

-RESEARCH ARTICLE-

## LINKING WORKPLACE RESOURCES TO EMPLOYEE PERFORMANCE IN UAE MANUFACTURING SMES: THE ROLES OF ENGAGING LEADERSHIP, TEAM EFFECTIVENESS, AND EMPLOYEE WELL-BEING

**Fatma Mohammad Hussain**

School of Business Management, Universiti Utara Malaysia,  
06010 Sintok, Kedah, Malaysia

ORCID: <https://orcid.org/0009-0003-6525-217X>

Email: [worlddiamond@hotmail.com](mailto:worlddiamond@hotmail.com)

**Nurul Sharniza Husin**

School of Business Management, Universiti Utara Malaysia,  
06010 Sintok, Kedah, Malaysia

ORCID: <https://orcid.org/0009-0001-0922-2262>

Email: [nurulsharniza@uum.edu.my](mailto:nurulsharniza@uum.edu.my)

**Hazlinda Hassan**

School of Business Management, Universiti Utara Malaysia,  
06010 Sintok, Kedah, Malaysia

ORCID: <https://orcid.org/0009-0007-9886-2846>

Email: [hazlinda@uum.edu.my](mailto:hazlinda@uum.edu.my)

### —Abstract—

Employee performance presents a challenge to many small and medium-sized manufacturing enterprises (SMEs). For some, the challenge revolves around productivity and the performance of the workforce as a collective unit. For others, challenges related to the balance of competitiveness and performance arise of workplace or organizational discipline, the ability of the workforce to adapt and absorb, and the ability of the workforce to collaborate. This paper, focusing on manufacturing SMEs in the United Arab Emirates (UAE), addresses the role of employee wellbeing in the relationship between engaging leadership, team effectiveness, and employee

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performance. The study relies on the Conservation of Resources (COR) theory. From the perspective of the COR theory, engaging leadership and team effectiveness are seen as social and organizational resources that improve performance by enhancing employee wellbeing. The study utilized a cross-sectional quantitative design. Data was collected from a sample of 352 individuals employed in UAE manufacturing SMEs. The model was executed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The study found that engaging leadership positively impacted employee performance and employee wellbeing. Team effectiveness was found to positively impact employee wellbeing but did not impact employee performance. Employee wellbeing positively impacted employee performance and mediated all the studied relationships. This study expands the study of organizational behavior and SME performance by addressing the psychological impact of leadership and team resources on performance. The results provide insight to SME leadership and support services in the manufacturing sector in the UAE and facilitate the design of interventions aimed at improving manufacturing SMEs employee wellbeing.

**Keywords:** Employee well-being; Engaging leadership; Team effectiveness; Employee performance; UAE manufacturing SMEs.

## INTRODUCTION

In SMEs, particularly those in manufacturing, the management of employee performance poses a constant strategic issue. The manufacturing components that are most significant for the growth and competitive advantage of the SMEs are employee flexibility, as well as the regularity of focused and self-disciplined processes. In the United Arab Emirates, manufacturing SMEs play an important role in the economic diversification and industrial growth of the country as shown by the International Monetary Fund (Fund, 2024). Due to the constraints SMEs are faced with in resources, market, technology, and demand, employees are subjected to excessive pressure. To alleviate some of the burdens placed on employees, it is critical to analyze the potential and limitations of workplace resources for enhancing employee performance and maintaining employee well-being. The context of UAE manufacturing SMEs is of particular interest because the developmental goals of the nation have begun to emphasize the competitive nature of industry and the advancements of skilled workers and value-intensive production (Technology, 2024). However, the performance of SMEs is not reliant on the combination of machinery, modern technology, and advanced capital. In manufacturing environments that are driven by processes and labor, the behavior and the relational conditions of the employees directly influence the quality of production and the efficacy of operations (Alefari et al., 2020).

Compared to other employee resources, engaging leadership is the most prized resource. Leadership that embraces employee engagement by supportive connection develops trust, meaning and psychological safety climate (Benlahcene et al., 2022). This type of

leadership encourages employees to tackle the demands of their jobs, sustain their motivation, and focus their efforts on the objectives of the organization (Van Tuin et al., 2021). Engagement and wellbeing promoting leadership practices are said to enhance both individual and organizational successes, especially when employees are exposed to uncertainty and high demands of work (Salas-Vallina et al., 2021). Team effectiveness is another essential resource for SMEs in manufacturing. Effective communication and coordination among team members defines a proficient team. Such teams are cohesive and have a strong mutual support and collective commitment (Jin & Peng, 2024). In most production contexts, teamwork offers a practical solution to the interdependency between team members. Such teamwork minimizes the chances of incurring errors that affect the quality and timely fulfilment of customer needs. The uncertainty and the problem-solving nature of teamwork are appreciated (Mogård et al., 2023). Considerable employee satisfaction and improvement of company objectives depend on teamwork (Kim et al., 2022).

