

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

There are many expanding and successful business organizations in the United Arab Emirates (UAE) nowadays. The success of a business does not only depend on the intelligence and hard work of the founder alone but the whole workforce, starting from the lowest to the highest position in an organization. Interest and research on intellectual capital and organizational innovation has increased notably among the management and academicians (Ogunade, 2011). Moreover, more attention is paid to the importance of online learning as a catalyst in order to improve the innovation of an organization (McShane & Van Glinow, 2015).

Lately, for some decades the intellectual capital, in terms of knowledge and skills is considered as the most important elements especially in the post-industrial organizations (Brixiová et al., 2020). Knowledge has encouraged creativity and discovery, as well as inventiveness and innovation, resulting in the organizations' success and survival (Ma et al., 2019). Sun et al. (2020) reported that the demand for knowledge to encourage creativity and innovation among employees has not only resulted in changes in individuals and their behaviours, but also in organizations performance.

Moreover, Namasivayam & Denizci (2006) suggested that knowledge is the central resource of a developed economy. Intellectual capital which is the experience,

capabilities and knowledge of people, also include their inclination to share these qualities with the organization to create value (Baron, 2011). Similarly, Darroch (2005) concluded that attitude is portrayed through an employee's ability to grasp new knowledge, abilities, and experiences. Literature has proven that human capital management training can assist or inhibit knowledge transfer and performance improvement (Shafloot, 2012).

Although intellectual capital may be a source of competitive advantage, generally speaking, most organizations do not understand its nature and value (Lee & Cheng, 2018). Nevertheless, one of the first firms ever to report on their invisible assets was Skandia (Bontis, 1998). The field has since exploded with dozens of dedicated publications and academic researchers.

In the context of the United Arab Emirates (UAE), as shown in figure 1, although it is among the leading countries in the Middle East in terms of staff training, there is a room for improvement as it comes in the 15 place among 137 countries (Global Competitiveness Report, 2018a).

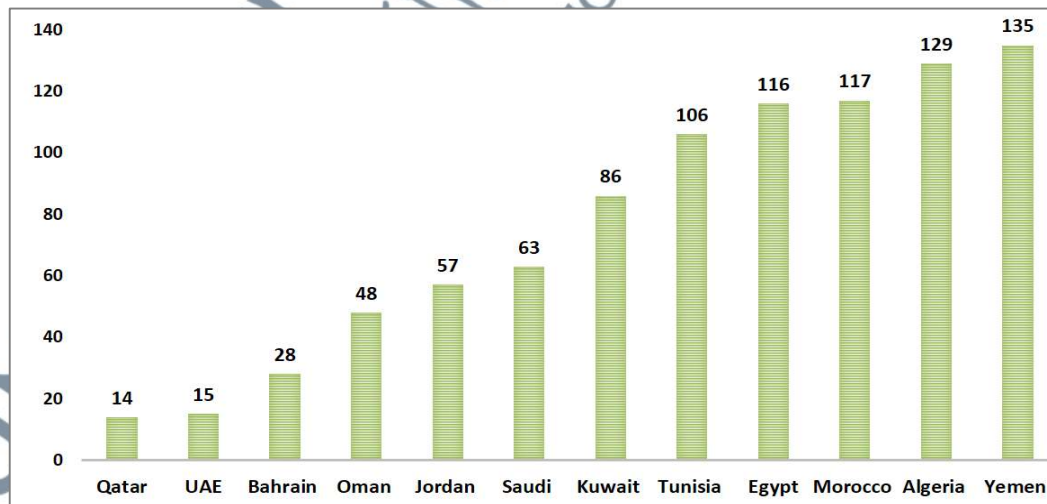


Figure 1.1: Extent of staff training ranking in UAE compare to neighboring countries (ranking among 137 countries)

Source: (Global Competitiveness Report, 2018a)

Given that the public sector in the UAE is up to date about advanced technology as the government is emphasizing on the employment and use of latest technology to enhance its efficiency, effectiveness, and productivity. Figure 1.2 illustrates that the UAE is in the first place globally in that regard.

