



HOW DO MANAGER'S LEADERSHIP SKILLS AFFECT EMPLOYEE PERFORMANCE IN PUBLIC SECTOR INSTITUTIONS IN EAST JERUSALEM IN THE CONTEXT OF DIGITAL TRANSFORMATION AND ARTIFICIAL INTELLIGENCE?

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Abstract:

This article seeks to explore the effect of managers' leadership skills on employees' performance in East Jerusalem public sector organizations within the era of Digital transformation and AI Adoption. Within this context, public sector organizations succeeding doesn't depend only on the existence of digital systems or latest technological capabilities, but is highly related to managers' ability to lead the change, guide and motivate employees, develop skills, and reduce their resistance to digital transformation. The Study used the Qualitative method as the most suitable approach to understanding real experiences and deep meanings provided by managers and employees, defining the relationship between leadership, technology, and organizational performance. Data were collected through semi-structured interviews with participants from public sector organizations in East Jerusalem that allowed understanding the nature of work before digital transformation, the influence of using digital systems on work procedures, employees' responses, the role of leaders to support transformation, as well as local challenges that affect performance, productivity, and motivation. The Study concentrated on five main leadership skills: strategic, interpersonal, digital, adaptive and ethical skills. Results showed that these skills don't work separately but complement each other to encourage the ability of leaders to affect employee performance. Also, results showed that digital transformation contributes to speeding task execution, reducing paper reliance, enhancing information accessibility, reducing mistakes, developing documentation procedures and follow-up. The study also revealed that local context in East Jerusalem plays a significant role in the nature of the relationship between leadership and performance. Public institutions in this area face challenges related to limited resources, changing directives, political and administrative pressures, difficulty in institutional stability, as well as varying readiness of employees to use technology. The study offers practical recommendations for managers and decision-makers, emphasizing the need to develop leadership training programs that combine digital competence,

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human-centered leadership, change management, and the ability to handle local context challenges. It concludes that technology alone doesn't drive performance; it's conscious leadership that gives technology its organizational meaning and turns it into a tool to improve productivity, work quality, and motivation.

Keywords: leadership skills, employee performance, public sector, East Jerusalem, digital transformation, artificial intelligence, digital leadership, change management, motivation, productivity, quality service, adaptive and interpersonal skills

1. Introduction

This study seeks to explore how managers' leadership skills in public sector organizations in East Jerusalem affect employee performance within the era of Digital Transformation and AI Adoption. The study employed a qualitative methodology, resulting in data collected from 30 research participants (10 employees and 20 managers) who engaged in semi-structured interviews. This methodology gave the study special importance by allowing the researcher to listen to managers' and employees' voices, understanding their experiences.

Axelrad, Sumkin, and Haver (2022) argued that while digital transformation is presented as the capacity to improve efficiency and enhance performance, its meaning becomes more contested in politically constrained public-sector environments, as digitalization does not simply develop administrative work; it also increases supervision, reshapes employee independence, and redefines the concept of performance. However, Van Wart (2003) claimed that public leadership is shaped by complexity, accountability, and competing public values, clarifying that digital systems may strengthen administrative efficiency while weakening relational trust if employees treat technology as enforced control rather than organizational support. Building on this argument, Digital transformation in the Israeli and East Jerusalem context, according to The Digital Israel National Initiative (2017), intersects with social inequality, bureaucratic inflexibility, and irregular institutional trust, presenting digitization as a national tool for limiting social and geographic gaps, accelerating economic growth, and creating a smart and accessible government.

From another perspective, managers need several essential skills to guide employees through the change. Strategic skills are necessary to develop a vision for the organization and align technology use with its goals; interpersonal skills enable them to understand employees' feelings, needs, and concerns; while digital skills empower them to understand digital systems and guide their effective use. Moreover, Adaptability helps them handle unexpected challenges, while ethical skills enable them to use technology fairly, responsibly, and respectfully, respecting the privacy of employees and service for users (Yukl, 2013). In consideration of these perspectives, performance measurement is linked to numerous factors, including ability to use digital systems, speed of information

access, documentation quality, data accuracy, capacity for continuous learning, and responsiveness to change. Besides, employees are no longer required only to perform their daily tasks but are expected to adapt to constantly evolving tools and systems and to grow in a work environment heavily dependent on digitalization and artificial intelligence (Vial, 2019).

