

## Wisdom Leadership and Its Role in Enhancing the Internal Innovation Performance In the Banking Sector

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### Abstract

Service innovation is critical to organizations' success in a competitive marketplace, where customers increasingly demand better services. This study aims to investigate if and how wisdom leadership helps organizations increase service innovation performance. The study questionnaires were conducted with 191 participants in the 30 different private bank sectors in Erbil, KRI. The conceptual framework of this study led to three main hypotheses and sub-hypothesizes; our analysis showed positive correlations between wisdom leadership and, service innovation performance and significant impacts on each one. According to this thesis's data analyses, Banks will get the highest point of service innovation performance through cultivating wisdom leadership in the workplace in which enhances well-being among employees.

**Keywords:** Wisdom Leadership, Innovation Performance, Banking Sector

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## 1. Introduction

Steve Jobs said, "Innovation is the ability to see change as an opportunity – not a threat." It is an innovation that leads to progress, independence, peace, and economic stability; this is why it has interested researchers since ancient times (Grindle, 2012). The researcher has tried to link innovation with the motives and causes of innovation, provided that there is a strong direct relationship between them. We have tried to bring the contemporary variable and prove that they motivate innovation in public or private institutions. Wisdom Leadership is like a pan to empower these people who have an entire relationship with work within institutions to be constructive, creative, and innovative (Krog and Govender, 2015). According to many researchers, these people are innovative when they have a solution to any problem because they cannot control themselves and close their eyes to what is in their minds (Leonard and Rayport, 1997).

Wisdom Leadership always focuses on innovative work and creates a competitive advantage within the organization so that employees with intellectual ability can compete for unique ideas

and facilitate or achieve the organization's goals (Adams, 2007). It directly impacts individuals inside and outside the institution; based on the Habitat, U.N., (2013) study having comfort and prosperity in individual lives strengthens the wave of thought and intellectual strengthens and becomes innovative and benefits the environment and society.

In today's world, organizations continuously strive to increase their innovation performance. Wisdom leadership is one of the primary factors that impact innovation performance (Prajogo and Sohal, 2006). The concept of wisdom leadership is defined as the ability of a leader to effectively navigate the complex challenges and decisions that arise amid uncertainty, ambiguity and complexity (Yeo, 2021). The role of wisdom leadership is to inspire and enable people to reach their full potential and provide the conditions for people to tap into their inner wisdom (Fry, 2003).

The role of wisdom leadership in increasing innovation performance has been a topic of much debate among scholars, practitioners, and the general public. Much of this debate has centred on the extent to which wisdom leadership can improve the performance of organizations. However, the literature has also shown that the positive impact of wisdom leadership on innovation performance is nuanced (Owens, Johnson and Mitchell, 2013).

Wisdom leadership in increasing innovation performance must be considered as a whole (Weixu, 2020). Wisdom leadership encompasses three dimensions: The cognitive, the Reffectiive, and the Affective (Ardelt, 2003). This course will explore, in each of these areas, theories about how they are related to innovation performance and the development of influential leaders. Furthermore, the innovation will have 12 items. According to a recent scientific review, wisdom leadership is critical for innovation performance (Amin and Akbar, 2013). In the review, the authors identify specific research questions and corresponding evidence gaps and offer recommendations for future research.

## 2. Literature Review

### 2.1 Wisdom Leadership

In leadership literature, wisdom refers to the ability to acquire the knowledge and skills necessary to practice Leadership, which leads to broader leadership ability and effectiveness through inter-personal. Making essential decisions where one might have to negotiate age-graded, history-graded and non-normative events; be in touch with one's feelings, needs and expectations (Sternberg and Robert, 2005). Leadership highlights what leadership literature is and is not and will also explore how wisdom is applied in broader and personal leadership settings. Differentiating one's needs from others' expectations and social citations and social conventions conducts good inter-personal relationships, including cooperative, tolerant models of conflict resolution and advising others. Also, be opened to advise from othoften trickyher the often-tricky process of change and development (Sternberg, 1985; Holliday and Chandler, 1986; Kramer, 1989).