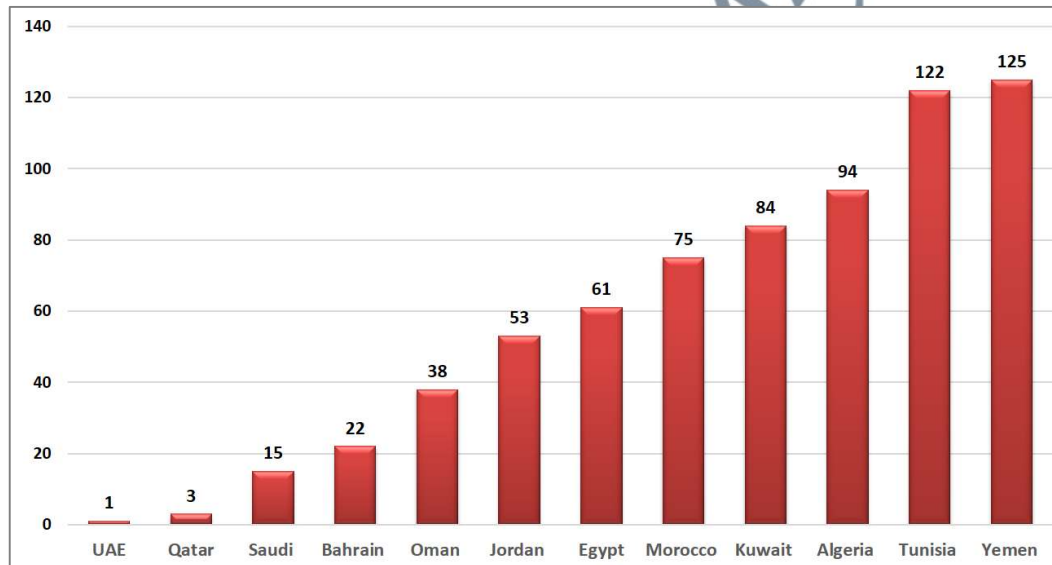


Figure 1.2: Government procurement of advanced technology products ranking in UAE compare to neighboring countries (ranking among 137 countries)

Source: (Global Competitiveness Report, 2018b)

Kesse & Pattanayak (2019) argued that intellectual capital and leadership style improves productivity and innovation. In addition Mohd, Khalil, Delima & Zaman (2019) concluded that intellectual capital contributes towards business sustainability. Moreover, Bontis, Dragonetti, Jacobsen, and Roos (1999) argued that due to intellectual capital's multidisciplinary nature, it offers various perspectives coupled with a complexity for relevance and valuation (Booker et al., 2008). Due to the intense business competition in the borderless world, the significance of intellectual capital as

a driver of economic growth and innovation has been widely acknowledged (Huang & Liu, 2005).

Over the last couple of decades, the United Arab Emirates (UAE) public sector has experienced substantial change in tune with globalization. There is no doubt that the country is one of the fastest growing countries not only in the Middle East but globally with the implementation of highly innovative infrastructural and governance systems. As the UAE strives to position itself and the public sector as a service-oriented economy (Suliman & Kathairi, 2012), this has instigated a number of restructuring in the area of classical public administration. Restructuring and transformations have witnessed public sector institutions changing towards more competitive and customer centric platforms.

Ultimately, the public sector of the UAE has changed in scope over the last few years and continues to implement changes in a manner that is much is similar to the private sector in contemporary times. Turkyilmaz, Akman, Özkan, & Pastuszak (2011) mention that the UAE public sector seeks to offer customer centric services and is experiencing ongoing change in various sectors. As a result of this pressure to change, the public-sector Organizations have showed an increased interest in adopting transformational leaderships that will help achieve results in this regard.

1.2 RESEARCH PROBLEM

The multidisciplinary nature of intellectual capital lends itself to both richness of perspective as well as a difficulty for valuation (Aldholay, Isaac, Abdullah, Abdulsalam, & Al-Shibami, 2018; Nick Bontis, Dragonetti, Jacobsen, & Roos, 1999) and relevance (Booker, Bontis, & Serenko, 2008; Isaac, Aldholay, Abdullah, &

Ramayah, 2019). Facing intense globalized competition, there is a widespread recognition that intellectual capital is a critical force that drives economic growth (Huang & Liu, 2005). His Highness Sheikh Mohammed bin Rashid Al Maktoum the vice president and prime minister of the United Arab Emirates emphasized that the vision and long-term strategy of the UAE government are to always strive to be number one in the world in all aspects including performance and innovation.

