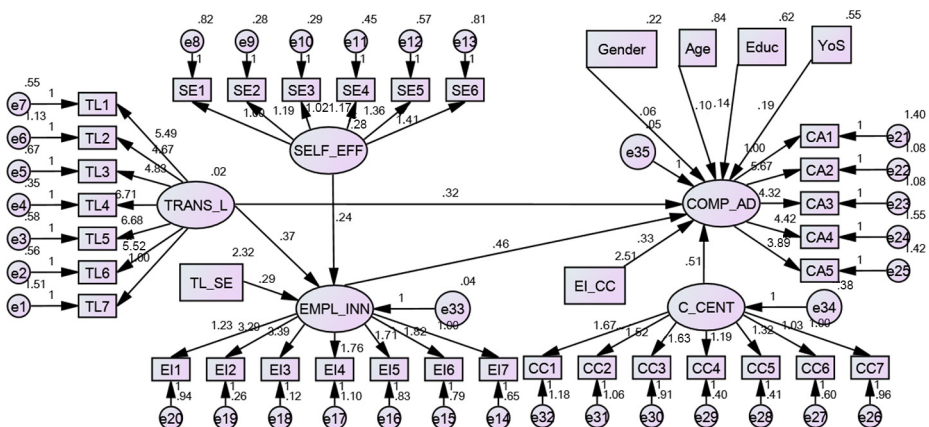
**Table 2.**  
Discriminant validity

**Notes:** \*\* ~  $p$ -value significant at 1% (0.01); \* ~  $p$ -value significant at 5% (0.05).  $\sqrt{\text{AVE}}$  are italic

Direct effects	UnStd. estimates	S.E.	C.R.
TRANS_L → EMPL_INN	0.371	0.088	4.216**
SELF_EFF → EMPL_INN	0.243	0.102	2.382*
TL_SE → EMPL_INN	0.287	0.109	2.633**
TRANS_L → COMP_AD	0.323	0.071	4.549**
EMPL_INN → COMP_AD	0.464	0.082	5.659**
C_CENT → COMP_AD	0.509	0.078	6.526**
EI_CC → COMP_AD	0.333	0.081	4.111**
Gender → COMP_AD	0.057	0.052	1.096
Age → COMP_AD	0.102	0.054	1.889
Edu → COMP_AD	0.143	0.075	1.907
YoS → COMP_AD	0.194	0.085	2.282*
<i>Indirect effect</i>		<i>Lower BC</i>	<i>Upper BC</i>
TRANS_L → EMPL_INN → COMP_AD	0.172	0.046	0.286

**Table 3.**  
Path coefficients/  
estimates

**Notes:** Bootstrap bias-corrected confidence interval at 95%. \*\*Sig. at 1%; \*sig. at 5%



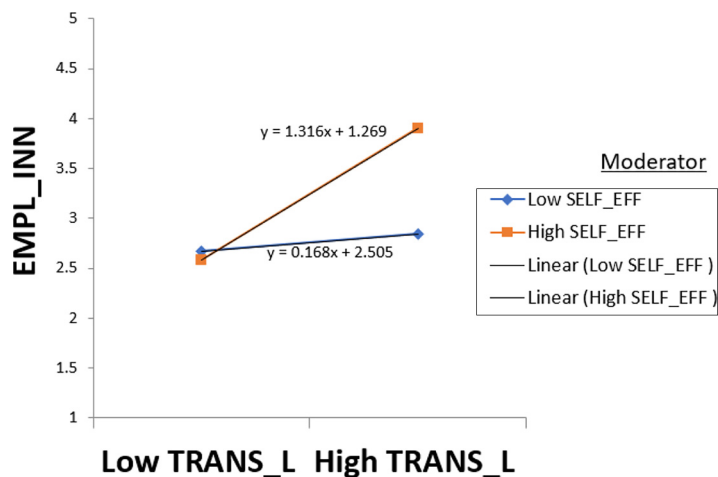
**Figure 2.**  
Structural paths

employee innovativeness only partially mediated this relationship. *H2*: “Employee innovativeness mediates the relationship between transformational leadership and organizational competitiveness of insurance firms,” was thus supported.

