

Organizational Trust as a Mediator for the Effect of Leadership Style on Organizational Performance in Facilities Management Companies in Abu Dhabi

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ABSTRACT

The objective of this study is to investigate the impact of leadership style on organizational performance in facilities management (FM) companies operating in Abu Dhabi, United Arab Emirates, and to examine the mediating role of organizational trust. Grounded in leadership theory and social exchange theory, the study focuses on transformational leadership as a key factor in enhancing performance in service-oriented and knowledge-intensive organizations. A quantitative, cross-sectional research design was adopted, and data were collected from managerial and supervisory employees in FM companies. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed for data analysis using SmartPLS software. The measurement model demonstrated satisfactory reliability and validity, with composite reliability values exceeding recommended thresholds and Average Variance Extracted (AVE) values above 0.50 for all constructs. Structural model results indicate that transformational leadership has a significant positive effect on organizational performance ($\beta = 0.265$, $t = 5.062$, $p < .001$) and organizational trust ($\beta = 0.475$, $t = 11.600$, $p < .001$). Organizational trust also significantly influences organizational performance ($\beta = 0.224$, $t = 4.292$, $p < .001$). Mediation analysis reveals that organizational trust partially mediates the relationship between transformational leadership and organizational performance, with a significant indirect effect ($\beta = 0.106$, $t = 4.019$, $p < .001$). The model explains 22.6% of the variance in organizational trust and 17.7% of the variance in organizational performance. This study contributes to the leadership and organizational behavior literature by empirically demonstrating the mediating role of organizational trust in the leadership–performance relationship.

Keywords: Transformational Leadership, Organisational Trust, Organisational Performance, Facilities Management; PLS-SEM.

1. Introduction

Facilities management (FM) companies play a pivotal role in modern service economies by ensuring the uninterrupted functionality, safety, and sustainability of intricate built environments. In regions undergoing rapid urban expansion, such as Abu Dhabi, FM organizations encounter escalating performance challenges stemming from substantial infrastructure development, heightened service expectations, and stringent regulatory mandates. Organizational performance in this context transcends financial metrics to encompass non-financial dimensions, including service reliability, operational efficiency, safety compliance, and client satisfaction. These factors are intricately linked to the quality of human capital and the effectiveness of leadership.

Recent organisational research highlights leadership style as a critical determinant of performance in service-based and labour-intensive industries (Eva et al., 2021; Hoch et al., 2023). In contrast to transactional approaches that emphasize control and contingent rewards, transformational leadership has been demonstrated to be particularly effective in dynamic and uncertain environments, where employee engagement, adaptability, and discretionary effort are crucial for organizational success. (Banks et al., 2022). Transformational leaders impact organizational performance by articulating a compelling vision, cultivating intrinsic motivation, and fostering innovation. This enables organizations to effectively respond to operational challenges.

In contrast, contemporary leadership scholarship increasingly emphasizes that leadership does not influence organizational performance in a linear or purely direct manner. Instead, its effects are transmitted through psychological and relational mechanisms that shape employee behavior and organizational climate. (Ng, 2022). Among these mechanisms, organizational trust has emerged as one of the most influential yet under-researched factors in service-sector performance research. Trust fosters cooperation, mitigates uncertainty, and enhances employees' inclination to align with organizational objectives, rendering it particularly pertinent in FM organizations characterized by high interdependence and operational risk.

Despite accumulating evidence linking leadership, trust, and performance, empirical studies investigating these relationships within the facilities management sector—particularly in Middle Eastern contexts—remain limited. This study addresses this gap by examining organizational trust as a mediating mechanism between leadership style and organizational performance in facilities management companies operating in Abu Dhabi.

2. Background and Literature Review

2.1 Leadership Style and Organizational Performance

Leadership style encompasses the consistent behavioral patterns that leaders employ to influence, motivate, and guide employees. Recent meta-analytic and empirical studies have confirmed that transformational leadership remains one of the most potent predictors of organizational performance across various industries (Banks et al., 2022; Hoch et al., 2023). Transformational leadership proves particularly effective in-service organizations, where performance outcomes are significantly influenced by employee initiative, collaboration, and customer-centric behavior.