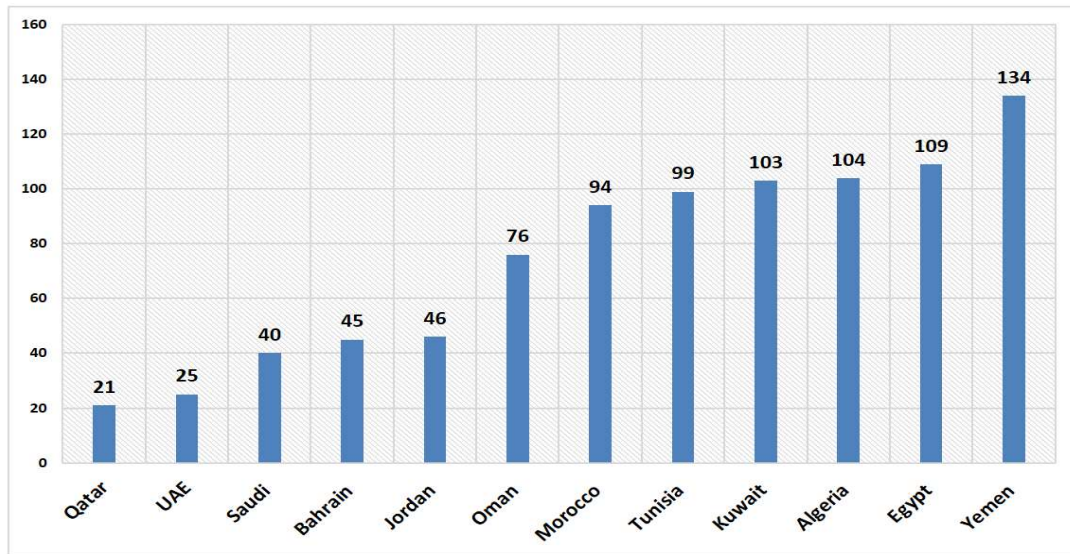
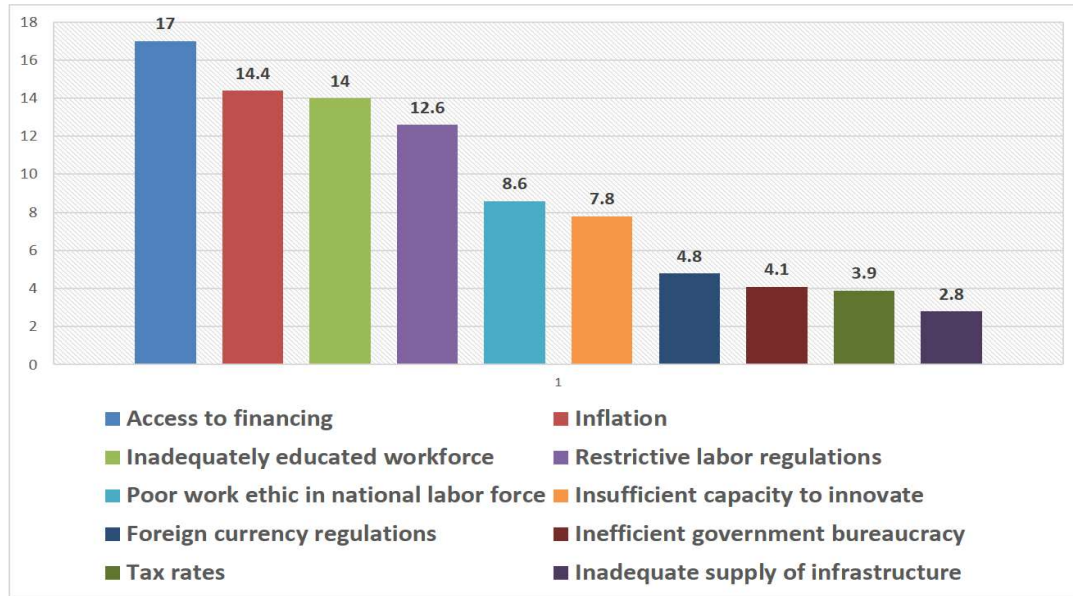


