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Research Article

Leadership Style as a Driver of FinTech Orientation in Financial Institutions: The Mediating Role of Strategic Agility and Innovation

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Abstract: This study investigates the mechanisms by which leadership style influences FinTech orientation in financial institutions. Grounded in complexity theory and the dynamic capabilities framework, this study explores how strategic agility and innovation function as mediating capabilities linking leadership behavior to FinTech readiness. A structured quantitative survey was administered to top managerial-level employees across banks, insurance firms, and microfinance institutions. A total of 104 complete and valid responses were collected using Google Forms. Structural Equation Modeling using the CB-SEM technique was applied to analyze the data and assess the direct and mediated relationships among the constructs. The study reveals that leadership style has a significant impact on FinTech orientation, both directly and indirectly, through its impact on strategic agility and innovation (total effect leadership style → FinTech: $\beta = 0.457$, t = 5.632). While the overall influence of leadership on FinTech orientation was found to be significant, the direct influence was reduced when the mediating factors were controlled for (indirect effects: leadership style → strategic innovation → FinTech: $\beta = 0.227$, t = 2.121, p = 0.034; leadership style → strategic agility → FinTech: $\beta = 0.420$, t = 3.455, p = 0.001). Strategic agility was the strongest predictor, highlighting its critical role in achieving responsiveness and agility in a financially challenged environment with structural barriers (strategic agility → FinTech: $\beta = 0.512$, t = 2.961, p = 0.003; compared with strategic innovation → FinTech: $\beta = 0.330$, t = 2.064, p = 0.037; and leadership style → strategic agility: $\beta = 0.580$, t = 5.262, p < 0.001 vs. leadership style → strategic innovation: $\beta = 0.486$, t = 4.549, p < 0.001). This study makes a significant contribution to the literature by empirically testing the capability-mediated model in an economy beset by conflict, supporting the need to enhance leadership practice to develop internal agility and innovation. The study also provides practical insights to financial institutions' professionals on how to overcome structural issues to enable digital transformation through the use of capabilities supported by strong leadership. Beyond finance, the findings demonstrate how leadership-enabled dynamic capabilities can accelerate digital transformation, strengthen organizational resilience, and support innovation management in structurally constrained and uncertain environments.

Keywords: Financial nstitutions; FinTech; Leadership style; Strategic agility; Strategic innovation

1. Introduction

By deploying resources and facilitating investments, the financial sector is crucial for economic growth (Dar and Nain, 2023). It aids in the best allocation of capital to productive sectors, driving entrepreneurship and innovation (Al Khatib et al., 2023). Moreover, a well-designed financial system promotes financial stability, investor confidence, and sustainable economic development (Kim et al., 2018). Despite the essential importance of financial sectors

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in leading economic growth, the Palestine financial sector struggles to adopt and implement digital transformation (Awwad, 2023). One of the major challenges is the limited access to international payment platforms, such as PayPal, which limits the international integration of Palestinian investors (Hurani and Abdel-Haq, 2025). Poor customer awareness and trust lead to the slow adoption of digital financial services, as many customers remain uncertain due to consumer protection concerns and a shortage of knowledge about digital banking solutions (Awwad, 2023; Candra et al., 2020). Furthermore, weak digital transformation infrastructure and a lack of a comprehensive regulatory framework further obstruct the growth of digital services (Daqar, 2021).

Importantly, these constraints are not only technological or regulatory but also require organizational decision-making under uncertainty. Leadership is emphasized in this study because it is a high-leverage internal factor that financial institutions can actively shape—unlike many external constraints (e.g., platform access restrictions, macro-regulatory instability). Leadership provides direction, prioritizes digital investments, mobilizes cross-functional support, and shapes risk tolerance, learning, and collaboration—capabilities that are especially critical in constrained environments (Alrsheedi and Iskandar, 2025). An effective leadership style can play a critical role in reducing the aforementioned external challenges. Transformational leadership style may support regulatory reform initiatives, engage in strategic partnerships with international FinTech service providers to bridge the local digital infrastructure gap, and enhance customer trust through transparent communication and educational initiatives (Choongo et al., 2023). Financial institutions can partially compensate for structural limitations and better position themselves within the constrained Palestinian context by empowering visionary and adaptive leadership behaviors.

Although previous studies have tested factors that impact FinTech orientation, such as human resource management (Bhutto et al., 2023) and organizational culture (Hurani and Abdel-Haq, 2025), the impact of leadership style, specifically in contexts facing institutional and structural constraints, is still underexplored. While (Musaigwa and Kalitanyi, 2023) have identified leadership style as a futuristic influence, empirical studies that examine how leadership style shapes FinTech orientation are lacking. In addition, the literature often ambiguously treats FinTech orientation—sometimes referring to a firm-level strategic posture and other times referring to the broader national FinTech ecosystem. This study adopts a clear organizational-level interpretation: FinTech orientation refers to a financial institution's strategic readiness and commitment to adopt, integrate, and scale FinTech-enabled services and processes. Furthermore, most prior research focused on well-established or emerging markets, with limited attention given to underbanked or conflict-affected countries. Exploring FinTech orientation at the organizational level in an emerging, conflict-affected, and partially recognized setting can generate distinct insights into how internal managerial drivers operate when persistent and severe external constraints. This study highlights this gap by focusing on the Palestinian financial sector, which presents a unique case due to its regulatory instability, limited digital infrastructure, and restricted access to global financial platforms. By investigating leadership style within this context, this study contributes novel insights into how dynamic internal capabilities can help navigate external obstacles in promoting FinTech innovation.