Research between strategic HRM and employee performance has dominated the academic and practitioners' consideration for more than two decades (Fareed, Mohd Isa, et al., 2016). The consideration of the welfare of employees has moved from being a marginal HR duty to a function at the uppermost level of corporate strategy that analyzes the impacts of various organizational procedures on employees' performance (Ho & Kuvaas, 2020). Stress has a damaging effect on psychological well-being and results in a decrease in productivity and the quality of interpersonal relationships at work (Kundi et al., 2021). In SMEs, employee well-being is a key driver of the sustainability of business performance. Although many studies have independently explored leadership, teamwork, employee well-being, and performance, limited attention has been given to understanding how different workplace resources jointly shape employee outcomes, particularly in manufacturing SMEs. From the perspective of Conservation of Resources (COR) theory, workplace resources operate as interconnected systems rather than isolated factors. In this regard, engaging leadership represents a vertical resource embedded in leader–employee relationships, whereas team effectiveness represents a horizontal resource arising from peer interactions and collaborative work processes. Examining these complementary resources together provides a more holistic understanding of workplace resource ecosystems and their influence on employee well-being and performance. To address this gap, the current study examined employee well-being as the mediating construct in the relationship between engaging leadership, team effectiveness, and employee performance. Grounded in COR theory, this study proposes that leadership and team-based resources enhance employee well-being, which subsequently contributes to higher employee performance in UAE manufacturing SMEs. By adopting a parsimonious model that integrates both vertical and horizontal workplace resources, the study offers a theoretically coherent explanation of how organizational resource conditions translate into positive employee outcomes through employee well-being.

## LITERATURE REVIEW

### Theoretical Discussion

This study applies Conservation of Resources (COR) theory. The essence of the COR is that individuals aim to acquire, maintain, and improve valued resources. Valuable resources could be mental or physical social resources or workplace resources, or even positive conditions that help individuals achieve their significant goals. Stress is likely to occur when resources are threatened, lost, or depleted. According to [Hobfoll et al. \(2018\)](#), resources rarely function in isolation; rather, they tend to accumulate and interact in what COR theory refers to as resource caravans. These resource caravans develop within resource caravan passageways, which represent environmental conditions that facilitate or constrain the acquisition and preservation of valuable resources. In organizational settings, leadership and team environments can serve as such passageways by creating conditions that enable employees to build and sustain psychological resources. Consequently, engaging leadership and team effectiveness are viewed in this study as complementary workplace resources that jointly support employee well-being and subsequent performance outcomes.

Leadership and teamwork at the workplace are the resources that address the stress of individuals and promote constructive resourcefulness towards work ([Rasool et al., 2021](#)). This study adopts the COR framework and considers leadership as a resource-generating mechanism. Engaged leaders provide guidance, support, and appreciation of both tasks and workplace relationships ([Saoula & Johari, 2016](#)). Leadership resources reduce ambiguity and are likely to improve employees' feelings of competence and meaning at work. When employees feel that their leaders are genuinely concerned about their development and welfare, they are likely to exert more effort and engage in positive work behavior ([Salas-Vallina et al., 2021](#)). Closely related to the COR framework is the concept of team effectiveness, given that teams yield social and task-related resources. High-quality teamwork enables employees to gain access to information and offers positive work resources, e.g., coordination, cooperation, assistance, shared responsibility, and emotional support, which are particularly beneficial to employees in manufacturing SMEs, as they need to address many practical issues and problems in close collaboration with coworkers. High-quality teamwork helps employees avoid resource loss and enhances well-being through social connectedness and collective efficacy ([Kim et al., 2022](#)).

In this research, employee well-being is viewed as a psychological resource and a mediating mechanism within the model. Well-being denotes an employee's positive psychological function, emotional strength, and satisfaction toward the job, along with the employee's ability to cope with work-related issues. Employees who have well-being at work are more likely to have high levels of focus, perseverance, collaboration, and innovation. On the other hand, employees who have poor well-being or high levels

of stress may save physical energy, psychologically withdraw, and have suboptimal performance (Kundi et al., 2021). Thus, based on COR theory, expressing engaged leadership and team effectiveness improves employee well-being and employee well-being enhances employee performance. The theory validates a mediating function: social and organizational resources don't necessarily lead to performance; instead, they enhance the capacity of the employee to perform.

## Hypotheses Development

Engaging leadership is a leadership style that, through supportive and inspiring behaviors, nourishes employees' work engagement by satisfying their basic psychological needs for autonomy, competence, relatedness, and meaning (Schaufeli, 2021). This type of leadership is needed in UAE manufacturing SMEs, because employees tend to work under a combination of productivity, resource, and supervisory pressures. Hence, leaders' supportive and recognition-based guidance and direction would shape employees' efforts and the way they execute their tasks. In the Self-Determination Theory and Conservation of Resources (COR) theory, engaging leadership is a contextual and relational resource that allows employees to obtain and conserve the motivational and psychological resources needed to cope with challenging work demands (Hobfoll et al., 2018). In the present research, engaging leadership is an independent variable that is likely to produce positive effects on the employee performance (the dependent variable) by enhancing the employee motivation, commitment, and performance-related, goal-directed behavior. Previous studies, cited in the thesis context, show that engaging leadership is positively correlated with work engagement, psychological need satisfaction, and performance-related outcomes (Rahmadani et al., 2019). Given this, in manufacturing SMEs, employees' perception of their leaders as supportive, inspiring, and connecting is likely to produce high performance, sustained effort, and cooperation.