Figure 1.3: Innovation ranking in UAE compare to neighboring countries (ranking among 137 countries)

Source: (Global Competitiveness Report, 2018d)

Furthermore, although the UAE is one of the leading countries in the Arab world and the region in terms of innovation (see figure 1.3), however, according to Global Competitiveness Report (2018d) it was reported that among problematic factors for organizations in the UAE are insufficient capacity to innovate, inadequately educated workforce, and poor work ethics among national workforce (figure 1.4).



Note: From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country

Figure 1.4: Most problematic factors for doing business in UAE
Source: (Global Competitiveness Report, 2018c)

Based on the above and to have a more specific reflection, in the latest official report by The Emirates Centre for Strategic Studies and Research (2018), innovation practices at Fujairah police department is rated at 71% which indicates that there is a lot of work to be done and to improve to fulfil the government strategy to be the beacon of innovation globally as prescribed above. Moreover, the organizational innovation in police institutions gain more importance due to the fact that new security threats pose a real challenge as criminals are becoming very innovative in conducting their act whether by using technology or otherwise. Therefore, for the police to rise to these challenges, they have to be innovative as well to counter such acts.

Therefore, in line with the country's leadership aspirations, it is vital to explore and further instill the tools and methods that instigate innovation and institutionalize it in the public sector to realize the ambitious plans in the UAE, specifically Fujairah

police department, which can be done by focusing on the intellectual capital and its components (human capital, relational capital, and structural capital), transformational leadership as it is embraced by the UAE government, besides job satisfaction that would affect the innovation of organizations.

1.3 RESEARCH OBJECTIVES

The objective of the study is first to investigate the influence of various factors including intellectual capital, transformational leadership, and job satisfaction on organization innovation. Secondly, the mediating role of job satisfaction in the relationship between intellectual capital, transformational leadership, and organizational innovation among Fujairah Police Employees in UAE. Therefore the following objectives are established:

1. To examine the effect of intellectual capital on organizational innovation among Fujairah Police Employees.
2. To examine the effect of transformational leadership on organizational innovation among Fujairah Police Employees.
3. To examine the effect of intellectual capital on job satisfaction among Fujairah Police Employees in UAE.
4. To examine the effect of transformational leadership on job satisfaction among Fujairah Police Employees in UAE.
5. To examine the effect of job satisfaction on organizational innovation among Fujairah Police Employees in UAE.

6. To investigate the mediation effect of job satisfaction on the relationship between intellectual capital and organizational innovation among Fujairah Police Employees in UAE.
7. To investigate the mediation effect of job satisfaction on the relationship between transformational leadership and organizational innovation among Fujairah Police Employees in UAE.

1.4 Research Questions

On the basis of the problem statement, several questions which arise are as follows:

1. What is the effect of intellectual capital on organizational innovation among Fujairah Police Employees in UAE?
2. What is the effect of transformational leadership on innovation among Fujairah Police Employees in UAE?
3. What is the effect of intellectual capital on job satisfaction among Fujairah Police Employees in UAE?
4. What is the effect of transformational leadership on job satisfaction among Fujairah Police Employees in UAE?
5. What is the effect of job satisfaction on organizational innovation among Fujairah Police Employees in UAE?
6. What is the mediation effect of job satisfaction on the relationship between intellectual capital and organizational innovation among Fujairah Police Employees in UAE?

7. What is the mediation effect of job satisfaction on the relationship between transformational leadership and organizational innovation among Fujairah Police Employees in UAE?

1.5 SCOPE OF THE RESEARCH

The scope of this study is to explore ways to improve organizational innovation in the context of UAE by determining the factors that act as enhancers and tools towards that end. This study focuses on intellectual capital that covers dimension of human capital, relational capital and structural capital and transformational leadership that consists of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, and their influence on the organizational innovation. In addition, job satisfaction will be examined in this study as the mediating factor adding to the variables. Population involves all employees of Fujairah police department in the UAE.