Theoretically, leadership style and FinTech orientation are linked because leadership is a core mechanism through which organizations develop the internal capabilities needed to effectively respond to these conditions. Leadership styles and FinTech orientations can be connected through transformational leadership theory, which focuses on how leaders who motivate and inspire their subordinates are more likely to drive the adoption of new technologies (Bass and Bass, 1985). leaders promote an environment that encourages innovation, builds trust, and aligns technological tools with organizational goals, thereby enhancing the acceptance and integration of FinTech solutions (Bhutto et al., 2023; Davis, 1989). Moreover, the literature review revealed that many studies claimed that leadership style positively and significantly affects fintech orientation (Campbell et al., 2021; Candra et al., 2020; Choongo et al., 2023). There are clear

practical and theoretical gaps in the understanding of how leadership style influences FinTech orientation in restricted contexts, such as Palestine. While transformational leadership theory suggests that visionary and proactive leadership can drive innovation and adaptability, the limited progress in FinTech adoption within the Palestinian financial sector raises the following question: Through what internal mechanisms can leadership translate into measurable FinTech readiness under structural constraints? To address this, the present study proposes a coherent theoretical pathway that suggests that transformational leadership fosters dynamic capabilities, particularly strategic agility and innovation, which in turn enable FinTech orientation. These mediators serve as internal mechanisms through which leadership can strengthen organizational responsiveness and innovation despite external barriers. However, empirical research has yet to test this integrated framework in the context of fragile or underdeveloped economies. Therefore, we do not yet know whether this theorized leadership-capability-orientation pathway holds true in a structurally constrained setting like Palestine. By applying the mediation framework of Baron and Kenny, 1986, this study empirically validates the indirect effect of leadership style on FinTech orientation through these dynamic capabilities, thereby filling a critical gap in both theory and context-specific application.

Strategic agility (SA) refers to an organization's ability to adapt to changing environments, seize emerging opportunities, and effectively reallocate resources in response to external and internal shifts, all while maintaining a clear strategic direction (Doz and Kosonen, 2010). Adaptive leadership theory provides a theoretical connection between leadership style and SA. Adaptive and transformational leadership behaviors emphasize responsiveness and flexibility, enabling leaders to guide institutions through complex and rapidly changing environments. By promoting learning, experimentation, and shared responsibilities, adaptive leaders help build the institutional capacity for strategic agility. This leadership style aligns with the need to continuously evaluate strategies in changing contexts (Heifetz et al., 2009). Moreover, the dynamic capabilities theory can be used to justify the theoretical linkage between SA and Fintech orientation, which assumes that institutions must continuously adapt, integrate, and reconfigure external and internal competencies to address rapidly changing environments (Teece et al., 1997). In the Fintech sector, which is characterized by swift technological advancements and developing customer expectations, dynamic capabilities help organizations develop strategic agility, allowing them to swiftly respond to market shifts and maintain a competitive edge (Eisenhardt and Martin, 2000). Similarly, leadership style affects SA (Abdulkhaliq et al., 2024), and SA affects FinTech orientation (Puspita and Widjaja, 2023).

Similarly, transformational leadership theory clarifies the relationship between leadership style and strategic innovation. The transformational leader inspires and stimulates their teams intellectually, fostering a culture of creativity and openness to change key drivers of strategic innovation (Bass and Riggio, 2006). By encouraging vision-driven thinking and challenging existing norms, such leaders create conditions that promote innovative strategies across the organization (García-Morales et al., 2012). prior research claimed that leadership styles affect strategic innovation (Yudistira and Ramadhan, 2023), and strategic innovation impacts FinTech orientation (Oludoyi et al., 2024). Accordingly, the next section presents the literature review and the development of hypotheses that specify the direct and capability-mediated effects linking leadership style to FinTech orientation in the Palestinian financial sector.

2. Conceptual Framework and Hypothesis Development

2.1 Leadership Style

Leadership style is defined as the general behavioral patterns and approach followed by a leader to motivate, influence, and manage teams toward achieving organizational objectives (Haslam et al., 2015). It has a vital role in making organizational culture, employee engagement, and the ability of an organization to adapt and compete in dynamic environments (Hogan et al., 2018). Effective leadership styles are vital for enabling strategic agility, as leaders must guide

subordinates in sensing environmental changes and making timely, flexible decisions (Doz and Kosonen, 2010). Moreover, leadership directly enhances strategic innovation by creating a climate that supports new ideas, problem-solving, and experimentation (Carmeli et al., 2013). The Contingency Theory of Leadership presents a theoretical background for this linkage. It suggests that the effectiveness of a leadership style relies on its alignment with organizational needs, including agility demands and motivation (Fiedler, 1967). Previous studies support these associations (Rauniar and Cao, 2025), empirically claiming a strong correlation between leadership style and strategic agility, clarifying how transformational leaders empower an organization's adaptability and responsiveness. Similarly, Yudistira and Ramadhan, 2023 concluded that leadership style significantly impacts strategic innovation by fostering a culture of experimentation and continuous improvement. Based on the aforementioned findings, this study hypothesizes that leadership style affects FinTech orientation indirectly through its impact on strategic agility and innovation as follows:

H_1: A significant positive relationship exists between leadership style and strategic innovation.

H_2: A significant positive relationship exists between leadership style and strategic agility.

2.2 The Mediating Role of Strategic Innovation

Strategic innovation refers to the determined and proactive redesign of an organization's strategies or business models to create innovative value for customers and build sustainable competitive advantage in rapidly evolving environments (Markides, 1997). Unlike operational innovation, which focuses on progressive improvements, strategic innovation emphasizes step-forward thinking, new market creation, and value proposition transformation (Sniukas et al., 2016). It is very important in sectors such as FinTech, where technological disruption regularly pressures demand responses and customer expectations (Fang et al., 2023). The components of strategic innovation include strategic renewal, business model transformation, opportunity recognition, and value creation (Govindarajan and Trimble, 2005). As a mediating variable, strategic innovation bridges the gap between leadership style and FinTech orientation by transforming leadership style into strategic competencies that enable digital transformation. Dynamic Capabilities Theory justifies this link, which posits that firms must reconfigure and renew their strategic assets to effectively respond to changing environments (Teece et al., 1997). Leadership styles that empower strategic vision, openness, and learning strengthen these competencies, which are then manifested through strategic innovation. This innovation allows firms to align and adopt the FinTech orientation, which is characterized by the integration of digital technologies and financial services (Cheng et al., 2023; Fe-Yen Chen et al., 2023). Additionally, leadership style influences strategic innovation (Abdulkhaliq et al., 2024) and impacts FinTech orientation (Puspita and Widjaja, 2023). Based on that, this study hypothesizes the following

H_3: A significant positive relationship exists between strategic innovation and fintech orientation.

H_4: Strategic innovation mediates the relationship between leadership style and fintech orientation.