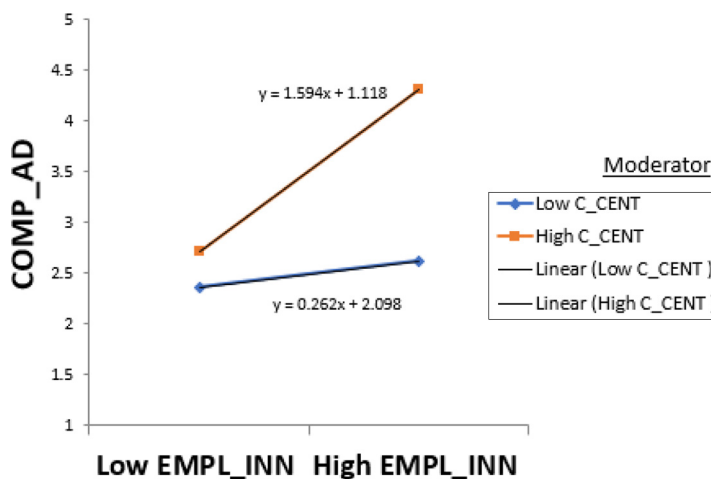
Thirdly, the study assessed the moderating role of employee self-efficacy in the relationship between transformational leadership and employee innovativeness. First, the direct effect of employee self-efficacy on employee innovativeness was assessed and found to be significantly positive ( $\beta = 0.243$ ;  $p < 0.05$ ). This indicates that high employee self-efficacy increased employee innovativeness by 24.3%. The interaction term (TL\_SE) was calculated by multiplying the residuals of both transformational leadership and employee self-efficacy. This approach is termed the residual central approach. Results presented in Table 3 indicate that the interaction term had a significant positive effect on employee innovativeness ( $\beta = 0.287$ ;  $p < 0.01$ ). From Figure 3, it was realized that employee innovativeness was at its highest point when both transformational leadership and employee self-efficacy were at high levels (orange line). The score for employee innovativeness was much lower when transformational leadership was high, but employee self-efficacy was low (blue line). This indicates that employee self-efficacy actually enhanced (positively moderated) the relationship between transformational leadership and employee innovativeness. That is, employees with high self-efficacy, who are supervised by a transformational leader, were bound to exhibit higher innovative potential than employees with low self-efficacy under a transformational leader.

*H3*: “Employee self-efficacy positively moderates the relationship between transformational leadership and employee innovativeness of insurance firms,” was thus supported.

Finally, the study assessed the moderating role of customer-centricity in the relationship between employee innovativeness and the organizational competitiveness of insurance firms. First, the direct effect of customer-centricity on organizational competitiveness was assessed and found to be significantly positive ( $\beta = 0.509$ ;  $p < 0.01$ ). This indicates that high customer-centricity increased organizational competitiveness by 50.9%. This coefficient actually represented the highest in the estimated model, indicating the crucial role of customer-centricity in helping insurance firms achieve competitive advantage. The interaction term (EI\_CC) was calculated by multiplying the residuals of both employee innovativeness and customer-centricity. Results presented in Table 3 indicate that the interaction term had a significant positive effect on organizational competitiveness ( $\beta = 0.333$ ;  $p < 0.01$ ). From Figure 4, it was realized that



**Figure 3.**  
Interaction between  
transformational  
leadership and  
employee self-efficacy



Insurance firms

**Figure 4.**  
Interaction between employee innovativeness and customer-centricity

organizational competitiveness was at its highest point when both employee innovativeness and customer-centricity were at high levels (orange line). The score for organizational competitiveness was much lower when employee innovativeness was high, but customer-centricity was low (blue line). This indicates that customer-centricity actually enhanced (positively moderated) the relationship between employee innovativeness and organizational competitiveness of insurance firms. *H4*: “Customer-centricity positively moderates the relationship between employee innovativeness and organizational competitiveness of insurance firms,” was thus supported.

## 5. Discussion of results and theoretical contribution

Transformational leadership was identified to positively influence the organizational competitiveness of insurance firms. Transformational leadership style is characterized by vision-oriented, goal-oriented, good communication, charisma and support for subordinates (Lorinkova and Perry, 2019). As indicated by Lorinkova and Perry (2019), transformational leaders cause great positive change and are able direct and shape the operations of the organizations to stand tall among competitors. Insurers who adopt a transformational leadership style are thus able to compete favorably in the industry. Within the insurance sector, transformational leaders could help achieve organizational competitiveness through his/her ability to come out with innovative ideas and solutions, build an inclusive environment and handle human resources as a key organizational asset.

Furthermore, the relationship between transformational leadership style and organizational competitiveness of insurance firms was found to be partially mediated by employee innovativeness. The study realized that the transformational leadership style enhanced employee innovativeness. This was in line with studies such as Su *et al.* (2020), who found a direct positive relationship between transformational leaders and employee innovative behavior. This finding further contributes to transformational leadership theory, which stresses the need for leaders to study followers and how employees will trust and be more productive under leaders (Burns, 1978). It was further identified that employee innovativeness had a positive effect on the organizational competitiveness of insurers, which was in tandem with studies such as Thomas and Murphy (2020). The influence of transformational leadership on organizational competitiveness could therefore be explained

through the mediating role of employee innovativeness. This finding was similar to that of [Widodo and Mawarto \(2020\)](#), who identified innovative behavior to mediate the relationship between transformational leadership and organizational performance.

Although studies such as [Widodo and Mawarto \(2020\)](#) predict transformational leadership to have a direct influence on employee innovativeness, this present study found the relationship to be enhanced by employee self-efficacy. As identified by [Wei \*et al.\* \(2020\)](#), employee self-efficacy focuses on how employees approach tasks and challenges at the work environment, that is, the ability of an individual to complete a task with confidence in the shortest possible time. Employees with high self-efficacy are able to produce a desired effect of results independently ([Syabarrudin \*et al.\*, 2020](#)). Employees with such characteristics, who work under a transformational leader, become more innovative. That is an insurer that adopts a transformational leadership style will have employee innovativeness being much higher among employees with high self-efficacy, as compared to employees with low self-efficacy. This study thus contributes to social cognitive theory, propounded by [Bandura \(1986\)](#). The social cognitive theory describes the unique way in which individuals acquire and maintain behavior, taking into consideration the social environment in which the behavior took place. [Bandura \(1986\)](#) identified self-efficacy as one of the six dimensions of social cognitive theory and was expressed as one's confidence in his or her ability to complete a task successfully.