Leadership can indicate wisdom; many studies suggest that wisdom can be shown through leadership (Rahmani *et al.*, 2019). Historically, some of the most important demonstrations of wisdom have been found in areas related to personnel management, such as administrative, legal

and social governance (Moody, 1983). The direction of the human institution is considered to be one of the essential functions of wisdom (Kramer, 2000). In East Asia, studies examining the concept of people's wisdom suggest that Taiwan and China tend to think that wise people are good leaders (Yang, 2001). Similarly, in the West, a German survey found that 56% of those wisely designated by others were leaders (Staudinger, 1996). All of these studies seem to suggest that wisdom can be demonstrated through leadership.

Leadership was usually associated with perceived knowledge. Leaders attract followers with their vision of the good life and their ability to embody that vision (Gibson *et al.*, 2010). People quickly follow people who have a clear idea of what a good life is, who follow the path of a good life through their behaviour, have great compassion for those around them, and the kind they show great enthusiasm for the world they believe humans can make it (Asman, 1994). Therefore, it is not unexpected that people believed wise throughout human history, such as Socrates, Confucius, Buddha, and Jesus, were also considered great leaders (Srivastava and Cooperrider, 1998). Since the Industrial Revolution, with the advent of the modern economy and globalization, leadership has usually been associated with effectiveness and efficiency in promoting organizational performance and profits and is rarely considered knowledge, aimed to promote a good life for all (Asman, 1994). As a result of such emphasis on organizational efficiency and profitability, economic researchers generally neglect knowledge as a critical factor in excellent leadership (Bayer and Nino, 1998). Knowledge has not been mentioned in scholarly leadership discussions, nor has it been an important research topic (Kessler and Bailey, 2007). Business professors view wisdom as negatively related to creativity as professors in other disciplines (Sternberg, 1985). Which is more often recognized as the driving force of organizational performance; however, disregarding the importance of wisdom in leadership can have serious negative consequences (Bennis, 2007). As recent events (e.g., credit crunch, bank collapse, and global financial and environmental crisis) have shown, the adverse effects of leaders' lack of wisdom often spread to external organizations (Andrews, 2008). In addition, wisdom is now recognized as a research topic in the social sciences. Thus, empirical research has shown how wisdom can be expressed through leadership (Cooperrider and Srivastava, 1998).

Most definitions of wisdom include cognitive, reflective and affective dimension, In the current study, wisdom is described as an integration of cognitive, reflective, and affective dimensions primarily based on preceding work by (Clayton and Birren, 1980; Ardel, 2003), This primary definition of wisdom looks well suited to most modern-day as correctly as historical descriptions of wisdom (Blanchard-Fields and Norris 1995; Levitt 1999; Manheimer 1992; Sternberg 1990b, 1998). The cognitive dimension of wisdom refers to a person's capability to understand the life, that is, to understand the value and deeper meaning of phenomena and events, explicitly concerning intrapersonal and interpersonal things (Ardel 2003; Chandler and Holliday 1986; Sternberg 1990a). This consists of understanding the positive and negative aspects of human nature, the inherent limits of knowledge, and life's unpredictability and uncertainties. Items that belong to the cognitive aspect of wisdom must determine people's capability and willingness to recognize a situation or phenomenon entirely, as well as people's understanding of the ambiguity of human nature and life in general. Items must to measure knowledge beliefs about the world that is the end consequence of perspective-taking abilities; however, they should not check