2.3 The Mediating Role of Strategic Agility

Strategic agility describes an institution's ability to quickly adapt to changes in a larger environment by making flexible decisions and adjusting how it uses its resources (Doz and Kosonen, 2010). In contrast to operational flexibility, which clarifies routine adaptability, strategic agility enhances futuristic responsiveness by helping organizations make strategic decisions in a timely manner and proactively reposition themselves in response to change (Weber and Tarba, 2014). This capability is vital in FinTech domains where rapid adaptation is required due to volatility in technology, evolving client expectations, and complex regulatory landscapes (Rawashdeh et al., 2024). Strategic agility encompasses decision-making speed, sensing capability, and resource fluidity, which collectively empower an organization's ability to stay competitive (Sambamurthy

et al., 2003). which serve as a channel through which leadership behaviors are translated into actionable reactions to FinTech challenges and opportunities.

When used as a mediating variable, strategic agility embodies the functional bridge between leadership style and FinTech orientation by operationalizing leadership competencies, such as learning orientation, adaptability, and vision, into tangible organizational responsiveness. This relationship is grounded in the dynamic capabilities view, which highlights the importance of renewing strategic assets to lead shifting environments (Teece, 2007). Leaders who support employee empowerment and knowledge-sharing create an agile culture, allowing institutions to keep up with the FinTech orientation and strategically focus on integrating digital technologies within financial services (Elia et al., 2020). Furthermore, previous studies have claimed that leadership styles affect strategic innovation (Yudistira and Ramadhan, 2023), and strategic innovation affects FinTech orientation (Oludoyi et al., 2024). Based on the aforementioned, this study hypothesizes that

H_5: A significant positive relationship exists between strategic agility and FinTech orientation.
H_6: Strategic agility mediates the relationship between leadership style and FinTech orientation.

3. Methodology

3.1 Development and Validation of Conceptual Framework and Hypotheses

The proposed conceptual framework and hypotheses were developed and validated through a multi-step process to ensure theoretical coherence, contextual relevance, and measurement adequacy. First, the framework was grounded in complexity theory and the dynamic capabilities view, which together explain how leadership behaviors shape organizational adaptation and innovation under uncertainty. Second, a focused synthesis of prior empirical studies was conducted to identify consistent relationships among leadership style, strategic agility, strategic innovation, and technology/FinTech orientation. Third, the constructs were mapped into a capability-mediated pathway (leadership → dynamic capabilities → FinTech orientation) to reflect the causal ordering suggested in prior research and theory. Fourth, the hypotheses were developed based on convergent theoretical arguments and repeated empirical support across settings. Then, they were adapted to the Palestinian context, where structural constraints are high and internal managerial factors are more actionable.

A two-stage expert review was conducted to validate the conceptual framework before full deployment (content and contextual validation). A small panel of domain experts (leadership/digital transformation academics and senior practitioners from Palestinian financial institutions) reviewed the following: (a) conceptual model structure and directionality of paths, (b) appropriateness of mediators (strategic agility and strategic innovation), and (c) contextual fit of FinTech orientation at the organizational level. Feedback led to refinements in construct definitions and item wording to ensure conceptual clarity and alignment with context. This process strengthened the validity of the proposed framework (Figure 1) and ensured that the hypotheses reflect both theory and practical realities in constrained environments.

3.2 Population, sample, and procedure

To empirically test the proposed model, this study's target population comprised a managerial sample—including heads of departments, department managers, and branch managers in Palestinian financial institutions. These roles were selected because of their direct involvement in FinTech planning, decision-making processes, and strategic leadership responsibilities. This study focused on Palestinian financial institutions due to their growing demand for and openness to FinTech solutions. Despite this enthusiasm and visible support from senior leadership, the pace of FinTech orientation remains relatively slow. This gap between intent and implementation highlights the need to examine organizational dynamics in depth. The role of executive and middle management, who are directly responsible for operationalizing strategic initiative, warrants closer scrutiny. Understanding how these managerial layers perceive, influ-

ence, and enact FinTech-related change is essential to unlocking the sector's full potential of digital transformation.

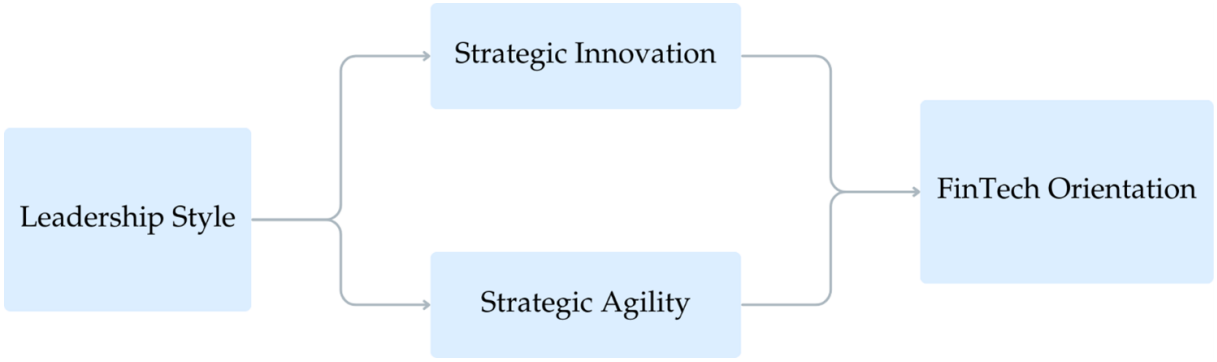

Figure 1 Proposed conceptual framework

The most suitable method is a quantitative research design. This research explores the impact of leadership style on FinTech orientation in financial institutions in Palestine, with particular emphasis on strategic agility and innovation's mediating roles. Given the practical constraints and the overall population size, a quota-convenience sampling strategy was used to ensure representation from multiple institutions (Bougie and Sekaran, 2019). The sampling process began with the identification of the number of managerial-level employees within each financial institution in Palestine, including banks, insurance companies, payment service providers, and microfinance institutions. After finalizing the quality and appropriateness of the questionnaire, the questionnaires were finally posted to the managers' email address. The data collection period spanned from September 14, 2024, to February 9, 2025.

A purposive sampling of 3% of the population will undoubtedly include at least 65 respondents following the G*Power guidelines (Hair et al., 2016). Because of the limited sample size for the measurement and structural models of the four variables, the minimum number of cases needed to have 80% power with an R2 of at least 0.25 is only 65 observations. This study managed to collect 104 valid questionnaires. All responses were transferred from Google Forms. There were no missing data: the final sample size for statistical analysis was 104 cases.