**H1:** *Engaging leadership has a positive effect on employee performance.*

According to Hoegl and Gemuenden (2001), team effectiveness describes the quality of collaboration and the contributions of members toward shared goals, as reflected in communication, coordination, mutual support, effort, and team cohesion. Team effectiveness is particularly relevant in manufacturing SMEs due to the interdependent nature of production work. Manufacturing SMEs operate most effectively when employees work cohesively, respond promptly to operational issues, and collectively assume responsibility for product quality. Effective teams provide valuable social and task-related resources that enable employees to focus their capabilities, effort, and time on task accomplishment. In the present study, team effectiveness is conceptualized as an independent variable that facilitates employees' ability to perform their roles effectively and collaborate in addressing production-related challenges. The existing literature on team effectiveness and related team processes indicates that team processes and team-related, as well as individual, outcomes (Mathieu et al., 2019), depend on the

coordination and cohesion of team members, and the presence of psychological safety and collective efficacy. Therefore, fostering team effectiveness is expected to contribute positively to employee performance by creating a supportive and productive work environment.

**H2:** *Team effectiveness has a positive effect on employee performance.*

According to [Zheng et al. \(2015\)](#), employee well-being is a multidimensional construct that includes life, workplace, and psychological well-being. It represents an employee's overall satisfaction and positive experience and constructive psychological functioning at work. Within UAE manufacturing SMEs, well-being is critical. This is because, under constant manufacturing pressure, employees are often forced to complete monotonous activities, resulting in loss of energy to perform the activities consistently. According to COR theory, employee well-being is viewed as a psychological resource that enables employees to cope with job demands and sustain positive functioning under challenging work conditions ([Nguyen et al., 2025](#)). In this model, employee well-being is a mediating variable, and a variable with a direct effect on employee performance. Evidence within the context of this thesis suggests that employee well-being has a positive relationship with job performance and helps to understand the performance implications of positive work conditions ([Ogbonnaya & Messersmith, 2019](#)). Thus, it is expected that employees with well-developed well-being show more resilience and a greater degree of cooperativeness and focus while performing tasks.

**H3:** *Employee well-being has a positive effect on employee performance.*

According to [Schaufeli \(2021\)](#), engaging leadership is characterized by fulfilling the psychological needs of employees by further nurturing their sense of autonomy, competence, relatedness, and meaningfulness. In the manufacturing SMEs of the UAE, wellbeing and engaging leadership go hand in hand because of the close interaction of leaders and employees, which can either relieve or aggravate stress in the highly demanding situations of the shop floor. Engaging leadership and well-being can also be illustrated by the Self-Determination Theory, as it helps fulfill and satisfy basic psychological needs of employees ([Deci & Ryan, 2000](#)). Engaging leadership can be viewed as an organizational resource that supports employees' psychological functioning by fostering autonomy, competence, and meaningful work experiences ([Knevelsrud et al., 2025](#)). In the current research, engaging leadership is treated as an independent variable that is likely to influence employee well-being, which is the mediator. Leadership plays a very important role in the satisfaction of psychological needs, work engagement, happiness at work, and well-being ([Salas-Vallina et al., 2021](#)). Hence, engaging leadership is likely to enhance employee wellbeing.

**H4:** *Engaging leadership has a positive effect on employee well-being.*

In the UAE manufacturing SMEs, team effectiveness influences employee well-being due to the nature of interdependent tasks, which can create working pressures,

uncertainties, and role strain, especially in the absence of collaboration. From the COR perspective, well-functioning teams provide social resources through cohesion, support, and collective efficacy, thereby enhancing employees' psychological well-being and reducing the likelihood of resource depletion (Mathieu et al., 2019). In this context, team effectiveness is treated as an independent construct believed to positively influence employee well-being, the mediating variable. The cited earlier studies in the referenced thesis deal with the role of team processes and emergent states in shaping members' satisfaction and well-being, covering trust, cohesion, and psychological safety, as well as collective efficacy. Drawing on these concepts, employees engaged in effective teams are believed to experience enhanced well-being.

**H5:** *Team effectiveness has a positive effect on employee well-being.*

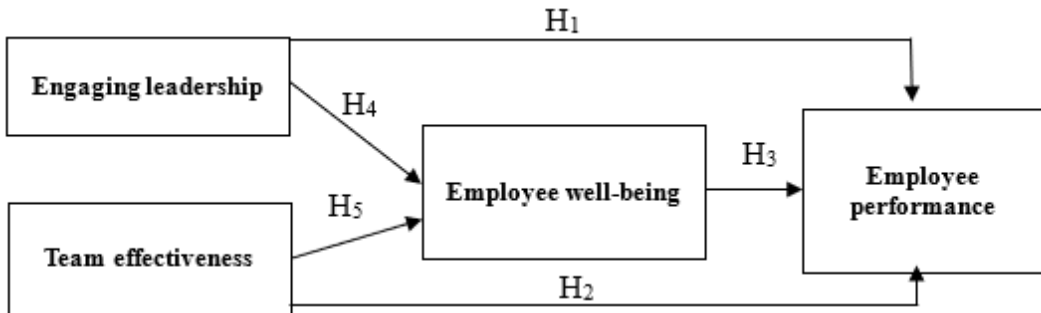
Involving employee well-being (incorporating psychological, work, and general well-being) as a performance mediator helps to establish the psychological connection between accessible workplace resources and performance outcomes (Zheng et al., 2015). This is especially relevant to engaging leadership in the UAE's manufacturing SMEs, as engaging leadership can only be expected to enhance performance when employees have the psychological capacity and resilience to fully engage with their work in the context of everyday production activities. From a COR perspective, engaging leadership offers relational and motivational resources. These resources strengthen employee well-being, and, in turn, employee well-being reinforces the willingness to engage in intensive and persistent performance-related behaviors (Jabid et al., 2025). Within the study framework, employee well-being acts as a performance mediation constructed by engaging leadership. Analogous to the context of the current thesis, engaging leadership is seen to promote the satisfaction of psychological needs and organizational engagement, while the well-being of an individual is associated with enhanced workplace performance (Salas-Vallina et al., 2021). As such, engaging leadership is likely to enhance employee performance because of improved employee well-being.