From another perspective, digital transformation in public sector institutions in East Jerusalem has become a contextual process; it is not just about replacing paperwork with electronic systems or converting manual transactions to digital ones; it has become a change in work culture, employees' relationship with the organization, and the way managers lead, guide, and monitor their employees. (Katz, 2023). Therefore, studying the impact of managers' leadership skills on employee performance in East Jerusalem public sector organizations becomes very important.

This study fills a research gap concerning the understanding of leadership and performance in public sector institutions in East Jerusalem, an area with very limited literature, especially within the era of digital transformation and the use of artificial intelligence technologies. This research contributes to helping managers and decision-makers develop policies and training programs that are appropriate to the needs and requirements of the institution and its employees.

2. Literature Review

2.1 Evolution of Leadership Theories

Previous studies addressed the topic of leadership through a wide range of theories that attempted to explain the nature of leadership influence on employee behaviour and performance within organizations. These theories cannot be viewed as separate trends, but rather as a gradual cognitive development in understanding leadership. Leadership Trait Theory which is one of the oldest theoretical trends that attempts to explain leadership through personal characteristics that distinguish leaders from others based on stable individual differences that influence how leaders think, behave, and interact with others in organizational contexts (Lord et al., 2020). Over time, behavioural theory of leadership moved the focus from asking who the leader is to a more practical question: what a leader does, as Verawati and Hartono (2020) indicate that one major concern of behavioural leadership theory is how leaders structure work and direct employees toward goal achievement. Building on this context, Fiedler's Contingency Theory came to confirm that the effectiveness of a leader does not depend only on his qualities or behaviours, but rather on the suitability of his leadership style to the nature of the situation. Accordingly, Liu (2020) defines contingency theory as a perspective that explains effectiveness through the fit among environmental, structural, technological, and managerial variables, rather than through a single universally effective approach. Path-Goal Theory went a step further by focusing on the leader's role in showing the way that helps employees achieve their goals, as discussed by Nzeneri (2020).

This understanding is completed more broadly through The Full Range Leadership Theory (FRLT) conceptualizing leadership as a sequence of behaviours ranging from highly effective transformational practices to passive and ineffective forms of leadership (Antonakis & Day, 2018). However, understanding leadership through the leader's style alone is not enough, Leader–Member Exchange (LMX) Theory provides an important introduction to understanding the daily relationship between manager and employee, suggesting that leadership effectiveness based on quality of dual relationships between leaders and individual followers, rather than regular leadership practices applied across all employees (Graen & Uhl-Bien, 1995; Martin et al., 2016). Despite the importance of the relationship between leader and employee, performance still requires clarity in goals and standards of achievement, presenting the Goal-Setting Theory as a practical motivational framework that specifies how employee motivation can be increased through the systematic use of goals (Latham, 2009).

2.2 Leadership Styles and Skills

Leadership styles seek to explain the way in which managers exercise their influence over employees within organizations. Ayandibu (2024) conceptualizes transformational leadership as a leadership style in which leaders influence followers through making them understand the mission of the group and goals of the organization, clarifying that democratic leadership is a participatory style in which leaders encourage employees to contribute ideas, take part in consultation and contribute to decision-making rather than dealing with top-down instructions. However, transactional leadership depend on the achievement of organizational goals through exchange relationships based on rewards, corrective actions, and performance control mechanisms, where leaders influence followers by clarifying expectations and using formal authority to secure needed outcomes (Dong, 2023). In contrast, laissez-faire leadership appears as a form of leadership in which a leader avoids decision-making, does not assume responsibility, and fails to provide direction (Bass & Avolio, 1994).

In the Israeli public-sector context, Usman (2025) found that employees understood autocratic leadership as a source of emotional burnout, workload stress, reduced motivation, and limited innovation, whereas participative leadership was associated with creativity, collaboration, job satisfaction, and improved employee performance, which is relatively to East Jerusalem constrained context, where employees in public sector often work in high-demand environments marked by limited resources, fragmented service access, and political sensitivity. Moreover, Darawsha (2025) shows that transactional leadership style is important in restricted organizational contexts, demonstrating that Arab organizations in East Jerusalem face a conflict between traditional hierarchical leadership and the need for more transformational, participative, and adaptive leadership.