3.3 Study Measures and Data Analysis

A structured survey consisting of 39 items was used to collect data from the participants. All items were measured on a five-point Likert scale, where responses ranged from 1 = "Never," 2 = "Rarely," 3 = "Sometimes," 4 = "Often," and 5 = "Always." It allowed for the subtle nuances of participant responses now opening the channels of frequency of behaviors and practices in regard to the perceived constructs. A scale of eight items grounded on established literature was attained for FinTech orientation in view of established literature (Arner et al., 2015; Chishti and Barberis, 2016; Gomber et al., 2017; Thakor, 2020). The items assessed the institution's strategic use of financial technologies across multiple dimensions, including service enhancement, investment in emerging FinTech solutions, technological adaptability, leadership support, employee training, and the promotion of an innovation-driven culture. A set of 14 items was adopted to assess the leadership style of leaders in a previous study, which was validated by Salahat et al., 2023). This study aimed to record the responses to various aspects of leadership styles, coaching, motivation, ethics, creativity, communication, performance monitoring, and goal orientation through setting challenging performance goals. Leadership seems to have answers to many problems in broad strokes, for example: whether leadership practices influence strategic alignment and innovation readiness in managers.

Strategic agility was collectively evaluated on the basis of an eight-item scale from the work of Clauss et al., 2021, capturing the following three dimensions: strategic sensitivity, leadership unity, and resource fluidity. These dimensions are further structured concerning strategic sensi-

tivity, which denotes the ability of the organization to detect external change and leaders' support to said-imposing change. Leadership unity encompasses shared strategic decision-making and hastening action, and transient resource fluidity refers to the potency of established players to direct the management of strategic and financing resources and employment across their jurisdiction."

Strategic innovation was evaluated using an eight-point scale elaborated by AlQershi, 2021. The scale provides indicators for introducing new or improved products, rebranding strategies, marketing methods, and customer interface channels. This allows for the identification of laudable innovations in delivery systems and procurement processes that enhance institutional performance and competitiveness.

All measurement instruments underwent face and contextual validation before being used to assess financial services in Palestine. The methodological rigor achieved by using the properly adapted instruments allows meaningful research comparisons with various studies on digital transformation and FinTech orientation.

3.4 Psychometric Validation and Analysis of Data

The study relied on structural equation modeling, specifically through the covariance-based structural equation modeling (CB-SEM) method, using Smart-PLS 4 software to make sense of the data. Once the compiled data were thoroughly analyzed by invoking Smart-PLS 4, the CB-SEM method offered by the software, we based our analysis via its variance-analysis variety on best practices as enunciated by (Ringle et al., 2022). Therefore, the internal consistency reliability and convergent and discriminant validity were initially evaluated for the measurement model. The path modeling approach of CB-SEM used for testing the research hypotheses included multiple regression; the sample was fixed at that number (10,000) as proposed by (Hair et al., 2016) to achieve 10,000 samples as part of the bootstrapping method. In this study, CB-SEM was chosen due to the need to analyze complex models. prese-which allows for easy comparison using descriptive analysis.

In addition to the direct effects under examination, the study included mediation analysis—a step often seen in behavioral and organizational research for good reason. This allowed for a closer look at whether the influence of leadership style on FinTech orientation worked through other factors inside the organization, particularly strategic agility and innovation. In other words, the analysis did not stop at "does leadership matter?" but pushed further to ask how it matters. What emerged was a clearer picture of the internal dynamics—how leadership behaviors might trigger changes across different organizational layers, ultimately shaping how it engages with digital transformation through FinTech.

Figure 2 presents the research methodology flow diagram, summarizing the sequential steps from conceptual framework development to data analysis and hypothesis testing.

4. Results and Discussion

4.1 Measurement Model

To ensure that the measurement instruments accurately captured the intended theoretical constructs, a confirmatory factor analysis (CFA) was conducted using robust maximum likelihood estimation. This assessment focuses on (i) global model fit, (ii) indicator reliability, (iii) internal consistency reliability, (iv) convergent validity, and (v) discriminant validity. These checks confirm that the survey items measure the constructs accurately and consistently and that the constructs are empirically distinct. Model fit was assessed based on several commonly accepted indices. The chi-square statistic was 639.69 with 293 degrees of freedom, producing a x^2/df ratio of 2.183. This value falls well within the generally accepted threshold of 3.0, indicating a reasonably good fit between the hypothesized model and the observed data (Schermelleh-Engel et al., 2003). The x^2/df ratio is used because chi-square is sensitive to sample size; therefore, the normed chi-square provides a more interpretable fit signal for measurement adequacy.