**H6:** *Employee well-being mediates the relationship between engaging leadership and employee performance.*

Team effectiveness creates a supportive and coordinated work environment that facilitates employee well-being and performance. In UAE manufacturing SMEs, the significant mediating role of well-being is evident as teamwork creates a positive social atmosphere that is likely to help ease stress and develop psychological resilience. This creates an environment of supportive operational coordination and enhances performance. The COR theory implies that team effectiveness offers social and task resources that help maintain employee well-being. In turn, employee well-being facilitates the ability to concentrate on the task at hand, to support, and to perform (Kumar et al., 2026). Within this context, employee well-being is the mediator between team effectiveness and the performance of the employee. Previous research within the

scope of this thesis has shown that the effectiveness of team processes and the dynamics of a team greatly affect the members' motivational and emotional states, whereas employee well-being is linked to performance (Ogbonnaya & Messersmith, 2019). As a result, the indirect relationship between employee well-being and team effectiveness on employee performance is expected.

**H7:** *Employee well-being mediates the relationship between team effectiveness and employee performance.*



**Figure 1:** Conceptual Framework

**Table 1: Hypotheses Summary**

| Hypothesis | Relationship   | Type      | Expected Direction |
|------------|--|-----------|--------------------|
| H1         | Engaging leadership -> Employee performance                        | Direct    | Positive           |
| H2         | Team effectiveness -> Employee performance                         | Direct    | Positive           |
| H3         | Employee well-being -> Employee performance                        | Direct    | Positive           |
| H4         | Engaging leadership -> Employee well-being                         | Direct    | Positive           |
| H5         | Team effectiveness -> Employee well-being                          | Direct    | Positive           |
| H6         | Engaging leadership -> Employee well-being -> Employee performance | Mediation | Positive           |
| H7         | Team effectiveness -> Employee well-being -> Employee performance  | Mediation | Positive           |

Table 1 summarizes the seven hypotheses and explains the direct and mediated relationships analyzed in the study. The table places the conceptual model in the context of specific empirical expectations by indicating direct and mediated paths and the nature of relationships as illustrated in Figure 1. The first five hypotheses propose direct relationships between engaging leadership, team effectiveness, employee well-being, and employee performance. The last two hypotheses propose the indirect role of employee well-being. This arrangement improves the model's transparency because each hypothesis is associated with a specific statistical test. The table shows employee well-being's central theoretical role as a predictor of employee performance and as a

mediator. The hypotheses are therefore logically ordered and help define the subsequent measurement, structural, and mediation analyses.

## METHODOLOGY

This study used a cross-sectional quantitative research design to explore the relationships between engaging leadership, team effectiveness, employee well-being, and employee performance in manufacturing SMEs based in the UAE. This design is suitable as it uses survey-based measurements and structural modeling to examine how different latent psychological and organizational variables interact. The target population of this study comprised full-time employees working in manufacturing SMEs across the United Arab Emirates (UAE). To ensure that respondents possessed adequate knowledge and experience regarding workplace leadership, team interactions, well-being, and performance, only employees who had completed at least six months of continuous service within their organizations were eligible to participate. A purposive sampling technique was employed to select respondents who met the study criteria and were directly involved in organizational operations. Data was collected through a structured self-administered questionnaire distributed to employees participating in manufacturing SMEs. A total of 352 complete and usable questionnaires were obtained and retained for analysis. This sample size exceeds the minimum requirements for Partial Least Squares Structural Equation Modelling (PLS-SEM) and provides sufficient statistical power for testing the proposed direct and mediating relationships (Hair et al., 2022). The survey instrument consisted of established multi-item scales adapted from prior studies to suit the manufacturing SME context in the UAE.

Because all study variables were collected from the same respondents using a single survey instrument, several procedural and statistical remedies were employed to minimize and assess the potential effects of Common Method Bias (CMB). Procedurally, respondents were assured of anonymity and confidentiality, informed that there were no right or wrong answers, and encouraged to provide honest responses. The questionnaire also utilized previously validated measurement scales and was carefully structured to reduce evaluation apprehension and social desirability bias. Statistically, Harman's single-factor test was conducted, and the results indicated that no single factor accounted for most of the variance, suggesting that common method bias was not a serious concern. In addition, collinearity diagnostics showed that all variance inflation factor (VIF) remained below the recommended threshold, providing further evidence that common method bias was unlikely to affect the validity of the study findings. This sample size is adequate for a PLS-SEM analysis, which is used to examine mediation among constructs (Fareed, Noor, et al., 2016; Hair et al., 2022). The survey used established multi-item scales that were cited in prior research adapted to incorporate the context of SMEs.