Empirical evidence from the past five years demonstrates that transformational leadership positively impacts both financial and non-financial performance outcomes, encompassing service quality, innovation, and operational resilience (Kim & Beehr, 2021; Lee et al., 2023). In contrast, transactional leadership—while effective for maintaining procedural compliance—has shown weaker and more short-term associations with performance in complex service environments (Ng & Feldman, 2022). These findings indicate that transformational leadership is more appropriate for the demands of facilities management (FM) organizations, which necessitate flexibility, trust, and proactive problem-solving.

Within facilities management contexts, leadership effectiveness is further enhanced by the need to coordinate diverse teams, manage safety-critical operations, and respond to client expectations in real-time. Leaders who exhibit transformational behaviors are more likely to foster a performance-oriented culture that supports sustained organizational effectiveness.

2.2 Organizational Trust as a Mediating Mechanism

Organizational trust encompasses employees' confident expectations that organizational leaders and systems will act competently, ethically, and fairly. Recent research posits that trust serves as a strategic organizational resource that enhances cooperation, mitigates transaction costs, and facilitates collective action (Fulmer & Gelfand, 2021). Trust is particularly critical in service-based organizations, where employees must rely on leadership decisions under conditions of uncertainty and operational risk.

Recent empirical studies have established that leadership behaviors serve as a primary antecedent of organizational trust. Transformational leaders cultivate trust by exhibiting integrity, transparency, and a genuine concern for the well-being of their employees (Karakose et al., 2022; Peng & Kim, 2023). In turn, organizational trust has been shown to significantly predict

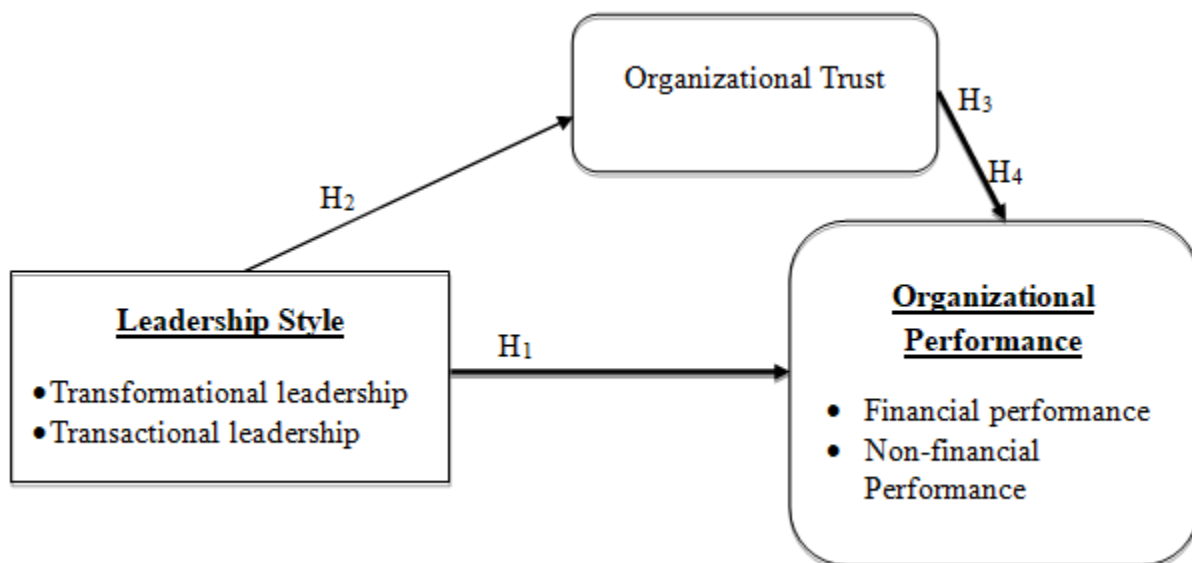
organizational performance, employee engagement, and service quality (Hassan et al., 2023; Xu et al., 2024).

Importantly, contemporary research increasingly supports the mediating role of trust in the leadership–performance relationship. Trust serves as a psychological conduit through which leadership behaviors translate into performance outcomes by enhancing employee commitment, cooperation, and discretionary effort (Ng, 2022; Lee et al., 2023). However, this mediating mechanism remains underexplored in facilities management research, particularly within the Gulf region.