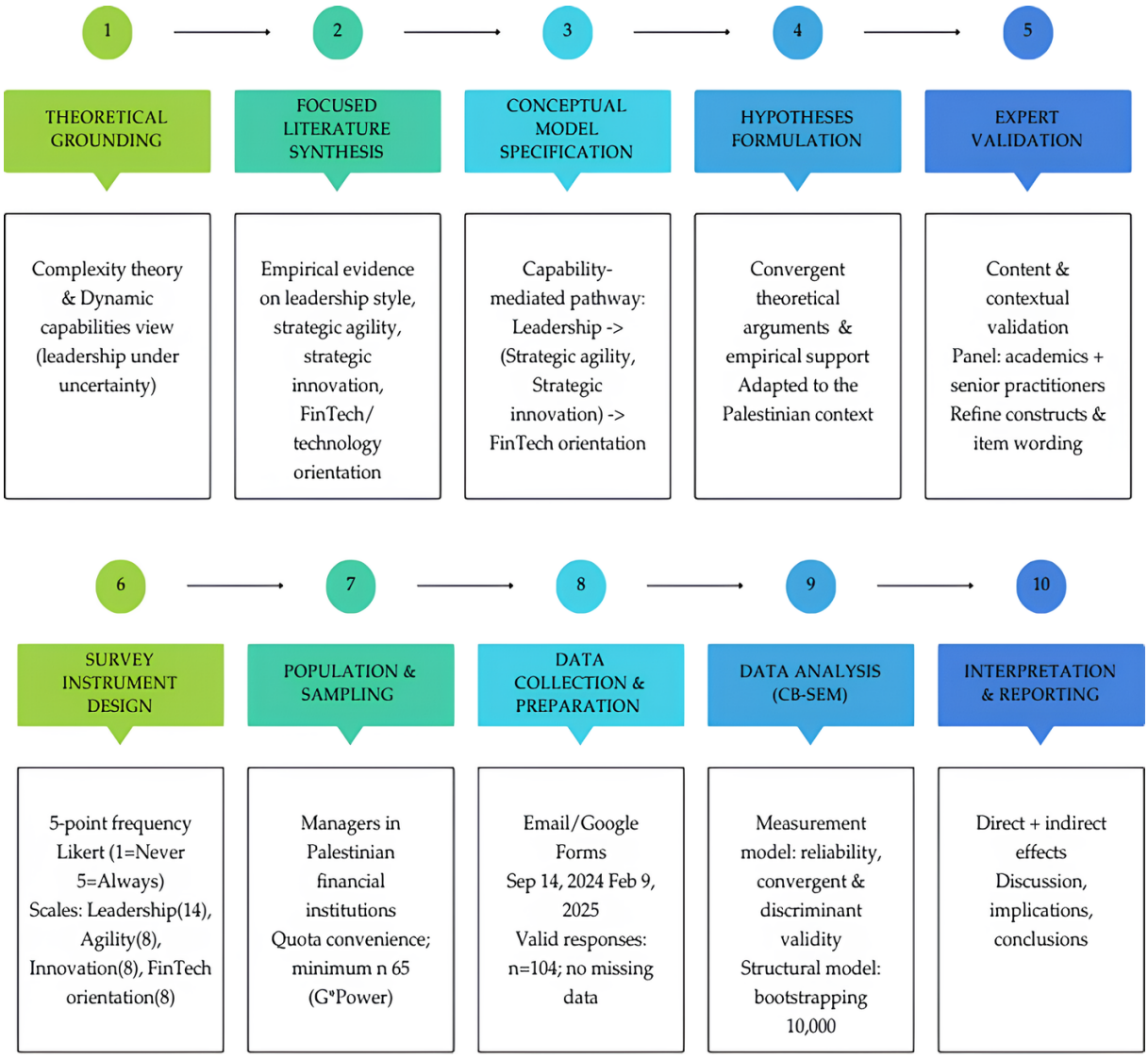

Figure 2 Flow diagram of the research methodology

Although the RMSEA was reported at 0.10, which some may view as high, this figure falls within the bounds of acceptability according to contextual allowances noted by Chen et al., 2008. RMSEA reflects approximate fit per degree of freedom, and values around 0.08–0.10 may still be considered acceptable in complex models or when perfect fit is constrained by sample sizes and model complexity. Supporting indices such as the SRMR (0.066) were well within the acceptable threshold of 0.08, while CFI (0.893), NFI (0.821), and TLI (0.881) closely approached the 0.90 benchmark, suggesting that the model has strong structural adequacy. SRMR reflects the average standardized difference between observed and model-implied correlations; CFI/TLI/NFI compare improvement over a null model and collectively provide evidence of acceptable incremental fit.

In refining the measurement model, 11 items were removed. This decision was guided by the thresholds set by Hair et al., 2022, particularly for item loadings falling below 0.701 or those displaying potential issues with discriminant clarity. Indicator (outer) loadings represent the relationship strength between an item and its intended construct. Loadings ≥ 0.70 indicate that the construct explains at least 50% of the indicator's variance, which supports item reliability and reduces measurement error. Once these adjustments were made, the retained items produced standardized loadings ranging from 0.753 to 0.945, all of which were statistically significant at the 5% level. These loading values confirm strong indicator reliability, indicating that the retained items are appropriate operationalizations of their latent constructs.

Table 1 Assessment of the Measurement Model

	Constructs	Cronbach's alpha	Composite Reliability		AVE
			Rho_a	Rho_c	
FT	FinTech	0.943	0.942	0.944	0.737
SI	Strategic Innovation	0.942	0.942	0.944	0.771
SA	Strategic Agility	0.944	0.942	0.942	0.739
LS	Leadership Style	0.966	0.966	0.967	0.762

To evaluate the consistency of the constructs, the reliability was assessed using Cronbach's alpha along with composite reliability measures (Rho_a and Rho_c). Each construct demonstrated strong internal consistency, with alpha values ranging from 0.942 to 0.966. These figures exceed the conventional threshold of 0.70, indicating that the items within each scale are highly aligned in what they measure. Cronbach's alpha assumes equal indicator loadings; therefore, composite reliability (Rho_a and Rho_c) is also reported because it accounts for different indicator contributions and is recommended for more accurate reliability estimation in CB-SEM settings. The composite reliability indices closely mirrored these results, further confirming that the items functioned cohesively within their respective constructs.

Evidence of convergent validity was also found. The Average Variance Extracted (AVE) for all constructs surpassed the minimum recommended value of 0.50, with scores ranging from 0.762 to 0.771. AVE represents the average amount of variance a construct captures from its indicators relative to measurement error. Values above 0.50 indicate that the construct explains more than half of the variance in its indicators, supporting convergent validity.

Table 2 Discriminant Validity of the Measurement Model

	FT	SI	SA	LS
FinTech	0.859	0.789	0.819	0.497
Strategic Innovation	0.767	0.878	0.898	0.568
Strategic Agility	0.811	0.860	0.890	0.717
Leadership Style	0.492	0.577	0.710	0.873

Notes: Diagonal and italicized are the AVE square roots. Below the diagonal elements are the correlations between the construct values. Above the diagonal elements are the Heterotrait–Monotrait ratio of the correlation values.

Another widely applied test within content validity is discriminant validity. The two most commonly employed tests were elaborated on below to show how conceptually distinct each proposed construct is from the rest. Hence, Fornell-Larcker's test was one wherein the square root of the AVE of each construct was judged to be higher than its intercorrelations with other constructs to indicate how significantly different the variables were in terms of meaning. The diagonal values (0.859, 0.878, 0.890, and 0.873) in Table 2 are consistently higher than the corresponding inter-construct correlations below the diagonal, supporting discriminant validity.

To reinforce this conclusion, the HTMT (heterotrait-monotrait) ratio was also reviewed. However, all HTMT values were similar to or below a commonly mentioned threshold of 0.90, adhering to Henseler et al., 2015). This indicates that the constructs are not excessively similar and that the measurement model does not suffer from a lack of construct distinctiveness. Taken together, these results strongly suggest that the proposed variables represent the pure features of the model and nothing else.

4.2 Structural Model

Figure 3 presents the structural model proposed in this study, offering insight into the core factors influencing how financial institutions engage with FinTech. The CB-SEM bootstrapping

results indicate strong explanatory power, with the model explaining 68.2% of the variance in FinTech orientation ($R^2 = 0.682$). This outcome highlights the central role of leadership style, strategic agility, and service innovation as foundational elements in driving digital progress within PFIs. The standardized path coefficients and significance levels are summarized in Table 3.