In the same context, leadership skills represent one of the essential dimensions in understanding the ability of managers to influence employees' performance within

public organizations, as they reflect the practical and applied aspect of leadership. A strategic leader does not treat work as a set of disparate tasks but perceives it as an interconnected system that requires clarity of Vision, an order of priorities, and a conscious investment of available resources (Suharto, 2023). Despite this, interpersonal skills can be understood as the ability of the leader to communicate, interact, and build effective relationships with employees in the workplace, in ways that support the progress of the organization (Hariani & Sigita, 2022). While interpersonal skills help build trust and acceptance of change, digital transformation also requires a more specialized type of leadership known as Digital Leadership skills, where managers shouldn't be technical experts in the narrow sense, but rather be able to understand the impact of technology on work, encouraging employees to develop their digital skills (Eberl & Drews, 2021). However, in environments characterized by change, stress and instability, the importance of adaptive leadership appears as an inclusive leadership approach that allows leaders to adjust to dynamic conditions and involve others in problem-solving and innovation (Pujianto et al., 2023). Moreover, the use of technology and administrative power without an ethical framework can lead to problems related to justice, privacy, trust, and accountability (Toor & Ofori, 2009).

2.3 Employees Productivity, Motivation and Employee Performance

Employee performance can be viewed not only as a quantitative achievement of tasks, but as a complex concept that includes quality of work, speed of completion, commitment, accuracy, cooperation, ability to solve problems, and response to the requirements of change (Rahma, 2023).

The relationship between employee performance and employee productivity has been consistently emphasized by Hijriatin et al. (2021) as a strong and mutually reinforcing one, demonstrating that work productivity affects employee performance significantly. Building on this argument, Anbazhagan and Kotur (2014) found that more productive workers tended to align with democratic leadership, while less productive workers were more inclined toward laissez-faire leadership. Furthermore, Susilo (2026) clarified that digital transformational leadership improves work productivity by integrating technology with an innovative vision and by aligning leadership with work culture and innovation capability.

From a digital transformation perspective, Fazry (2026) stated that employees become more motivated when digital tools reduce bureaucratic delays, simplify workflows, improve access to information, and provide greater autonomy in task execution. In contrast, Djatmiko et al. (2025) show that socially excluded groups face several barriers to digital participation, including limited internet connectivity, high device costs, limited digital education programs, and bureaucratic inefficiencies in e-government service design. However, in a context such as East Jerusalem where public institutions operate under political sensitivity and social complexity, Katz (2023) argues that public sector innovation remains weak, as digital transformation may either support

employee effectiveness or increase alienation if employees experience it as another layer of control.

3. Material and Methods

This study is addressed under the qualitative studies with an exploratory and descriptive approach, depending on the nature of its subject: understanding the impact of managers' leadership skills on employee performance in public sector organizations in East Jerusalem within the era of digital transformation and artificial intelligence. The study aims to understand the phenomena by analysing participants' experiences, opinions, and perceptions regarding leadership, performance, and changes brought by digitalization in the organizational environment.

This study relied on purposive sampling, not based on random selection but choosing individuals who are available to provide in-depth and relevant information about the study phenomena. The study population consists of managers and employees working in public sector institutions in East Jerusalem who have direct or indirect experience in institutional work, administrative leadership, and technology use. The study sample consisted of 30 participants, including managers and employees working in public sector institutions in East Jerusalem, with managers providing leadership and management perspectives regarding change management and performance improvement, while interviewing employees discussed the impact of these leadership practices and digital transformations on daily work, motivation levels, performance, and productivity.

The study used semi-structured interviews as a main tool for collecting data, allowing participants to express their experiences freely and in depth. This type of interview is appropriate for such studies as it allows researchers to ask follow-up questions, clarify meanings that emerged during the dialogue without restricting participants to closed or predetermined answers (Kallio et al., 2016). Building on this context, semi-structured interviews allows the researcher to open a dialogue to be directed towards the basic topics of the study, the nature of work before digital transformation, digital systems used in the organization, impact of digital transformation on performance, productivity and motivation, also reviewing employees' responses to transformation, roles of leaders during the change, and the skills required to achieve the organizational goals. Interview questions were built depending on the subject and objectives of the study and in a way consistent with the theoretical framework related to leadership, employee performance and digital transformation within the East Jerusalem context. Interview data were processed through careful and repeated reading of texts, extracting codes associated with the study questions, grouping them into semantic categories, and then developing main themes that reflect the recurring patterns within participants' answers.