standpoint taking (or a lack thereof) per se to distinguish this dimension from the reflective aspect of wisdom. The reflective dimension may be a requirement for the development of the psychological feature dimension of wisdom (Kramer, 2000). A deeper understanding of life is only potential if one will understand reality because it is while not any significant distortions (Ardelt, 2004). To do this, one must interact in reflective thinking by looking at phenomena and events from many alternative views to develop cognisance and self-insight (Chandler and Holliday, 1990). This observation can gradually reduce one's egoism, perspicacity (Ardelt, 2005), and projections and increase one's insight into truth nature of things, as well as the motivations of one's own and other people's behaviour (Clayton, 1983). Items for the reflective element ought to measure the degree to which individuals attempt to overcome perspicacity and projections by peering at phenomena and events from entirely different views and the way they avoid blaming others or circumstances for their present situation (Clayton, 1983). Therefore, commodities for the affective dimension of wisdom should assess the presence of positive emotions and behaviour toward alternative beings, like feelings and acts of sympathy and compassion, and consequently the absence of indifferent or negative emotions and behaviour toward others (Diener et al., 1985). Three-dimensional look different at the level of detail and approach each from another direction, with other strategies, tactics and approaches, and further evaluation criteria, all based on different theoretical perspectives and assumptions. In addition, the (cognitive dimension) concentrates on understanding a more profound reality; on the other hand, the (affective dimension) focuses on the feeling of sympathy and compassion for others. However, all three ought to be, at the same time, a present for an individual to be considered "wise" (Clayton and Birren, 1980). For instance, without the Affective feature, the construct may assess advanced psychological features (Cognitive element) functioning or intelligence; however, not essentially wisdom. Similarly, without the psychological feature (Cognitive element), an individual can be well-meaning however not essentially productive and effective once interacting with others (Webster, 2003).

## 2.2 Service Innovation Performance

Whereas product innovation has been a main point of discussion in the past, research has moved on to a focus on service innovation. Innovating services have received growing attention recently and contribute to well-being and economic growth (Faivre et al., 2014). Generally, there are a massive number of definitions of service innovation, depending on the chosen perspective. According to (Enz, 2012), service innovation is "the introduction of novel ideas that focus on services that provides new ways of delivering a benefit, new service concepts, or new service business models through continuous operational improvement, technology, investment in employee performance, or management of the customer experience". Service innovation can be defined as a developing field (Papastathopoulou and Hultink, 2012). Emphasizing added value, it can similarly be described as "a new service or such a renewal of an existing service which is put into practice, and which provides benefit to the organization that has developed it; the benefit usually derives from the added value that the renewal provides the customers. In addition, to be an innovation the renewal must be new not only to its developer, but in a broader context, and it must involve some element that can be repeated in new situations, i.e. it must show some generalizable feature. Service innovation process is the process through which the renewals

described are achieved (Toivonen & Tuominen, 2009, p. 893). From (Lin and Hsieh 2014) point of view, Service innovation can be defined as process of creating new services to fulfil target customers' needs. Meanwhile, Messeni Petruzzelli and (Savino, 2014) believed that service innovation is a process of search and recombination of existing elements.

In addition, (Gotsch and Hipp, 2012) defined service innovation as new, or significantly modified, service concept, client interaction channel, service delivery, or technological concept that individually, but more likely in combination, leads to one or more new service functions. As said by Perks et al. (2012), service innovations mean new and valuable prerequisites or resource constellations to confirm value co-creation in the future. In the same way, Toivonen and Tuominen (2009) found that service innovation is a new service or such a renewal of an existing service which is put into practice, and which provides benefit to the organisation that has developed it; the benefit usually derives from the added value that the renewal provides the customers.