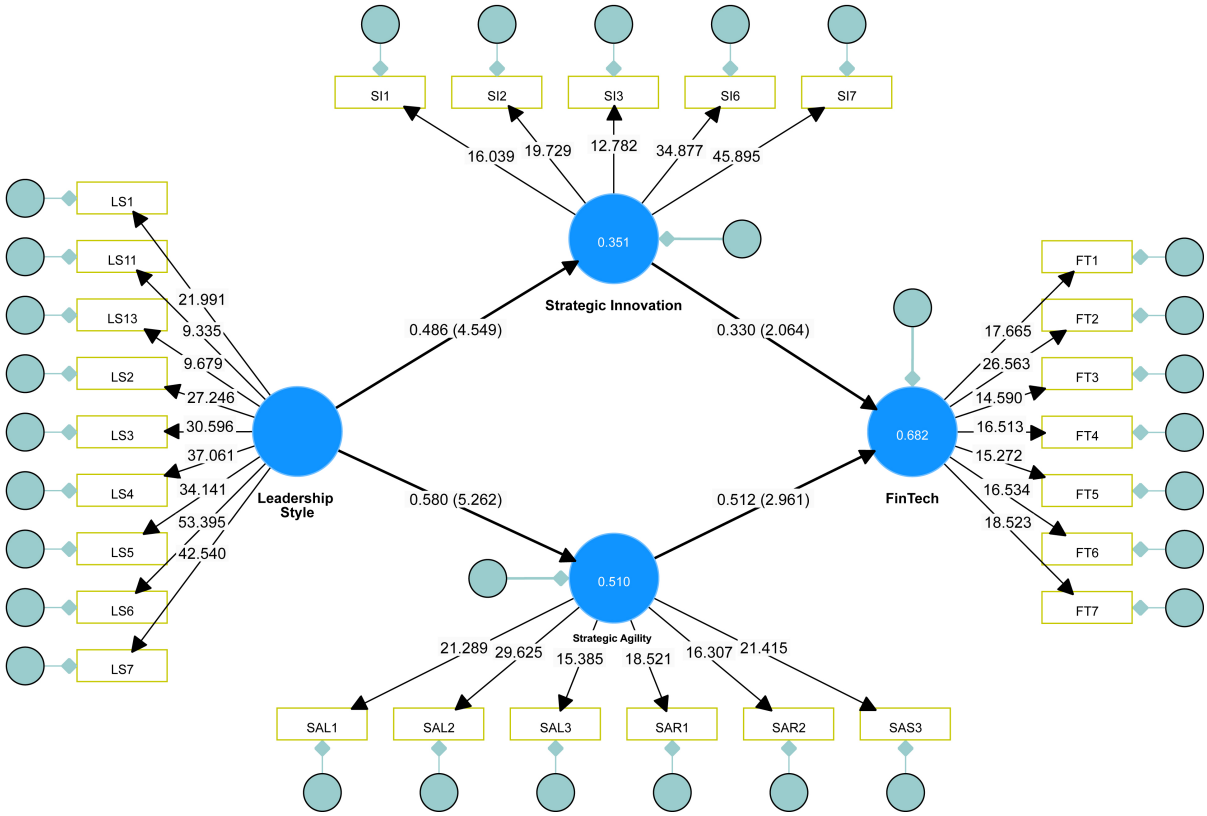

Figure 3 Structural Model Results

The results of the structural model indicate that leadership style exerts a positive and statistically significant effect on strategic innovation (H_1: $\beta = 0.486$, t = 4.549, p < 0.001) and strategic agility (H_2: $\beta = 0.580$, t = 5.262, p < 0.001). Comparatively, the effect of leadership style on strategic agility is stronger than its effect on strategic innovation, suggesting that in the sampled institutions, leadership contributes more to agility-building than innovation-building.

Table 3 CB-SEM Results: Path Coefficients of the Adjusted Model

HX	Relationship	Std Beta	T-Value	P-Value	Decision
H_1	Leadership Style → Strategic Innovation	0.486	4.549	0.000	Supported
H_2	Leadership Style → Strategic Agility	0.580	5.262	0.000	Supported
H_3	Strategic Innovation → FinTech	0.330	2.064	0.037	Supported
H_5	Strategic Agility → FinTech	0.512	2.961	0.003	Supported

Strategic innovation is positively associated with FinTech orientation (H_3: $\beta = 0.330$, t = 2.064, p = 0.037), and strategic agility is strongly positively associated with FinTech orientation ($H_5 \leq \beta = 0.512$, t = 2.961, p = 0.003). The standardized coefficients indicate that strategic agility is the most influential predictor of FinTech orientation in the proposed model.

Figure 4 offers a simple visual summary of the results by comparing the relationships' strength. Strategic agility has a stronger influence on FinTech orientation ($\beta = 0.512$) than strategic innovation ($\beta = 0.330$). In other words, in the Palestinian context, agility appears to be the most important factor for FinTech readiness.