The performance of employees was evaluated by task performance items and contextual performance items, which is based on Goodman and Goodman and Svyantek (1999) multidimensional performance. Leadership that engages was evaluated by behaviors that reinforce, connect, inspire, and support employees and are consistent with the engaging leadership typology of Schaufeli (2021). Team effectiveness was evaluated by the quality of teamwork items of communication, coordination, and a balanced contribution with mutual support, effort and cohesion (Hoegl & Gemuenden, 2001). Employee well-being was assessed as a multidimensional construct and comprised the psychological, life, and workplace well-being (Zheng et al., 2015). The analysis used PLS-SEM and was performed in a two-step process. The assessment of the measurement model was first undertaken by checking the indicator loadings, the internal consistency reliability, composite reliability, convergent validity, and discriminant validity. Second, the evaluation of the structural model was undertaken by analyzing the path coefficients, t-values, p-values, and confidence intervals, along with the collinearity evaluation, the explained variance, and mediation analysis via bootstrapping (Sarstedt et al., 2020). This method fits best to use within management research that employs latent constructs, complex mediation models, and predictive research (Purwanto & Sudargini, 2021).

## FINDINGS

This section presents the results for the four-variable model comprising engaging leadership, team effectiveness, employee well-being, and employee performance. The analysis begins with descriptive statistics, followed by preliminary assessments, evaluation of the measurement model, structural model results, and mediation analysis.

**Table 1: Skewness and Kurtosis for Univariate Normality**

| Variable             | Mean  | S.D.  | Skewness | Kurtosis |
|----------------------|-------|-------|----------|----------|
| Employee performance | 4.233 | 0.957 | -1.027   | 0.119    |
| Engaging leadership  | 4.196 | 1.043 | -1.073   | -0.089   |
| Team effectiveness   | 4.188 | 0.982 | -1.086   | 0.196    |
| Employee well-being  | 4.256 | 0.970 | -1.038   | -0.041   |

According to Table 2, mean scores for all four constructs were between 4.188 and 4.256. Responses reflected an overall positive workplace environment and outcomes. Employee well-being had the highest mean, followed by employee performance, engaging leadership, and team effectiveness. Responses reflected some variation which was important for statistical testing. Negative skewness suggested most responses were aligned, resulting in friendly response perceptions. Kurtosis patterns were mostly absent, and results leaned more towards even distribution of responses. From a research perspective, the dataset is confirmed as suitable for use in PLS-SEM, and from a theoretical and descriptive perspective, well-being, and leadership, teamwork, performance and participation are relevant UM SMEs research constructs.

**Table 2: Collinearity Assessment**

| Predictor           | Tolerance | VIF   |
|---------------------|-----------|-------|
| Engaging leadership | 0.256     | 4.303 |
| Team effectiveness  | 0.446     | 2.471 |
| Employee well-being | 0.395     | 2.793 |

Table 3 shows the tolerance and variance inflation factor (VIF) values for engaging leadership, team effectiveness, and employee well-being as predictors in the structural model. The VIF values ranged from 2.471 to 4.303. Collinearity diagnostics indicate that multicollinearity is not a threat to the structural model, as all VIF values fell below the recommended threshold of 5.00 and all tolerance values exceeded the minimum threshold of 0.10 (Hair et al., 2022). These results suggest that the predictor variables are sufficiently distinct and do not exhibit problematic levels of overlap. Although engaging leadership recorded the highest VIF value (4.303), it remained well within the acceptable range. The findings further indicate that engaging leadership, team effectiveness, and employee well-being represent related but distinct constructs within the model. Therefore, the absence of multicollinearity supports the suitability of the model for subsequent hypothesis testing and structural analysis.

**Table 3 : Measurement Model Summary**

| Construct            | Indicators | Loading Range | Cronbach's Alpha | CR    | AVE   |
|----------------------|------------|---------------|------------------|-------|-------|
| Engaging leadership  | EL1-EL12   | 0.757-0.853   | 0.909            | 0.909 | 0.644 |
| Team effectiveness   | TE1-TE12   | 0.668-0.819   | 0.886            | 0.888 | 0.548 |
| Employee well-being  | EWB1-EWB12 | 0.714-0.802   | 0.888            | 0.888 | 0.554 |
| Employee performance | EP1-EP12   | 0.684-0.875   | 0.895            | 0.897 | 0.580 |

Table 4 shows that the retained measurement model demonstrates sufficient reliability and convergent validity for the four constructs examined. Regarding reliability, the range of Cronbach's alpha was from 0.886 to 0.909, while the range for composite reliability was from 0.888 to 0.909, both indicating that the constructs in the model were measured as intended. The AVE scores also exceeded the minimum requirement of 0.50, indicating that the constructs in the model captured a sufficient amount of variance in the associated indicators (Hair et al., 2022). Although some loading ranges include values marginally lower than 0.70, the overall reliability and AVE results justify the measurement scales. Engaging leadership presented the highest reliability, while team effectiveness presented the lowest, though still satisfactory. From a theoretical perspective, the results justify confidence that the four constructs captured in the study represent distinct latent variables. This is critical, as unreliability of the measurement would preclude interpreting the direct, mediating, and other practical implications of the findings for manufacturing SME employees.