3. Conceptual Framework Discussion

The conceptual framework of this study posits that leadership style exerts a direct and indirect influence on organizational performance through the mediation of organizational trust, as depicted in the accompanying framework. Utilizing contemporary leadership theory and social exchange theory, the framework asserts that transformational leadership enhances organizational performance by motivating employees, aligning individual and organizational objectives, and cultivating adaptive behavior (Banks et al., 2022).

Fig. 1. Conceptual Framework



Simultaneously, the framework posits organizational trust as a pivotal mediating mechanism that elucidates the translation of leadership behaviors into performance outcomes. Transformational leadership is anticipated to positively impact organizational trust by fostering ethical conduct, transparent communication, and supportive leader-employee relationships (Karakose et al.,

2022). Organizational trust, in turn, enhances organizational performance by facilitating cooperation, reducing uncertainty, and encouraging employees to engage in behaviors that improve service quality and operational efficiency (Fulmer & Gelfand, 2021; Xu et al., 2024).

By integrating leadership style, organizational trust, and organizational performance into a single model, this framework advances existing research by providing a more nuanced explanation of performance generation in facilities management organizations. The framework is particularly relevant in the Abu Dhabi context, where facilities management companies operate in complex, high-stakes service environments that demand both strong leadership and high levels of trust.

Accordingly, the following hypotheses are proposed:

- **H1:** Transformational leadership has a significant positive effect on organizational performance.
- **H2:** Transformational leadership has a significant positive effect on organizational trust.
- **H3:** Organizational trust has a significant positive effect on organizational performance.
- **H4:** Organizational trust mediates the relationship between transformational leadership and organizational performance.

4. Methodology

4.1 Research Design

This study employs a quantitative, cross-sectional research design. A survey method was utilized to gather data from employees in facilities management companies located in Abu Dhabi. This design is suitable for testing hypothesized relationships among latent constructs using structural equation modelling.

4.2 Population and Sampling

The target population consists of managerial and supervisory employees employed in facilities management companies operating in Abu Dhabi. These respondents were selected due to their direct involvement in leadership processes and organizational decision-making. A multi-stage cluster sampling technique was employed to select participating organizations and respondents. The final sample size met the requirements for Partial Least Squares Structural Equation Modelling (PLS-SEM).

4.3 Research Instrument

Data were collected using a structured questionnaire adapted from established instruments. Transformational leadership was measured using items derived from the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1995). Organisational trust and organisational performance were measured using validated scales adopted from prior studies. All items were rated on a five-point Likert scale ranging from strongly disagree to strongly agree.

4.4 Data Analysis Technique

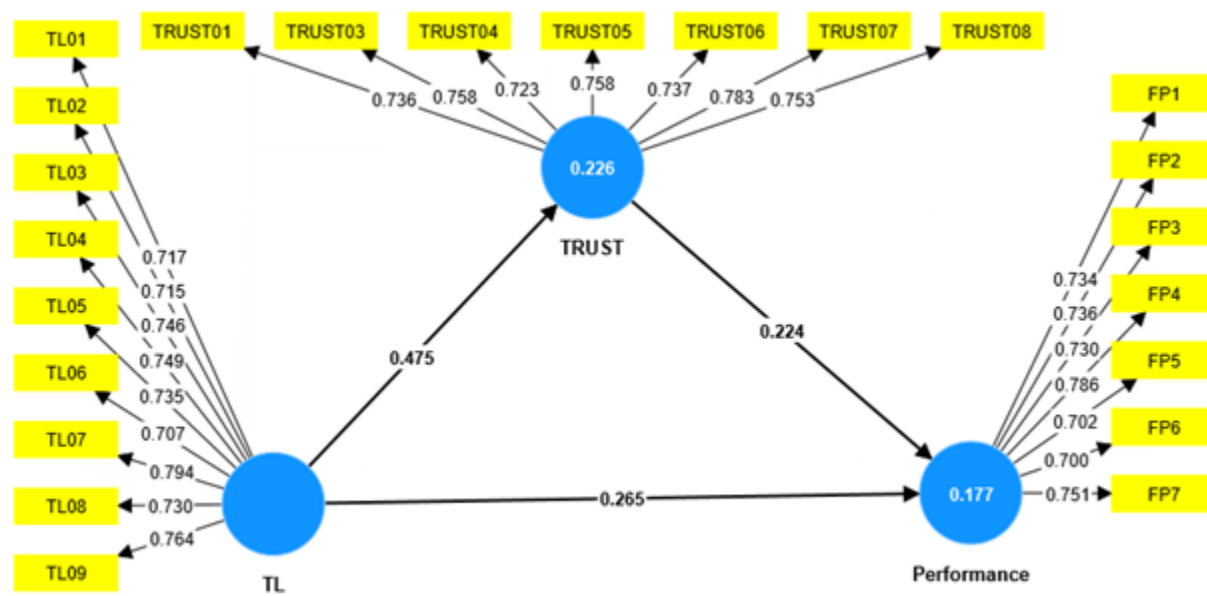
Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. The analysis employed a two-stage approach, commencing with the assessment of the measurement model and subsequently evaluating the structural model, which included mediation analysis employing bootstrapping procedures.