The study focus is on Fujairah Police department in UAE and its employees in the year 2022. The reason for this choice is due to the critical role that security plays in the development and prosperity and how it can be supplied with skilled human capital in the digital era. Additionally, the recent circumstances of the covid-19 pandemic has even added to the dire need for innovative solutions to face the new challenges.

This study will employ the quantitative research method and the collection method will be carried out using survey questionnaire from Fujairah Police Employees in UAE. Structural equation modelling using smart PLS 3.0 will be used to analyse the collected data and to test the relationships in the proposed model.

1.6 SIGNIFICANCE OF THE RESEARCH

The outcome of this study is expected to encourage and support the formation of future policy, not only at an organizational level but also at the national level. By setting up strategies to promote innovation and focus on intellectual capital characteristics, this may in turn, improve professional practice, personal development and the quality of working life, as well as enhancing government services.

As for Fujairah police department, this study will provide an input for the leadership to encourage innovation within their workforce, as security is continuously facing new innovative challenges whereby, they have to be innovative as well in order to face the oncoming challenges.

It is well known that Human Resource Management is responsible for the selection of the employees in an organization. The selection is made based on the prospective employees' knowledge, skills and experiences, and their ability to serve in the organization. Thus, intellectual capital which involves the human capital, relational capital, and relational capital. It is the management's obligation to identify and carefully make the choice among many prospective employees, as well as the existing ones.

1.7 OPERATIONAL DEFINITIONS

INTELLECTUAL CAPITAL (IC):

In the Fujairah Police Department, intellectual capital encompasses the collective knowledge, skills, and experience of its personnel, serving as a crucial asset for law enforcement. This includes the human capital of officers, investigators, and

administrative staff, coupled with the structural capital of organizational processes and protocols. The relational capital is evident in collaborations with other law enforcement agencies and community stakeholders, enhancing overall effectiveness. Recognizing and strategically managing this intellectual capital is essential for optimizing crime-solving capabilities, community relations, and operational efficiency within the unique context of Fujairah.

- a) **Human Capital (HC):** Defined as the educational background, training, experience, professional skills, and job mastering among employees within Fujairah police department (Liu & Jiang, 2020).
- b) **Relational Capital (RC):** Defined as the level of interaction, mutual trust, and personal friendships among employees within Fujairah police department (Liu & Jiang, 2020).
- c) **Structural Capital (SC):** Refers to employees' perceived understanding about authority, responsibility, Organizational culture, perspective, information system, and processes within Fujairah police department (Liu & Jiang, 2020).

ORGANIZATIONAL INNOVATION (OI):

- a) **Radical innovations** are based on the development and implementation of new practices, processes, and technologies within Fujairah police department (Moosmayer, 2011).
- b) **Incremental innovation** refers to limited and gradual changes of the practices, processes, and technologies that hardly require any adaptations within Fujairah police department (Moosmayer, 2011).

TRANSFORMATIONAL LEADERSHIP (TL):

- a) **Idealized influence**, refers to the charismatic action the commander takes with key regards to values and beliefs as well as Fujairah police department's sense of mission (Yue et al., 2019).
- b) **Inspirational Motivation** entails the ability of the commander to be exemplary to his followers at Fujairah police department (Yue et al., 2019).
- c) **Intellectual stimulation** entails the promotion of employees' rationality and intelligence, and motivating them to be innovative in solving problems within Fujairah police department (Yue et al., 2019).
- d) **Individualized consideration** is the last dimension of transformational leadership and refers to the consideration of employees as individuals rather than just members of the group within Fujairah police department (Yue et al., 2019).

Job Satisfaction:

defined as the degree to which the employees at Fujairah police believe that they feel close to the people at work, feel good about working at this public institution, feel secured about their job, believe leaders are concerned about them, their wages are good, and all their talents and skills are used at work (Lee & Hsu, 2016).

1.8 CHAPTER SUMMARY

This chapter covers the background of the study, followed by the problem statement, the objectives of the study and the research questions. The significance and the scope of the study are presented after the inscription of the research questions. At

the end of this chapter, this study offers a description of a number of terms being used in the study in the definition of terms section. The following chapter presents the literature review that describes the theories and empirical studies.