### 2.3 Wisdom Leadership and Service Innovation Performance

Service innovation is conceptualized as workers' engagement in making innovative and creative ideas and developing new service systems, methods, or goods in the service context (Lee & Hyun, 2016). Previous studies show that individual factors, such as education level, gender, and tenure, are important qualifications of workers' innovative behaviors (Garg & Dhar, 2017; Ng & Feldman, 2012). Besides these demographic factors, previous studies likewise indicate that leadership plays a significant role in effecting workers' innovative behaviors (Masood, & Umrani, 2019; Zhang & Yang, 2021). Furthermore, the influence of leadership on organizational performance was revealed through previous studies (Yahaya and Ebrahim, 2016). Leaders succeed in effecting assistants through their ethical behavior (Sharma and Jain, 2013), which allows followers to adopt the vision and values of the organization by taking role models (Yahaya & Ebrahim, 2016). Similarly, studies of (Hannah et al., 2011), (Lankau & Scandura, 2002), (Mayer et al., 2012) and Neubert et al. (2008) emphasized that employees commonly learn and imitate their leaders' behaviors, particularly when they perceived their leaders have desirable qualities. According to a study conducted in Taiwan, study was found that leadership facilitated their assistants to do their jobs and encouraged their assistants to voice behavior (Cheng et al., 2014). Also, this study indicated that leadership allowed employees to focus on promotion. In addition, (Engelbrecht et al., 2017), using e- survey, found that leaders played important role in creating reliable working environment. Since wisdom leadership has many of those desirable and attractive qualities (Russell et al., 2002), employees would view wisdom leadership as role models and would learn and imitate their behaviors.

### 3 Study Problem

It is exemplified that wisdom leadership, and innovation are the most important to organizations. A number of studies have shown that leaders' behavior can significantly impact employees' well-being. Such as (Gilbreath and Benson, 2004), and enhances innovation (De Jong *et al.*, 2007). Although, it can be asserted that both public and private sector institutions face immense pressure to innovate, the style of leadership in the public and private sectors may differ due to organizational and cultural environments. Public organizations are seen as conservative due to

their ownership and limited competition from the private sector (Majumdar and Ray, 2011), and it remains unclear how wisdom leadership affects innovation in the two sectors. Thus, examining these issues within the private banking sector will be helpful for public and private bank leaders and decision makers facing pressure in order to get service innovation performance, by enabling them to overcome those barriers that prevent the development of product and processes that leads to service innovation performance among their staff and engage in developing strategies for management that works best for each sector.

#### 4 Aims And Objectives of The Study

The main aim of this study is to examine the effect of wisdom leadership (cognitive, affective and reflective) on service innovation performance, in private bank sector. This aim can be divided into the following sub-objectives consistent with the main research question of the study:

1. To determine the relationship between wisdom leadership and service innovation in private bank.
2. To determine the effects of wisdom leadership on service innovation in private bank.
3. To propose recommendations to policy makers and leaders in bank sector by establishing strategies for achieving service innovation using wisdom leadership.

#### 5. Conceptual framework

This section provides an overview of the underlying conceptual framework for understanding the influence of wisdom leadership on service innovation; it also introduces the hypothesis that explores the impacts WL on each other also will investigate correlations on SIP see figure (1).