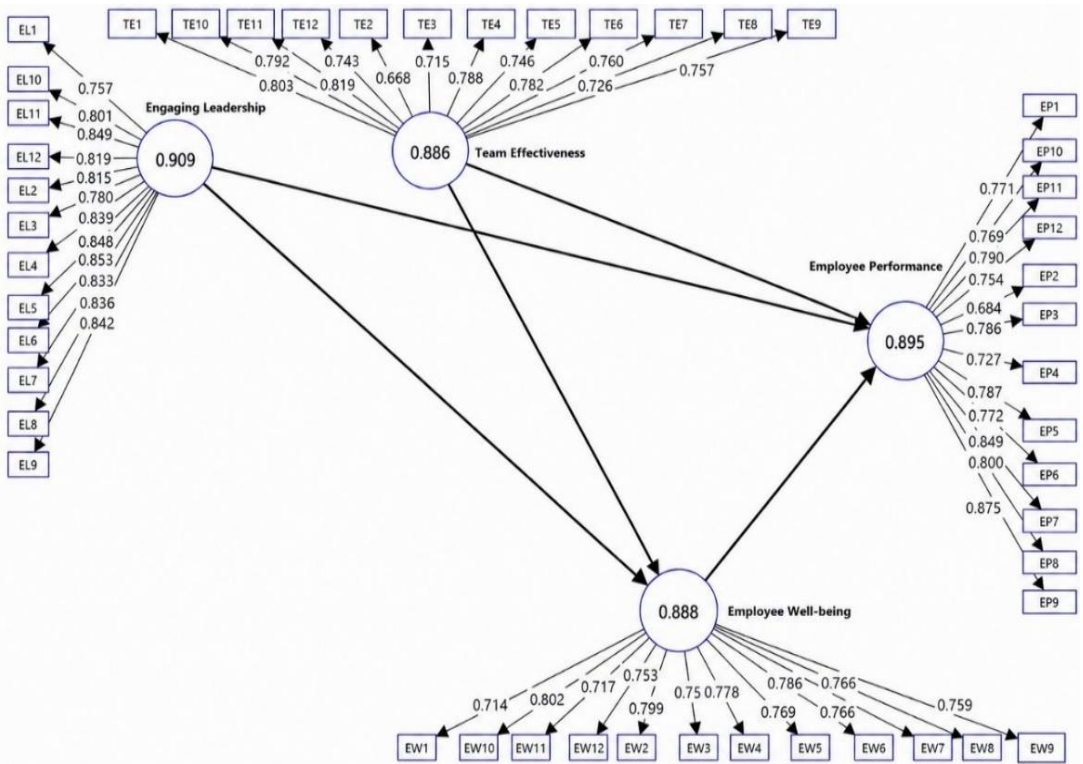
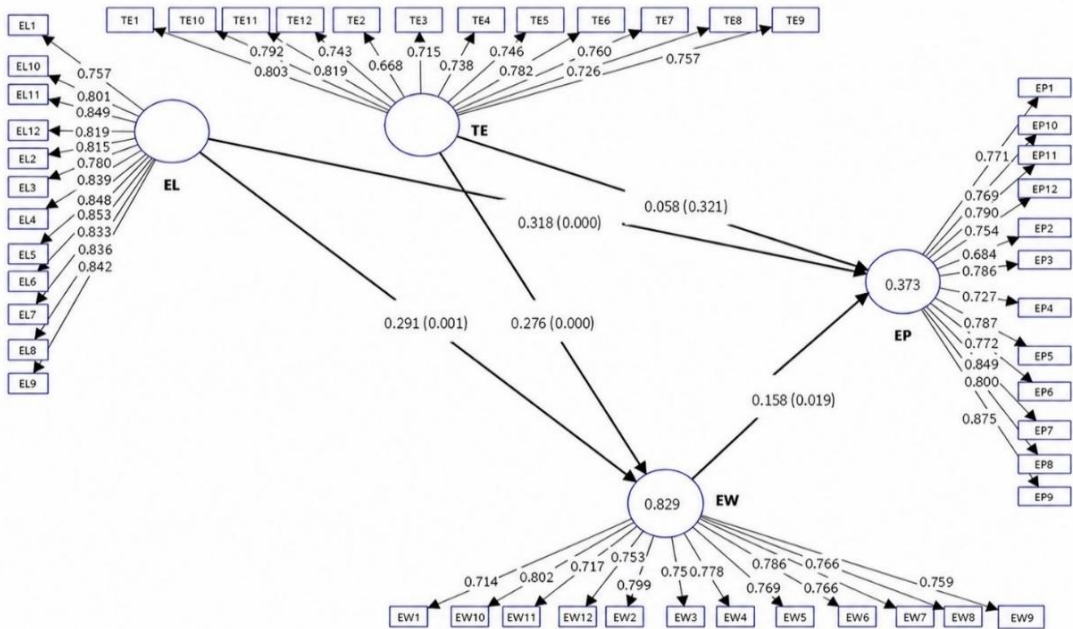


Figure 1 : Final model measurements

Figure 2 presents the indicators of the constructs of engaging leadership, team effectiveness, employee well-being, and employee performance alongside their construct reliability values and item loadings. The measures exhibit a high level of internal consistency. Most of the measures' loadings meet the recommended threshold. Most reloaded items are likely to contribute meaningfully to the construct. The figure also provides an excellent opportunity for the reader to assess the quality of the measures of the constructs and items. The diagram provides a theoretical justification for the assumption that leadership, teamwork, well-being, and performance as definitional constructs are related yet separable. The diagram also provides a justification for the assumption that the revised four-variable model has sufficient measurement strength for the purpose of structural analysis. The visual evidence is an excellent justification for the validity of the subsequent hypothesis and mediation outcomes.