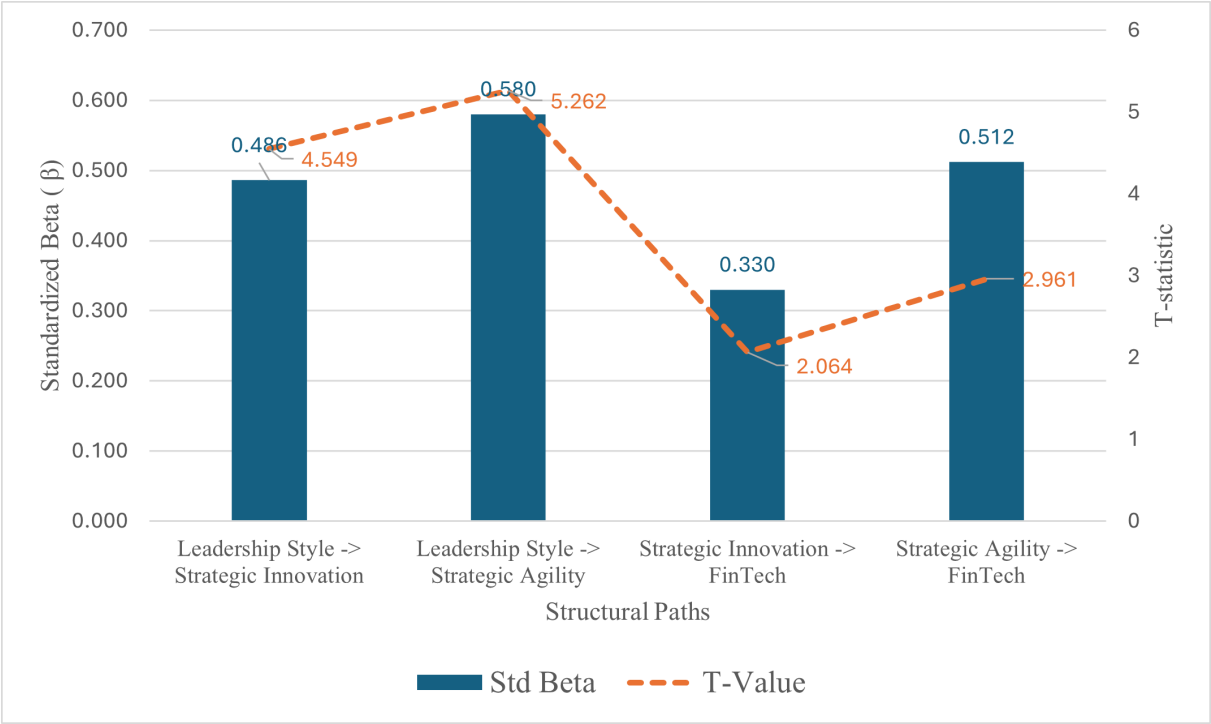

Figure 4 Summary Figure (Path-Strength Comparison)

The results suggest that "readiness for FinTech" is driven more by institutions' ability to respond and execute quickly (strategic agility) than by innovation alone—implying that implementation speed and flexibility are the most influential capability levers.

4.2.1 Mediation Analysis

To further understand leadership and FinTech orientation, mediation analysis was conducted with a focus on two key organizational capabilities: strategic innovation and strategic agility. As shown in Table 4 the mediation analysis indicates that leadership style has a statistically significant effect on FinTech orientation ($\beta = 0.457$, t = 5.632, p < 0.001). After introducing the mediating variables, the direct effect of leadership style on FinTech orientation became non-significant, indicating that the capability-based mechanisms primarily influence leadership.

Table 4 CB-SEM of Mediation Results

Relationship	Total effects		HX	Relationship	β	T-Value	P-Value	Decision
	β	T-Value						
LS → FT	0.457	5.632	H_4	LS → SI → FT	0.227	2.121	0.034	Supported
LS → FT	0.457	5.632	H_6	LS → SA → FT	0.420	3.455	0.001	Supported

Table 5 CB-SEM of Mediation Results

Relationship	Total effects		Hx	Relationship	β	T-Value	P-Value	Decision
	β	T-Value						
LS → FT	0.457	5.632	H_4	LS → SI → FT	0.227	2.121	0.034	Supported
			H_6	LS → SA → FT	0.420	3.455	0.001	Supported

Both indirect effects were statistically significant. Strategic innovation significantly mediates the relationship between leadership style and FinTech orientation (H_4: $\beta = 0.227$, t = 2.121, p = 0.034). Strategic agility also significantly mediates this relationship, with a compar-

atively larger indirect effect (H_6: $\beta = 0.420$, t = 3.455, p = 0.001). The relative magnitude of the indirect effects suggests that strategic agility is the dominant mechanism through which leadership style translates into stronger FinTech orientation. Figure 5 brings together the three relationships in one view. It shows the overall impact of leadership style on FinTech orientation, along with the two capability-based routes through which this impact occurs indirectly. The figure also clarifies that the path through agility is the strongest way leadership supports FinTech readiness.

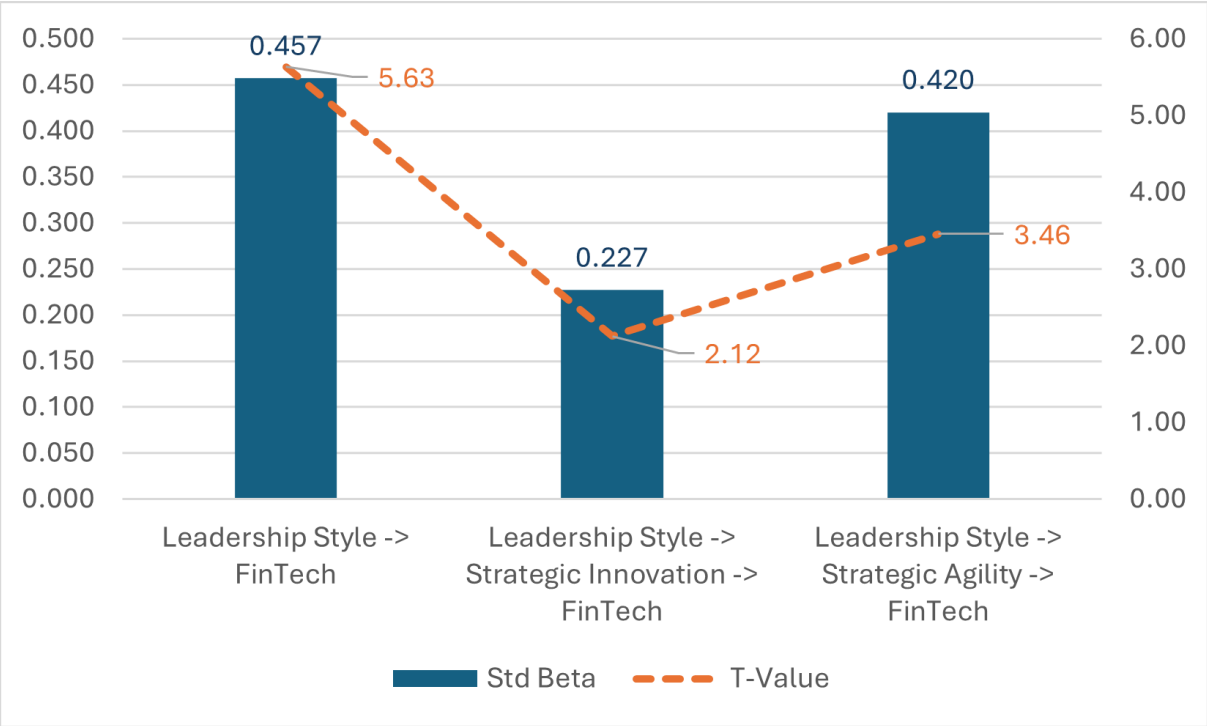

Figure 5 Results Summary of Total and Indirect Effects (Path Strength Comparison)

4.3 Discussion

This study explored the impact of leadership styles on the development of FinTech orientation in financial institutions in Palestine, focusing on strategic agility and innovation as intermediary functions. The Palestinian financial sector was chosen for this research based on its unique structural and technological constraints—i.e., limited access to global payment systems, poor infrastructure, and regulatory uncertainties—that make the successful application of FinTech more dependent on internal organizational variables, such as leadership styles.