5. Findings

5.1 Measurement Model Assessment

The measurement model was assessed to examine indicator reliability, internal consistency reliability, convergent validity, and discriminant validity using Partial Least Squares Structural Equation Modeling (PLS-SEM).

Fig. 2. Measurement Model



Indicator Reliability

Indicator reliability was evaluated through outer loadings. All retained indicators demonstrated loadings exceeding the recommended threshold of 0.70, indicating satisfactory indicator reliability. Notably, outer loadings for organizational performance indicators ranged from 0.700 to 0.786, transformational leadership indicators ranged from 0.707 to 0.794, and organizational trust indicators ranged from 0.723 to 0.783, thereby demonstrating robust item reliability.

Table 1. Outer Loadings

Construct	Indicator	Loading
Performance	FP1	0.734
	FP2	0.736
	FP3	0.730
	FP4	0.786
	FP5	0.702
	FP6	0.700
	FP7	0.751
Transformational Leadership	TL01	0.717
	TL02	0.715
	TL03	0.746
	TL04	0.749
	TL05	0.735
	TL06	0.707
	TL07	0.794
	TL08	0.730
	TL09	0.764
Organizational Trust	TRUST01	0.736
	TRUST03	0.758
	TRUST04	0.723
	TRUST05	0.758
	TRUST06	0.737
	TRUST07	0.783
	TRUST08	0.753

Internal Consistency Reliability and Convergent Validity

Internal consistency reliability was evaluated using Cronbach’s alpha and composite reliability. All constructs surpassed the recommended threshold of 0.70, signifying high reliability. Convergent validity was corroborated as Average Variance Extracted (AVE) values for all constructs exceeded 0.50.

Table 2. Construct Reliability and Convergent Validity

Construct	Cronbach's α	Composite Reliability (ρ_c)	AVE
Performance	0.858	0.891	0.540
Transformational Leadership	0.897	0.916	0.548
Organizational Trust	0.870	0.900	0.563

Discriminant Validity

Discriminant validity was evaluated using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. The square roots of Average Variance Extracted (AVE) surpassed the corresponding inter-construct correlations, thereby satisfying the Fornell–Larcker criterion. HTMT values ranged from 0.399 to 0.530, which remained below the conservative threshold of 0.85, thereby confirming discriminant validity.

Table 3. HTMT Ratio

Constructs	Performance	TL	Trust
Performance	—		
Transformational Leadership	0.421	—	
Organisational Trust	0.399	0.530	—

Table 4. Fornell–Larcker Criterion

Construct	Performance	TL	Trust
Performance	0.735		
Transformational Leadership	0.371	0.740	
Organisational Trust	0.350	0.475	0.750

Collinearity Assessment

The Variance Inflation Factor (VIF) values exhibited a range of 1.539 to 2.107, which are significantly below the threshold of 5.0. This indicates that multicollinearity was not a significant concern in the model.

5.2 Assessment

Coefficient of Determination (R²)

The coefficient of determination serves as a measure of the model’s explanatory capacity. Transformational leadership accounts for 22.6% of the variance in organizational trust (R² = 0.226), while transformational leadership and organizational trust jointly account for 17.7% of the variance in organizational performance (R² = 0.177), indicating a moderate level of explanatory power.