**Figure 2:** Structural Model of Direct Hypotheses

Figure 3 illustrates the relationships between the variables of the model, showing the statistical patterns of the direct hypotheses. The most notable observation is the positive direct path from engaging leadership to employee performance. This shows that the leadership style that is supportive and inspiring is likely to provide better outcomes at the performance level. The leadership path from team effectiveness to employee performance is weak and statistically non-significant, indicating that the performance level may not likely enhance because of teamwork when well-being is a consideration. Both engaging leadership and team effectiveness present meaningful positive paths to employee well-being, indicating that organizational resources help to construct the employee’s psychological state. Well-being also presents a positive path to employee performance, indicating that the employee’s well-being is a performance-related construct. From a theoretical perspective, the model shows that it is not purely a mechanism of operations. This shows that performance is explained through the psychological construct of well-being. This pattern adds to the justification of mediation and less to direct effects.

**Table 4 : Direct Effects Results**

| Hypothesis | Relationship | $\beta$ | t-value | p-value | 95% BCI       | Decision      |
|------------|--------------|---------|---------|---------|---------------|---------------|
| H1         | EL -> EP     | 0.318   | 4.286   | 0.000   | 0.182, 0.466  | Supported     |
| H2         | TE -> EP     | 0.058   | 0.910   | 0.321   | -0.068, 0.172 | Not supported |
| H3         | EWB -> EP    | 0.158   | 2.217   | 0.019   | 0.020, 0.293  | Supported     |
| H4         | EL -> EWB    | 0.291   | 3.186   | 0.001   | 0.100, 0.458  | Supported     |
| H5         | TE -> EWB    | 0.276   | 3.669   | 0.000   | 0.142, 0.406  | Supported     |

Table 5 offers compelling empirical insights concerning direct hypotheses within the structural model. As noted, engaging leadership has a positive influence on employee performance. Hypothetically, employees' performance increases when leaders provide support, inspiration, connection, and direction. Engaging leadership positively influences the performance of employees, and the positive influence on the well-being of employees shows that psychological and occupational well-being are concerned with the performance of employees and the contribution to work. Engaging leadership and team effectiveness also contribute positively to the well-being of employees, and this strengthens the assumption that resources of the workplace aid the improvement of the employees' psychological state at work. Concerning the effects of team effectiveness on the performance of employees, this is the only direct hypothesis that lacks support. The delta value is low, and the confidence range includes value zero. This is theoretically important, as it assumes that teamwork improves performance mainly by enhancing well-being. The direct-effect findings support the paths, as well as the more complicated indirect effect of the teamwork of employees.

**Table 5 : Variance Explained in Endogenous Constructs**

| Endogenous Construct | R <sup>2</sup> |
|----------------------|----------------|
| Employee performance | 0.873          |
| Employee well-being  | 0.829          |

Table 6 shows that the model explains a very high proportion of variance in the endogenous constructs, with an R<sup>2</sup> value of 0.873 for employee performance and 0.829 for employee well-being. These values indicate substantial explanatory power, suggesting that engaging leadership, team effectiveness, and employee well-being collectively account for a large share of variation in employee performance, while engaging leadership and team effectiveness explain a large proportion of variation in employee well-being. However, because R<sup>2</sup> values above 0.80 are unusually high in behavioral and organizational research, the results must be interpreted with caution. Such high explanatory power may reflect strong theoretical relationships among closely connected perceptual constructs, but it may also indicate possible methodological concerns such as common method variance, halo effects, or response consistency bias.

To address this concern, the study applied both procedural and statistical remedies for Common Method Bias (CMB), as explained in the methodology section. Procedurally, respondents were assured of anonymity and confidentiality, and the questionnaire used validated multi-item scales to reduce evaluation apprehension and social desirability bias. Statistically, Harman's single-factor test indicated that no single factor accounted for most of the total variance. In addition, the collinearity assessment showed that all VIF values were below the recommended threshold of 5.00, indicating that multicollinearity and full-collinearity-based common method bias were not serious threats to the model. Therefore, although the high R<sup>2</sup> values require cautious

interpretation, the diagnostic tests suggest that the model’s explanatory power is not primarily the result of common method bias. Instead, the findings indicate that leadership, teamwork, and well-being are strongly interrelated predictors of employee outcomes in UAE manufacturing SMEs.