To address the study's research question, the findings indicate that leadership exerts its influence primarily via capability-building processes, through which internal mechanisms leadership is translated into measurable FinTech readiness under structural constraints. Specifically, leadership style significantly strengthens strategic agility and innovation, which in turn significantly enhances the orientation of FinTech. In addition, the indirect effects of leadership on FinTech orientation through these capabilities are statistically significant, demonstrating that strategic agility and innovation function as the key internal pathways that translate leadership behavior into FinTech readiness.

The findings of this study revealed a positive and statistically significant relationship between leadership style and strategic agility and innovation, thus confirming Hypotheses 1 and 2. This finding aligns with previous studies (Rauniar and Cao, 2025; Yudistira and Ramadhan, 2023), emphasizing the vital role of transformational leadership in developing organizational capabilities to attain strategic adaptability and innovation. Consistent with the dynamic capabilities theory (Teece et al., 1997), these findings confirm that leadership is a guiding influence

and a root mechanism to enable organizational adaptability and renewal in digital disruption-affected environments.

In addition, strategic agility and innovation exerted significant positive effects on FinTech orientation, supporting Hypotheses 3 and 5. The results confirm that internal capabilities play a critical mediating role in the dynamics of digital transformation. More specifically, strategic agility was found to be the most potent predictor of FinTech orientation ($\beta = 0.512$), underlining the significance of responsiveness, swift decision-making, and flexibility as drivers of technology uptake in the context of unstable and rapidly evolving financial environments. In contrast, the relatively modest yet statistically significant impact of strategic innovation ($\beta = 0.330$) implies that innovative thinking and creativity contribute significantly to FinTech alignment, but this effect may be more incremental and, perhaps, context-dependent.

Crucially, this capability-mediated explanation clarifies the paradox: why does the Palestinian sector still show slow digital advancement if leadership has significant effects on FinTech orientation? This study measures FinTech orientation as an organizational readiness and strategic posture—not the full execution of digital transformation outcomes. In Palestine, leadership may succeed in strengthening internal agility and innovation (i.e., readiness), but implementation can remain constrained by external bottlenecks that are largely outside managerial control (e.g., limited access to global platforms such as PayPal, regulatory instability, infrastructure limitations, and cross-border restrictions). Therefore, leadership improves the internal conditions for digital advancement; however, external constraints can delay or dilute the observable pace of sector-wide transformation.

The mediation analysis revealed significant capability-mediated effects of strategic innovation and agility on the relationship between leadership style and FinTech orientation. This result supports Hypotheses 4 and 6 while enriching the theoretical understanding of the impact of leadership on digital transformation. More precisely, it indicates that the development of agile and innovative competencies within the firm mediates the influence of leadership on the adoption of FinTech. This finding supports the idea that visionary leadership should be translated into structural and behavioral means to effectively shift into digital capabilities, especially in environments with strong external constraints, such as Palestine.

In practical terms, this means that leadership alone is insufficient to guarantee rapid digital advancement when external barriers are binding. Leadership matters because it shapes the organization's capacity to respond (agility) and renew strategically (innovation); however, these capabilities must be paired with enabling conditions (e.g., regulatory facilitation, interoperable payment rails, consumer protection mechanisms, and infrastructure upgrades) for transformation to be quickly realized. This helps reconcile the apparent paradox: leadership is statistically impactful for internal readiness, yet the sector may still progress slowly in visible digital outcomes due to structural constraints.

The findings are consistent with modern theory that acknowledges leadership as a key driver of strategic capabilities (Bass and Riggio, 2006; García-Morales et al., 2012). They are also consistent with the mediation model's (Baron and Kenny, 1986) applicability to organizational change contexts. Importantly, the findings offer empirical validation of a theoretical argument that, while widely discussed, has rarely been empirically tested in the context of limited or emerging markets: that capabilities developed internally through strong leadership can offset weaknesses in external infrastructure and regulatory institutions to a certain degree.

Collectively, this study offers a robust theoretical and empirical framework that describes the processes through which transformational leadership behaviors are translated into a FinTech mindset through the combined processes of innovation and strategic agility. In pursuing this objective, it fills a gap in the existing literature regarding FinTech and leadership and offers practical advice for financial institutions operating in similar constraint-based environments. More broadly, the study suggests that capability-building leadership is most effective when paired with ecosystem-level enablers; thus, future research should examine boundary conditions (e.g., platform access, regulatory quality, and infrastructure readiness) that determine when

leadership-driven readiness can translate into observable digital transformation outcomes in conflict-affected or partially recognized economies.

5. Conclusions

This study contributes to the understanding of the relationship between leadership style and FinTech orientation by empirically testing an extensive mediation model that integrates strategic agility and innovation within the Palestinian financial industry. The results demonstrate that leadership does not directly influence FinTech adoption but exerts a pivotal indirect effect by strengthening in-house dynamic capabilities that foster agility and innovation, enhancing organizational readiness for digital transformation despite challenging or inadequate external conditions. Theoretically, the study unifies Transformational Leadership Theory and dynamic capabilities theory in a structurally constrained environment, responding to calls for research in underrepresented and vulnerable economies and offering a model where internal capabilities can offset external institutional voids. The findings highlight the need for leadership development programs that cultivate transformational competencies—such as vision-building, adaptability, empowerment, and innovation—alongside fostering agile, innovation-driven cultures and regulatory support for leadership-led capability building. Although this research offers significant contributions, it is limited by its focus on managerial perspectives within Palestinian financial institutions, a cross-sectional design that constrains causal inference, and its concentration on agility and innovation as mediators. Future research should adopt multilevel and longitudinal designs, explore additional mediators such as digital literacy, organizational learning, and absorptive capacity, and replicate the model in other emerging or conflict-affected economies to strengthen external validity and uncover context-specific dynamics.

Conflict of Interest

The authors declare no conflicts of interest.

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