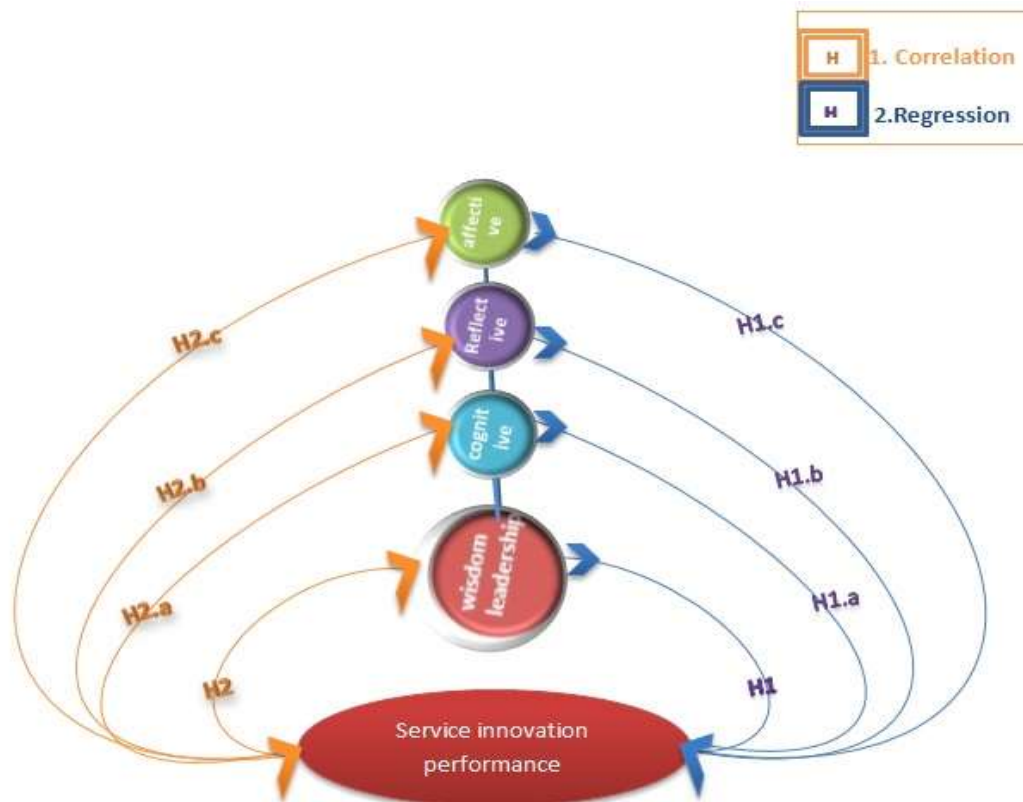


Figure 1: Conceptual Framework

### 5.1 : Hypotheses of The Study

The conceptual framework of this study leads to the following hypotheses:

*H1: There is a significant correlation between wisdom leadership and Service innovation performance.*

*H1a: There is a significant correlation between cognitive and Service innovation performance.*

*H1b: There is a significant correlation between reflective and Service innovation performance.*

*H1c: There is a significant correlation between affective and Service innovation performance.*

*H2: Wisdom leadership significantly influences service innovation performance.*

This leads to the following sub-hypotheses:

*H2a: Cognitive significantly influences service innovation performance.*

*H2b: Reflective significantly influences service innovation performance.*

*H2c: Affective significantly influences service innovation performance.*

## 6. Research Method

The quantitative research method is used for the current study. The data collection tool is through the questionnaires method, which contains forty-two (42) questions, further divided into two parts- the first is the demographic and background experience questions (Name, Gender, Education, and work experience). The second part poses questions about wisdom leadership mechanisms to motivate employees to be innovative and have innovative performance paths, which the private banks have done so far. (30) Private Banks represented the study sample; initially, a sample of the study population (46) was represented. Thus, the sample represents over (50%) of the population, and the respondents are represented by several employees and officials in private banks in the city of Erbil, where the researcher distributed (213) questionnaire forms. (191) forms were returned with valid for analysis, and the response rate reached (88.34%). According to structure, the questions can usually take two forms: closed; and open questions. Closed questions are sometimes called forced-choice (deVaus, 2002) or closed-ended questions (Dillman, 2000). Accordingly, this study used a mixture of closed and open questions to allow the respondents to select the relevant answers and, if they desired, to add further information representing their views. In addition, for the data analysis process, the researcher used the SPSS program. The correlations between wisdom leadership and service innovation, wisdom leadership dimensions, and SIP were demonstrated. Furthermore, wisdom leadership's significant impacts on SIP and wisdom leadership dimensions on SIP are illustrated for the regression process.

## 7. Data Analyze

### 7.1 Wisdom leadership and service innovation performance

The results of the correlation analysis in Table (1) show that there is a significant and positive correlation between the wisdom leadership and Service innovation performance, which amounted to (0.667\*\*) at a level of significance (0.01), which indicates a positive relationship between the two variables in private bank. Thus, it is concluded that whenever the employees of

studied banks are able to think creatively and being an innovative as a result of having wisdom leaders. Positive consequences were also evident, the higher wisdom of a leader, the better service innovation performance of that organization. The results lead to increase revenue, improved employee, and customer satisfaction; this contributes to improving and providing better and more professional services.

## 7.2 Wisdom leadership dimensions and service innovation performance

In order to have a more comprehensive understanding of the role of the variables' dimensions in enhancing the level of correlation between the two variables, it has been directed towards a micro-level correlation analysis of the dimensions of these variables, as it is evident from the results of the analysis in the table (1).