**Table 6 : Mediation Effects Results**

| Hypothesis | Indirect Relationship | $\beta$ | t-value | p-value | 95% BCI         | Decision  |
|------------|-----------------------|---------|---------|---------|-----------------|-----------|
| H6         | EL -> EWB -> EP       | 0.262   | 3.154   | 0.001   | 0.120,<br>0.415 | Supported |
| H7         | TE -> EWB -> EP       | 0.252   | 3.710   | 0.000   | 0.128,<br>0.378 | Supported |

Table 7 illustrates that employee well-being operates as a significant mediator in both indirect relationships examined in this study. The indirect effect of engaging leadership on employee performance through employee well-being is both positive and significant. This finding suggests that leadership improves performance in part by enhancing the psychological and workplace conditions of employees. The indirect effect of team effectiveness on employee performance through employee well-being is also positive and significant. This finding is especially important because the direct effect of team effectiveness on performance was not substantiated. This series of findings illustrates that performance is primarily enhanced by the provision of a healthier and more supportive employee experience. The confidence intervals for both mediation paths do not include zero, and thus, statistically support the mediation. From a theoretical perspective, these findings substantiate employee well-being as the vital link between workplace resources and the performance outcome. From a practical approach, these findings indicate that both leadership and teamwork development initiatives should be assessed on both employee well-being and employee productivity.

## DISCUSSION

The results show that the well-being of employees is essential in understanding the impact that organizational and social resources have on employee performance for manufacturing SMEs in the UAE. Engaging leadership was defined as a direct, positive predictor of both employee performance and employee well-being. This suggests that leadership practices that motivate and assist employees reinforce employees’ psychological well-being and their performance at work. Supportive, recognizing, and positively demanding relationships from supervisors are probably beneficial for employees in manufacturing SMEs. The relationship that is perceived to exist between the effectiveness of the team and the performance of the employee was found to be indirect. This suggests that the advantages of being in a team will probably not be perceived unless the work of the team improves the employee’s psychological experience of work. In manufacturing SMEs, effective work teams may do the

psychological work of eliminating work-related tensions and clearing the air of work-related apprehension. The positive effects of the team's work concerning the performance of work should not be the sole consideration for the evaluation of the work done by the team. The positive impact of teamwork on the psychological well-being of employees may be of more value and be more important from the theoretical perspective.

There is a positive correlation between employees' performance and well-being. Viewing well-being as a psychological resource that contributes to performance rather than merely an employee benefit strengthens the theoretical explanation of the findings. Psychological, emotional, and job-related well-being foster work effort, cooperation, and employees' willingness to engage in problem-solving and task accomplishment (Jarden et al., 2023). This finding is consistent with prior research showing that employee well-being enhances job performance and contributes to workplace effectiveness (Kumar et al., 2026). The mediation results were substantial. Employee well-being mediated the relationship between engaging leadership and employee performance, as well as the relationship between team effectiveness and employee performance. The findings are consistent with COR theory, suggesting that workplace resources strengthen employees' psychological resources, which subsequently enhance performance. More specifically, engaging leadership and team effectiveness contribute to positive employee outcomes by fostering psychological well-being, which serves as a key mechanism linking workplace resources to performance.

This study contributes to COR theory within the context of UAE manufacturing SMEs by demonstrating that engaging leadership and team effectiveness function as complementary workplace resources. Well-being is a psychological resource that connects workplace resources to employee performance. Furthermore, the findings support the view that both leadership-related and team-based resources contribute to employee performance through their influence on employee well-being, consistent with recent evidence highlighting the role of leadership in promoting well-being and performance outcomes (Czura et al., 2026). This study further contributes by proposing a parsimonious model focusing on leadership, team effectiveness, employee well-being, and employee performance. The model clarifies the pathways through which workplace resources are translated into positive employee outcomes. There are several practical implications for SMEs. Managers are encouraged to adopt a supportive and inspirational leadership style to build trust, recognition, and stronger employee connections. Team development should be viewed as a wellness strategy rather than solely a productivity intervention (Lundqvist & Wallo, 2023). Teams characterized by effective communication, supportive cooperation, and cohesion are likely to enhance the psychosocial climate of the workplace. Furthermore, organizational performance, HR, and operational strategies should incorporate employee well-being as a strategic objective. Managers should actively promote work-related well-being while addressing psychosocial stressors, perceptions of fairness, and social support within the workplace

(Pandey et al., 2025).

## CONCLUSION

The purpose of this study was to explore employee well-being as a unifying element between engaging leadership, team effectiveness, and employee performance as evidenced in manufacturing SMEs in the UAE. This study adopts the Conservation of Resources theory to suggest that leadership and team resources will enhance employee well-being and employee performance. The outcomes indicated that engaging leadership has a direct positive effect on employee performance and employee well-being. Team effectiveness improves employee well-being, however, does not have a direct positive effect on employee performance. Employee well-being has a direct positive effect on employee performance and acts as a significant mediator in the relationship that engaging leadership and team effectiveness have on employee performance. This research establishes that when considering manufacturing SMEs, employee performance cannot just be analyzed from a technical or an operational perspective. Psychological and relational aspects are key to sustainable performance. Engaging leadership and team effectiveness create the resource-contributing environment that employees need to be well and remain motivated and productive. Based on the results for SMEs in manufacturing in the UAE, this study suggests that improving employee performance may be achieved by focusing on employee well-being at the organizational practice level, developing leadership, and improving team processes. Future development of this research may consider other SME sectors, apply the model to other Gulf Cooperation Council contexts, or include longitudinal research.

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