4. Results

The findings of this research provide an extensive and complex understanding of impact of Leadership skills on employee performance in East Jerusalem public sector organizations during the era of digital transformation through in-depth qualitative interviews with managers and employees, revealing that performance of employees during digital transformation doesn't depend only on technology, but through interaction of several factors, like leadership style, clarity of goals and vision, employees readiness to accept the change, level of support and training in the organization, the type of relationship between leaders and employees, and restrictions in East Jerusalem public sector context.

Theme 1: Leadership Skills and Employee Performance

Interview Results showed that leadership skills are one of the most important factors in explaining employee performance level within public sector organizations in East Jerusalem. Participants considered leadership as a daily practice that affects clarity of work, employee motivation, quality of achievement, and the ability to adapt to digital transformation requirements. The participants didn't assume that employee performance is just related to individual experience or technical knowledge, but also confirmed that a manager's way of directing, following up, motivating, communicating, and presenting support is an essential factor in improving or affecting employee performance. One of the participants pointed out that effective managers should be able to simplify tasks for employees by saying: *"I need to go down to the employee's level and explain the task to him"*. Interviews also clarified that the human relationship between manager and employee affects the level of motivation. One participant expressed this by saying: *"the success of the manager is the success of the employees."* In the same direction, another participant noted that leadership means not only giving orders but also being close to employees and treating them respectfully, saying: *"If you are a manager, it doesn't mean that you only give orders to people"*. Some employees need psychological support and encouragement, some need direct follow-up, others need space to experiment and learn. One of the participants expressed this by saying: *"We need to get out of the ordinary things, break down barriers, and look forward to the new"*.

Building on this argument, Ibrahim (2023) stated that leadership style has a significant effect on employee performance, showing that the style adopted by leaders can either enhance or weaken employee output. Moreover, he found that transformational, democratic, and laissez-faire leadership styles were positively related to employee performance and productivity, whereas autocratic leadership was not statistically significant, with democratic leadership providing the strongest effect among the examined styles.

Theme 2: Relational Leadership and Employee Motivation

Employee motivation in public sector institutions in East Jerusalem doesn't only depend on incentives or instructions but is related to the daily relationship between manager and employees. Participants presented leadership as an exercise based on trust, respect, listening, human closeness, understanding individual differences, participation, recognition of effort, to build a positive work environment. Some participants distinguished between a manager who leads through authority and fear, and a leader who builds respect and trust. One of the participants expressed this by saying: *"there is a difference between a manager and a leader"*. In the same context, another participant noted the seriousness in leadership by saying: *"If you are a harsh and a difficult manager with employees, this does not mean that you are successful, on the contrary, it means that you are a detested person. This is the opposite of leadership"*. The interviews also demonstrated that listening and understanding individual differences are important components of motivated leadership. According to the participants, employees differ in their abilities, readiness, experience or responsiveness to change, especially in light of digital transformation. One of the participants expressed this by saying: *"There was a group of employees that was completely opposed, and another group that rejected the principle of the change"*. On the other hand, participation, empowerment and responsibility contribute to raising employees' motivation as employees feel more valuable when given the opportunity to learn and initiate. One of the participants emphasized the importance of non-material motivation, noting that employees sometimes need *"thank-you letters"* and *"small celebrations"* to make them feel that their effort is appreciated.

Building on this argument, Saseanu and Toma (2019) highlight that motivation is a critical factor in the workplace and that leaders should understand employees' needs to sustain their effort toward organizational objectives. On the other hand, Okeyea (2025) clarified that bureaucratic constraints, political interference, limited autonomy, low salaries, limited career development, bias, and lack of recognition can weaken motivation, examining that transformational leaders support intrinsic motivation by aligning employees' values with organizational goals, promoting creativity, and providing emotional support.

Theme 3: Digital Transformation and Performance Outcomes

Participants considered digital transformation as a factor that helped to improve the speed of task completion, reduce effort, facilitate access to information, improve documentation, and reduce errors associated with manual labour. However, technology didn't appear as an independent factor capable of improving performance alone but acted as an institutional tool that becomes more effective when leaders organize its use, train employees, and monitor its impact on daily performance.