Fig. 3. Structural Model

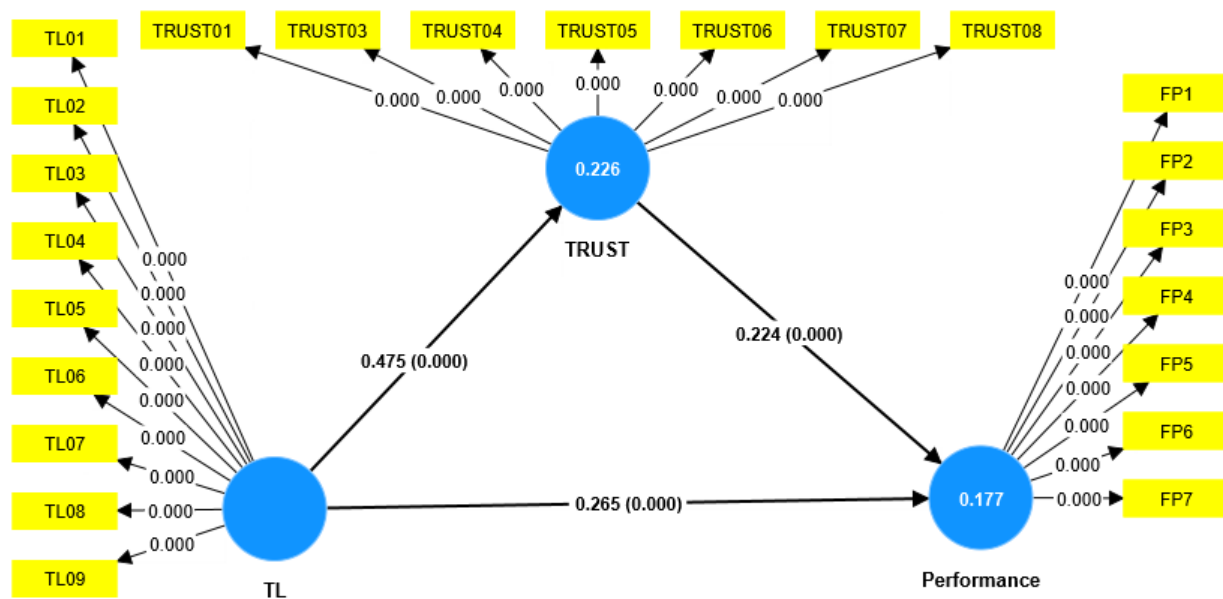


Table 5. Coefficient of Determination (R²)

Endogenous Construct	R ²	Adjusted R ²
Organisational Trust	0.226	0.224
Organisational Performance	0.177	0.172

Path Coefficients and Hypothesis Testing

Bootstrapping analysis reveals that all hypothesized direct effects are statistically significant. Transformational leadership positively impacts organizational performance and organizational

trust, while organizational trust exerts a significant positive influence on organizational performance.

Table 6. Direct Effects

Hypothesis	Path	β	t-value	p-value	Decision
H1	TL → Performance	0.265	5.062	< .001	Supported
H2	TL → Trust	0.475	11.600	< .001	Supported
H3	Trust → Performance	0.224	4.292	< .001	Supported

Mediation Analysis

Organizational trust served as a mediating factor in the relationship between transformational leadership and organizational performance. The indirect effect of transformational leadership on organizational performance through organizational trust was positive and statistically significant ($\beta = 0.106$, $t = 4.019$, $p < .001$), suggesting partial mediation.

Table 7. Indirect Effect (Mediation Test)

Hypothesis	Indirect Path	β	t-value	p-value	Decision
H4	TL → Trust → Performance	0.106	4.019	< .001	Supported

Predictive Relevance (Q²)

Predictive relevance was evaluated through blindfolding and PLSpredict procedures. Positive Q² values were observed for organizational performance (0.128) and organizational trust (0.216), suggesting that the model possesses satisfactory predictive relevance.

Table 8. Predictive Relevance (Q²)

Construct	Q ² predict
Organisational Performance	0.128
Organisational Trust	0.216

6. Discussion

This study investigated the impact of leadership style on organizational performance within facilities management companies in Abu Dhabi, conceptualizing organizational trust as a mediating factor. The findings provide robust empirical evidence supporting the proposed framework and offer valuable insights into the translation of leadership behaviors into performance outcomes in service-intensive and operationally complex environments.