Finally, while some past studies such as [Thomas and Murphy \(2020\)](#) predicted employee innovativeness to directly predict the organizational outcome, this present study found that this relationship was enhanced by customer-centricity. [Brochs-Haukedal \(2017\)](#) identified customer-centricity as both an organizational culture and strategy, which focuses on identifying customers' expectations and satisfying their needs. Considering the fact that most insurance products are unsolicited, customer-centric insurers will be to tap into the innovative behavior of their employees, for an enhanced competitive advantage. That is, innovative employees working in a customer-centric service firm, will be able to adequately meet customers' needs. In a service firm such as insurance, customer-centricity will create the best experience for the customers, thereby building customer loyalty and subsequently a competitive organization ([Inversini, 2020](#)). This study thus contributes to the customer-centricity theory developed by [Drucker \(1954\)](#), describing how firms could use the needed resources to understand and satisfy customers.

## 6. Practical/managerial implications

In a competitive industry like that of the insurance sector, strategies to enhance organizational competitiveness are very keen, because the survival of firms in such industries depends on the firm's competitiveness. This present study found transformational leadership to be a key driver of organizational competitiveness. Firms in general and insurance firms in specific, are to adopt leadership styles that will see leaders communicate clearly the vision and mission of the organization to employees; leaders who will engage employees in the development of the firm's vision; leaders who will demonstrate integrity in their work; leaders who will live the values of the organization; leaders who will provide opportunities for employees to work together; leaders who are willing to make improvements in the organization; and leaders who are willing to create the enabling environment for employees to exhibit their potentials. These characteristics were seen to significantly influence employee innovativeness, leading to insurance firms achieving competitive advantage.

The insurance industry, especially in Ghana, is such a competitive industry. The plight of these industry players is further worsened by clients' attitudes toward insurance products, especially nonmandatory insurance products. Studies have shown that potential



clients do not recognize the need for insurance products, and most clients will prefer buying insurance which helps them to meet the basic mandatory requirement (SMS, 2016). For these reasons, putting on a customer-centric attitude is very essential for the success of insurance firms. Customer-centricity will help insurance firms to identify the expectations of clients and tailor products that will meet these expectations. When both potential and real clients realize the need for insurance and get insurance products that meet their needs, they are more likely to patronize insurance products. This grants some competitive advantage to customer-centric insurance firms. Management of insurance firms must therefore pay particular attention to customer-centricity.

Firms that are ahead of the competition do not just deliver innovative products to their customers but also demonstrate an in-house innovative culture. Insurance firms must therefore make innovation part of their core values and motivate employees to explore their ideas and develop new solutions. Insurance firms must ensure to initiate new employees into the culture of innovation, through their recruitment, selection and training processes. A culture of innovation will allow employees to offer feedback on improving internal processes and enhancing efficiency and organizational productivity. Frontline employees of insurance firms could offer unique insights on how to best serve clients because they have direct contact with them. Welcoming and adopting employees' innovative ideas encourages more employee creativity, especially they are rewarded for innovative ideas.

## 7. Conclusions

The study was founded on four hypotheses, which were *H1*: "Transformational leadership has a direct positive effect on organizational competitiveness of insurance firms"; *H2*: "Employee innovativeness mediates the relationship between transformational leadership and organizational competitiveness of insurance firms"; *H3*: "Employee self-efficacy positively moderates the relationship between transformational leadership and employee innovativeness of insurance firms"; and *H4*: "Customer-centricity positively moderates the relationship between employee innovativeness and organizational competitiveness of insurance firms." After the study, it was concluded that the transformational leadership style positively influenced the organizational competitiveness of insurance firms. This notwithstanding, employee innovativeness partially mediated the relationship between transformational leadership and organizational competitiveness. It was further concluded that the effect of transformational leadership on employee innovativeness, was positively moderated by employee self-efficacy. Finally, the study concludes that customer-centricity positively moderated the effect of employee innovativeness on organizational competitiveness of insurance firms. All hypotheses were thus supported by this study.

## 8. Limitations and future research suggestions

Transformational leadership is a multidimensional construct, namely, individualized consideration, intellectual stimulation, inspirational motivation and idealized influence. This present study, however, did not pay specific attention to these individual dimensions. For example, the influence of individualized consideration could be different from that of idealized influence, but this was not tested. Future studies should pay particular attention to these individual influences, in combination with the other constructs studied. Because it may be difficult in accessing secondary data on these dimensions, primary data (through the administration of a questionnaire) could be used. The study could also be quantitative in nature and also adopt an explanatory research approach.

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