One participant explained the difference between the past and the present era within digital transformation by saying: *"before there was a reliance on paper and files, and one file used to take a lot of time to review"*. Results also showed that digital transformation

has contributed to efficient workflow, saving time and improving the use of resources, as expressed by one participant by saying: *"things that used to take two or three days, now take two or three hours"*. On the other hand, interviews illustrated that digital transformation has enhanced productivity and work capacity by facilitating the execution of tasks and reducing the repetitive administrative burden. Participants associated the use of digital systems with the ability to follow a larger number of cases, requests or files in less time; one participant noted that digital systems have made information *"quickly available"*.

Building on this argument, Jukneviene et al. (2025) argue that digital transformation improves employee performance not only by introducing digital systems, but by changing the way supervisors guide, motivate, monitor, and communicate with employees. Extending that digital transformation does not improve performance through communication technology alone; rather, performance improves when digital communication is strong, frequent, and supported by transformational leadership behaviours.

Theme 4: Employee Readiness and Digital Adaptation

Interview results showed that employees' willingness to deal with digital transformation was not equal within the public sector organizations in East Jerusalem but appeared as a gradual process influenced by age, experience, desire to learn, level of self-confidence, the nature of administrative support, and the quality of training. Some participants pointed out that employees who are used to paperwork or traditional procedures found it difficult to accept new systems, especially in the FIRST stages of implementation. One participant expressed the reactions of some older employees by saying: *"for some older employees, the new system was a disaster"*. One participant noted that initially there were employees who *"refused to learn"*, which reflects that digital transformation sometimes encounters resistance caused by a lack of trust or fear of error or unwillingness to leave the comfort zone.

In the same context, results showed that there are clear individual differences in digital readiness among employees, as participants indicated that employees who have a desire to learn or have previous experience using technology accepted digital transformation quickly, while others needed more time and more support. On the other hand, interviews demonstrated that poor skills and learning difficulties are real challenges in the digital adaptation process. Lack of confidence is a feeling that accompanies employees, as confirmed by some participants when they are asked to use new systems without adequate training or without a clear explanation of the system.

Bateh, Castaneda, and Farah (2013) argued that the success of change does not depend only on organizational structure, resources, vision, or mission, but also on employees' willingness to work toward change-related goals. Similarly, Alenezi, Higgs, and Snowden (2021) explain that resistance to change is a multidimensional response shaped by emotional, cognitive, and practical concerns, which come from fear of the unknown, lack of knowledge, lack of information, lack of skills, lack of expected benefits,

fear of failure, and uncertainty about outcomes. Furthermore, they also emphasize that leadership reduces resistance when it becomes communicative, participative, flexible, improving communication with employees, explaining the change and providing clarity, reducing employee concerns.

Theme 5: Organizational Readiness and Responsible Technology Use

Participants pointed out that technology does not have a real impact on performance if there is no appropriate digital infrastructure, integrated systems, sufficient technical resources, and clear institutional support from top management. Furthermore, participants clarified that digital transformation becomes more effective when systems are integrated in a way that allows easily exchange of information and follow-up procedures, in order to provide a clearer corporate image about the institution, as emphasized by one of them saying: *"the new system was not related to the old, and it was difficult to be updated"*. Other participants pointed out that transformation cannot be based on individual initiatives only, but needs a clear management decision, training and follow-up by saying: *"There were four system engineers, helped during the automation transformation"*. Additionally, other interviews showed that technology may be used not only to facilitate procedures, but also to protect institutional systems and prevent excesses, expressing this by saying that the system is based on the *"fingerprint"*.

In the same perspective, Tveita et al. (2025) argue that AI implementation can affect social and technical environments, and without suitable change management, it may create confusion and inefficiency, showing that employee resistance, lack of communication, and insufficient understanding may restrict AI adoption.