Initially, the findings reveal that transformational leadership exerts a substantial positive direct influence on organizational performance. This observation corroborates recent empirical and meta-analytic evidence suggesting that transformational leadership continues to be one of the most reliable predictors of organizational performance across various service and public-sector contexts (Banks et al., 2022; Ng, 2022). In facilities management organizations, employee coordination, responsiveness, and discretionary effort significantly impact performance. Transformational leaders, by articulating a clear vision and fostering intrinsic motivation, are well-positioned to enhance both financial and non-financial performance outcomes, including service quality, efficiency, and operational reliability. Although the direct effect size is moderate, this aligns with contemporary leadership research that acknowledges that organizational performance in service settings is influenced by multiple interrelated factors rather than leadership alone (Hoch et al., 2023).

Second, transformative leadership was discovered to have a substantial and highly significant impact on organizational trust, signifying the most significant relationship within the model. This finding aligns with recent research that underscores trust as a crucial relational outcome of leadership behaviors, particularly those characterized by ethical conduct, transparency, and a focus on employee well-being (Karakose et al., 2022; Peng & Kim, 2023). In the context of facilities management, where employees frequently operate in high-risk and interdependent work environments, trust in leadership is paramount for ensuring compliance, fostering cooperation, and enabling proactive problem-solving. The robustness of this relationship implies that transformational leadership primarily exerts its influence by shaping the social and psychological climate of the organization rather than solely directing task execution.

Thirdly, the findings suggest that organizational trust exerts a substantial positive influence on organizational performance. This aligns with recent research that conceptualizes trust as a strategic organizational resource that enhances coordination, mitigates uncertainty, and facilitates collective action (Fulmer & Gelfand, 2021; Xu et al., 2024). In service-oriented organizations, such as financial management companies, trust facilitates employees' comprehensive engagement with organizational objectives, promotes transparent information sharing, and enables effective responses to operational challenges. While the impact of trust on performance

is less pronounced compared to that of leadership on trust, its significance underscores trust as an indispensable enabling condition for sustained organizational performance.

Most significantly, the mediation analysis substantiates that organizational trust partially mediates the relationship between transformational leadership and organizational performance. This finding provides empirical evidence for recent leadership research that posits leadership effects on performance are predominantly indirect and conveyed through relational mechanisms such as trust (Ng, 2022; Lee et al., 2023). The presence of partial mediation suggests that transformational leadership exerts its influence on organizational performance through both direct motivational pathways and indirect trust-based processes. This dual pathway holds particular significance in facilities management organizations, where leaders are tasked with simultaneously driving performance outcomes and sustaining high levels of employee confidence and cooperation.

From a model evaluation standpoint, the explained variance in organizational trust and organizational performance aligns with contemporary behavioral research standards. Recent studies underscore that moderate R^2 values are anticipated in intricate organizational settings where performance outcomes are influenced by structural, contextual, and environmental factors beyond leadership alone (Banks et al., 2022). Furthermore, the model's demonstrated predictive relevance reinforces its practical applicability in real-world FM settings.

7. Contributions of the Study

This study makes several significant contributions to the literature and practice. Theoretically, it extends contemporary leadership research by empirically validating organizational trust as a key mediating mechanism linking transformational leadership to organizational performance in a service-based industry. By integrating leadership style, trust, and performance within a single framework, the study advances a more nuanced understanding of how leadership generates performance outcomes beyond direct behavioral effects.

In the context of the facilities management sector in Abu Dhabi, this study provides rare empirical evidence that addresses a significant gap in leadership and organizational behavior research within Middle Eastern and service-oriented contexts. This contextual contribution enhances the generalizability of recent leadership theories to non-Western and operationally intensive environments.

In practical terms, the findings underscore that facilities management companies aspiring to enhance organizational performance should prioritize leadership development strategies that emphasize trust-building behaviors, such as ethical leadership, transparent communication, and employee support. Investments in transformational leadership capabilities are likely to yield

more robust performance outcomes when complemented by organizational practices that cultivate trust and relational stability.

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