

Examining the Impact of Hybrid Leadership on Organizational Performance and Innovation in the Digital Economy

Uday Kumar Ghosh

 <https://orcid.org/0000-0002-3793-1672>

Lincoln University, USA

Whitney Taylor

 <https://orcid.org/0009-0003-8050-7900>

University of the Cumberland, USA

Yahya Ghaith

 <https://orcid.org/0009-0001-5460-784X>

Lincoln University, USA

ABSTRACT

This study examines the impact of hybrid leadership on organizational performance, employee engagement, and innovation in the U.S. IT industry within the digital economy. Hybrid leadership integrates transformational and transactional styles and offers solutions to digital economy challenges. A quantitative causal-comparative design was used to survey 159 IT leaders with the Multifactor Leadership Questionnaire Rater Form (5X-Short) and additional organizational performance measures. The results revealed that hybrid leaders exhibiting both transformational and transactional behaviors showed significantly higher leadership effectiveness. Hybrid leadership was also positively correlated with improved performance, increased employee engagement, and innovation. Statistical analyses, including t tests, Spearman's rank-order correlation, and ANOVA, provided robust evidence supporting hybrid leadership's advantages. These findings contribute to the leadership literature and offer practical insights for organizations seeking to enhance leadership strategies in the rapidly evolving IT sector.

KEYWORDS

Hybrid Leadership, Digital Economy, IT Industry, Organizational Performance, Employee Engagement

INTRODUCTION

The digital economy has transformed business operations across industries, requiring a shift in leadership approaches (Allen et al., 2003; Cortellazzo et al., 2019; Wrede et al., 2020). The IT industry faces unprecedented challenges in the post-pandemic era, where rapid technological advancement and remote work have become standard operating conditions. According to McKinsey & Company (2024a), 72% of IT organizations are prioritizing leadership transformation to drive digital innovation, with successful organizations demonstrating 45% higher performance metrics when implementing integrated leadership approaches.

Establishing a comprehensive background requires defining the key concepts underpinning this research. The digital economy is characterized by the widespread use of digital technologies in business processes, communication, and transactions (Gilli et al., 2022; Zhu, 2024). Hybrid leadership

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combines transformational and transactional leadership styles, adapting to the needs of followers and organizational contexts (Ali et al., 2023; Matsunaga, 2024; Montaudon- Tomas et al., 2022). Recent research shows that organizations adopting such hybrid approaches achieve 2.3 times higher delivery speeds and innovation outcomes (McKinsey & Company, 2024b).

Bass (1985) defines transformational leadership as a style that inspires followers to achieve higher performance by providing a role model through idealized influence, motivating them through inspiration, stimulating intellectual growth, and offering personalized support. In contrast, transactional leadership focuses on the exchange relationship between leaders and followers, emphasizing rewards or punishments based on performance (Bass, 1985; Dong, 2023). Henri (2004) describes organizational performance as the effectiveness and efficiency of meeting its goals (Montaudon- Tomas et al., 2022). Employee engagement in digital environments is defined as employees' emotional commitment to and involvement with their work and organization, with McKinsey & Company (2024b) reporting that organizations with integrated leadership approaches show 45% higher employee engagement rates. Innovation in the digital context refers to creating and implementing new ideas, products, or processes that add value while leveraging digital technologies (Aya Hamza et al., 2024; Matsunaga, 2024).

The selection of these concepts is supported by the robust theoretical foundations of transformational and transactional leadership theories, which have been extensively researched and applied in various organizational contexts (Ali et al., 2023; Dong, 2023; Judge & Piccolo, 2004; Matsunaga, 2024; Wang et al., 2011). Integrating these theories into a hybrid leadership approach aligns with the unique challenges and opportunities presented by the digital economy, where leaders must adapt and combine different leadership styles to effectively drive organizational success (Gilli et al., 2022; Montaudon-Tomas et al., 2022).

While considerable research has examined transformational and transactional leadership styles independently (Ali et al., 2023; Bass, 1999; Judge & Piccolo, 2004; Wang et al., 2011), there remains a significant gap in understanding hybrid leadership effectiveness in the digital economy. McKinsey & Company (2024b) reports that organizations implementing hybrid leadership frameworks achieve 64% better cross-functional collaboration and demonstrate significantly higher innovation capabilities. The hybrid leadership knowledge gap becomes more critical as organizations increasingly seek leadership models that can effectively balance innovation with operational stability (Ali et al., 2023). This study addresses these gaps by exploring the distinctions between hybrid and non-hybrid leadership styles and their impact on key organizational outcomes in the IT sector, using a methodologically robust sample size of 159 IT leaders (Hair et al., 2024).

The research objectives of this study are:

1. To examine the effectiveness of hybrid leadership in the IT industry and its impact on organizational performance, employee engagement, and innovation. McKinsey & Company (2024b) reveals that organizations with effective hybrid leadership demonstrate 55% higher team performance in digital initiatives.
2. To investigate the applicability of transformational and transactional leadership theories to hybrid leaders within the context of the digital economy. McKinsey's research (2024a) indicates organizations with integrated leadership approaches show 82% higher change management success rates.
3. To explore the relationships between leadership styles, organizational development, and innovation in the rapidly evolving IT sector (Ali et al., 2023; Matsunaga, 2024). Recent findings show that companies implementing structured hybrid leadership practices achieve 77% faster innovation implementation (McKinsey & Company, 2024b).

This study contributes to the growing knowledge about leadership in the digital age by addressing these objectives. First, it offers valuable insights for organizations seeking to adapt their leadership strategies to the unique challenges and opportunities of the digital economy (Gilli et al., 2022).

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