Theme 6: East Jerusalem Context and Adaptive Institutional Leadership

Interview results showed that employee performance in East Jerusalem public sector organizations is not only influenced by internal factors such as skills, motivation, technology, or leadership style, but also by the complexity of the local environment, overlapped by political, security, bureaucratic, economic, and social constraints that may reshape the institution procedures and type of work suddenly. Others pointed out that distributed barriers in Jerusalem, difficulty accessing and reaching to workplace, security conditions may lead to staff delays, disruption of work, and changes in daily work plans expressed by saying: *"Our situation is unusual, with closures and disruptions, you may organize a large event and suddenly roads close, forcing you to start all over again"*, another participant said: *"I pass daily through checkpoints with extremely difficult conditions"*, also others said: *"employees leave their homes very early, waiting three or four hours at the checkpoint"*. On the other hand, participants talked about the high cost of living, limited resources, and the pressure of daily obligations on employees and organizations, as expressed by one of them saying, *"The current situation in this city has deprived people of the ability to develop, the ability to invest in themselves, and has created a kind of dependency and complacency"*. Moreover, participants clarified that leaders in East Jerusalem need a high

ability to adjust plans, redistribute tasks, allow flexibility in working hours and sites, ability to deal with emergency conditions without disrupting service, as noted by one of them trying to deal with the challenges of access through “*flexibility in hours and locations*”. Additionally, one participant described the reality of working in Jerusalem requiring extreme caution, describing work in this context as “*walking between mines*”.

Building on this argument, Lavie, Hadad, and Elran (2018) clarified that the socioeconomic conditions of East Jerusalem’s Palestinian population show large gaps compared with Jerusalem’s Jewish population, creating economic pressure for the state and security concerns. Moreover, Baumann and Massalha (2021) conceptualize East Jerusalem’s challenges as the outcome of geographical fragmentation, institutional uncertainty, municipal neglect, and everyday forms of bad life.

5. Discussion

The study findings illustrate the complicated and interdependent relationships between leadership skills and employee performance in East Jerusalem public sector organization within the era of digital transformation and AI Adoption. Collecting rich data through interviews with both employees and managers showed that leadership does not appear as a separate managerial factor, but as an organizational, human and contextual force that affects how employees understand their roles, motivation level, ability to use technology, and their response to pressures and challenges surrounding public work. Likewise, extracted themes clarified that employees’ performance is formed through the interaction of several factors, including leadership skills, quality of the relationship between the manager and employees, digital transformation, staff readiness to adapt, organizational readiness, and East Jerusalem local context.

Interview results linked employee performance to the leader's ability to direct, explain, follow-up, motivate, organize, and provide support, showing that performance is not only affected by employee capability, but by the leadership environment where he works. A manager who clarifies what is required, follows up on work, and provides appropriate feedback helps employees reduce errors and improve the quality of achievement. Full-range theory of leadership is consistent with these results, as it clarifies that effective leadership combines inspiration and motivation from one side, and clarity and follow-up on the other (Antonakis & Day, 2018). This result also intersects with the Goal-Setting Theory, which indicates that clarity of goals, expectations and feedback contributes to improving performance (Latham, 2009).

Another important finding of the study was that relational leadership represents an important factor in motivating employees and enhancing their belonging, as interviews showed that trust, respect, listening, appreciation, participation, and understanding of individual differences are essential factors that help in motivating employees and increase their willingness to give extra effort, clarifying that motivation is really affected by the type of relationship between leaders and employees. Leader-

Member Exchange theory is related to this finding, as it indicates that the quality of the manager-employee relationship affects commitment, trust, and motivation within the organization (Graen & Uhl-Bien, 1995). It is also consistent with the public service motivation literature, which suggests that motivation is more likely to support performance when employees can use their public values in the work they perform, rather than only hold such values at an abstract level (Leisink & Steijn, 2009).

Furthermore, results showed that digital transformation contributed to improving performance, in terms of moving manual paperwork to a digital workflow, saving time, and improving access to information, reducing errors, enhancing documentation, improving data-driven monitoring and reporting for the institution's work. However, the study showed that technology was not treated as an independent factor to improve performance, but rather as a tool that helps leadership and the organization to turn into actual value. Building on this context, Van Wart (2003) emphasizes that technology doesn't produce its institutional impact by its existence, but rather through the leadership's ability to direct and link its use to the objectives of the institution and the development of employee skills, indicating that digitalization becomes more impactful when combined with a leadership capable of transforming data and systems into tools to improve public service and quality performance.