There was a correlation between the dimensions of wisdom leadership, represented by cognitive, reflective, and affective and the Service innovation performance variable with a correlation coefficient of (0.587\*\*), (0.550\*\*), (0.533\*\*), respectively and the p value (0.01). The statistical results conclude that employees in studied private banks with having wise leaders which is represented by cognitive, reflective, and affective contribute to improving their abilities in innovation performance to build their banks according to the contents of service innovation performance. As well, It is noted that the highest value of the correlation between the dimensions of wisdom leadership and the Service innovation performance was between Cognitive and SIP, which amounted to (0.587\*\*), with a significant value at the level (0.01). Whereas, the lowest significant relationship were between affective and SIP, which amounted to (0.533\*\*), and a level of significance (0.01), as shown in table (1).

**Table 1: The correlation between wisdom leadership and Service innovation performance individually and collectively**

Dependent variable		Service innovation performance (Z)	Total indicator
Independent Variable			
Wisdom leadership (X)	Cognitive	0.587**	0.667**
	Reflective	0.550**	
	Affective	0.533**	
Total indicator			

\*\* Significantly high when the P value (Sig. ≤ 0.01)

\* Significant when the P value (Sig. ≤ 0.05)

N = 191

## 7.3 The impact of wisdom leadership on service innovation performance

It was found from the results of the analysis in Table (2) that there is an impact of the Wisdom leadership on Service innovation performance. Based on the calculated (F) value, which amounted to (185,659), which is higher than the tabular (F) value of (3.841) and with degrees of freedom (1, 189), and this confirms the value of the calculated level of sig, which is (0.000), which is Significantly less than the hypothetical level of significance of the study (0.05).

The value of the coefficient of determination (R<sup>2</sup>) amounted to (0.496), which indicates that the change in the Service innovation performance by (49.6%) can be attributed to Wisdom leadership, and the remaining percentage (51.4%) It is due to other influencing factors that are not included in the hypothetical model that was adopted in the current study. Furthermore, the



wisdom leadership was observed to have a B, beta and t value of (0.704, 13.626), with a p-value of 0.000. This shows the wisdom leadership is observed to be statistically significant towards Service innovation performance, as shown in table (2).

**Table 2: The impact of wisdom leadership on service innovation performance**

Dependent variable Independent Variable	Service innovation performance (Z)		
	Beta	F	R <sup>2</sup>
Wisdom leadership (X)	0.704 t (13.626) Sig. (0.000)	185.659 Sig. (0.000)	% 49.6

\*\* Significant when the P value (Sig. ≤ 0.05)

F<sub>(1,189)</sub> = 3.841

N = 191

## 7.4 The impact of wisdom leadership dimensions on service innovation performance

### 1. Cognitive

The information of Table (3) indicates that there is a significant effect of Cognitive on Service innovation, and it is supported by the calculated (F) value (130.314), which is a significant value at a significant level (0.05). The value of the coefficient of determination (R<sup>2</sup>) amounted to (%40.8), which indicates that the change in the Service innovation performance by (40.8) can be attributed to Cognitive, and the remaining percentage (%59.2) It is due to other influencing factors that are not included in the hypothetical model that was adopted in the current study.

### 2. Reflective

The data of Table (3) indicate that there is a significant effect of Reflective on Service innovation, and it is supported by the calculated (F) value (76.045), which is a significant value at a significant level (0.05). The value of the coefficient of determination (R<sup>2</sup>) amounted to (%28.7), which indicates that the change in the Service innovation performance by (28.7) can be attributed to Reflective, and the remaining percentage (71.3) It is due to other influencing factors that are not included in the hypothetical model that was adopted in the current study.

### 3. Affective

The information of Table (3) indicates that there is a significant effect of Affective on Service innovation, and it is supported by the calculated (F) value (93.592), which is a significant value at a significant level (0.05). The value of the coefficient of determination (R<sup>2</sup>) amounted to (%33.1), which indicates that the change in the Service innovation performance by (33.1) can be attributed to affective, and the remaining percentage (66.9) It is due to other influencing factors that are not included in the hypothetical model that was adopted in the current study.

**Table 3: The impact of wisdom leadership dimensions on service innovation performance**

Dependent variable Independent Variable		Service innovation performance (Z)	
		R <sup>2</sup>	F
Wisdom leadership (X)	Cognitive	%40.8	130.314 Sig.=0.000
	Reflective	%28.7	76.045 Sig.=0.000
	Affective	%33.1	93.592 Sig.=0.000

\*\* Significant when the P value (Sig. ≤ 0.05)

N = 191

The coefficient table as shown in Table 3.3 is examined to analyze the variables which best contributed the model. It can be observed that the cognitive reported the highest B, beta and t value (0.304, 0.374, 5.611), as well as a significance value of 0.000. The higher the score on this scale signifies a higher effect on service innovation performance

**Table 4 coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.417	.187			7.567	.000
X.cognitive	.304	.054	.374		5.611	.000
X.Reflective	.128	.036	.217		3.517	.001
X.Affective	.179	.042	.268		4.240	.000

a. Dependent Variable: Z

The affective was observed to have a B, beta and t value (0.179, 0.268, 4.240), with a p-value of 0.00. The reflective on the other hand revealed that the lowest B, beta and t value (i.e.), with a p-value of .000. All the wisdom leadership dimensions are having significant positive effects on service innovation performance.

## 8 Conclusion

Research conclusion is the final and most important outcome of any study. Here the research has explored outcomes based on findings. The research has been through an extensive study with data collected using a well-structured survey questionnaire. Research objectives reached well to have the research outcome. According to conclusions related to the practical side of the study, the analyses included in the practical side showed a set of data that contributed to drawing some conclusions, as follows:

1. There is a significant contribution of the local private sector and foreign to investment in the banking sector in the city of Erbil.
2. There are efforts to implement international standards, but not to the required level, and this confirms the need to emphasize and pay more attention to this aspect, especially the academic aspect.
3. There are few opportunities for the female component to exercise administrative tasks in the business sector in general and in the banking sector in particular. Perhaps because of the social restrictions that does not encourage females to work in the business sector.
4. The importance of the banking industry lies in providing job opportunities for the young and middle-aged category to eliminate unemployment, especially disguised unemployment. It requires the concerned authorities, especially the academic universities and institutes, to pay attention to the rehabilitation of local youth cadres in the field of banking to work in this vital sector.
5. The majority of the respondents are those who have scientific qualifications and hold a bachelor's degree.
6. According to wisdom leadership, the study sample members agree with the cognitive dimension more than the affective and reflective dimensions.

7. The study sample members agree with all dimensions of the psychological well-being, especially with autonomy.
8. It is evident from the results of the correlation analysis that there is a significant and positive correlation between the variables wisdom leadership and psychological well-being.
9. The rest of study is found that the highest value of the correlation between wisdom leadership and the psychological well-being dimensions, it was between wisdom leadership and autonomy. While, the lowest value of the correlation between wisdom leadership and self-acceptance.
10. The findings of the study is illustrated that the highest value of the correlation between the wisdom leadership dimensions and the psychological well-being, it was between cognitive and psychological well-being. While, the lowest value of the correlation between reflective and psychological well-being.
11. The results of the correlation analysis show that there is a significant and positive correlation between the wisdom leadership and Service innovation performance.
12. It is noted that the highest value of the correlation between the dimensions of wisdom leadership and the Service innovation performance, it was between cognitive and SIP.
13. It was found from the results of the study that wisdom leadership has positive and significant effects on psychological well-being.
14. The statistical results of the current study are revealed that wisdom leadership affects PWB dimensions significantly and positively such as, the positive relations with others, Autonomy and self-acceptance.
15. It was found from the results of the study that there is an impact of the Wisdom leadership on Service innovation performance.
16. It was found from the results of the analysis that wisdom leadership and psychological well-being have positive and significant effects on the service innovation performance.

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