In relation to readiness of employees for digital adaptation the findings showed that it was uneven, as there was initial resistance, fear of change, attachment to the traditional routine, and clear differences in readiness to digital communication among employees, indicating that such resistance does not necessarily mean a refusal to develop, but it may reflect the need for skills, fear of making mistakes, or need for training and gradual accompaniment, which is related to the Path and Goal theory that emphasizes that leader helps employees by removing obstacles, clarifying the way, and providing appropriate support according to the type of the task and the needs of employees (House, 1971), the results also related to the literature through the arguments indicated by Mutambik and Almuqrin (2024) indicating that human readiness depends not only on skills, but also on employee's attitudes, fears, habits, and perceived value of digital change.

Moreover, organizational readiness acts as an important condition for the sustainability of digital transformation within the public sector organizations. Results from Interviews clarified that system quality, integration of digital structure, availability of technical resources, senior management support, information security, privacy, and human judgment in the use of artificial intelligence are all important factors that influence the success of digital transformation within an organization. This finding is consistent with the literature, through the indication of Shakir et al. (2025), who claimed that readiness requires institutional restructuring, flexible procedures, cooperation among departments and digital planning, claiming that public organizations must not only acquire digital tools, but also revise their organizational routines and strategies to respond to changing demands. However, participants confirm that technology in public

sector organizations cannot be treated as a substitute for human effort but as an auxiliary tool that needs human review and clear regulatory controls.

East Jerusalem context acted as a critical factor in interpreting the relationship between leadership and performance. Findings showed that most of our institutions are operating in an environment affected by political, security, legal, bureaucratic, economic, psychological, and service constraints, facing different types of challenges related to mobility, access to workplaces, limited resources, recruitment difficulties, workload, and inequality in services. This finding is consistent with the literature that confirms that limited knowledge of digitalization, inappropriate infrastructure, lack of organizational support, low digital public awareness, and restricted resources act as the main barriers to effective digital leadership in the public sector (Nuryadin, Sobandi, and Santoso, 2023). Significantly, Okeyea (2025) argues that public sector organizations are constrained by bureaucratic red tape, political intervention, and top-down management structures, all of which weaken productivity unless supported by effective leadership.

6. Conclusion

The study concluded that managers' leadership skills represent an essential and complex factor in interpreting employees' performance in East Jerusalem public sector organizations within the era of digital transformation and artificial intelligence, indicating that performance is not only related to employee capabilities or digital systems availability, but is formed through an interrelated interaction between leadership, motivation, productivity, digital readiness, organizational readiness, and local context. Moreover, it confirmed that effective leadership combines clear guidance, follow-up, motivation, delegation, and confidence-building, helping employees to improve work quality, raise productivity, and enhance ability in order to increase response to change requirements. The results provide enhanced support from existing literature, such as Ibrahim (2023) and Hersona and Sidharta (2017), to further support the claim that leadership style has a significant effect on employee performance.

A synthesis of key findings indicates that digital transformation has contributed to improving employee performance through reducing reliance on paperwork, speeding up procedures, improving access to information, enhancing documentation, and reducing errors. However, results showed that technology does not achieve its positive impact automatically but needs digital and organizational leadership capability to clarify the purpose of its use. Furthermore, the responsible use of technology requires a supportive organizational structure, privacy protection, information security, and human judgment to ensure that technology remains an auxiliary tool for improving performance and not a substitute for professional decision-making and corporate responsibility, which was supported by existing literature that already exists such as Juknevičienė et al. (2025) and Nuryadin et al. (2023). Additionally, the study showed that the specificity of East Jerusalem adds an important contextual dimension to understand

the relationship between leadership and performance, as organizations operate within a political, bureaucratic, economic, restricted, and service-challenge environment that affects employees' performance, with adaptive leadership capability for reading reality, adjusting plans, supporting employees, using technology to maintain continuity, deal with challenges. Therefore, the study confirms that improving employee performance in East Jerusalem public sector institutions requires an integrated leadership model that combines strategic, relational, digital, ethical, and adaptive leadership styles.

Many opportunities: future studies may explore the impact of intergenerational differences in digital readiness and employee response to digital transformation, as variation in acceptance levels and adaptation among employees appeared in our study. More studies could also look at the long-term impact of digital leadership development programs on employee performance, motivation, productivity, and the quality of public services. In addition, our research can be expanded towards studying the relationship between artificial intelligence and human governance within public sector organizations in East Jerusalem, especially with regard to the limits of using technology, privacy protection, and ethical responsibility in decision-making.

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Conflict of Interest Statement

The author declares no conflicts of interest.

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