

# Frontline banking sector employees' performance in Pakistan under transformational leadership through employees' empowerment

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## ABSTRACT

Current study attempted to assess that how employees' performance can be increased in banking sector. So current study tried to test that how transformational leadership directly affect the employees' performance, furthermore it assesses how employees' empowerment affects the employees' performance. Additionally, current study also checked the mediating role played by the employees' empowerment between relationship of transformational leadership with employees' performance. For answering these questions and keeping the objectives of study Pakistan banking sector was targeted. Sample was selected through simple random sampling, as bank record regarding employees' list made it easy for researchers. Total 240 questionnaires were distributed, 223 usable questionnaires were utilized in model assessment and testing the hypothesis. At first data screening was executed through SPSS25, and model was assessed and hypothesis were tested through Smart PLS third generation by using structural equation modeling (PLS-SEM). For measurement model PLS algorithm was used and for structural model assessment bootstrapping was used. Findings of current study shows the positive significant effect of transformational leadership towards employees' performance, and towards employees' empowerment. Employees' empowerment also shown positive significant effect on employees' performance. Beside, employees' empowerment

significantly mediated the relationship between transformational leadership and employees' performance. Current study contributed theoretically in light of Social exchange theory, and contributed towards body of knowledge.

**KEYWORDS:** Transformational leadership, Employees empowerment, Employees performance, Pakistan banking sector

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## INTRODUCTION

In the current dynamic global business environment, competition is growing, and every organization is exposed to it (Cavusgil & Knight, 2015). Today, almost all organizations in the world, particularly banks, operate in a risky and uncertain competitive environment. To survive in a competitive environment, an organization's employees are the most important and leading factor for its success (Ali & Ibrahim, 2019). The prime responsibility to enhance the process of the service organization is based on trained human resource. The successful organizations have a great focus on their employee's behaviors with their clients which has been regarded as the overall performance of the organization (Kumar, 2020; Ekhlasi, 1391 cited in cited in Salek, & Khoeini 2017). In the current situation, banking sector is facing uncertain and unstable financial turmoil related to the inflation, exchange rate, credit, liquidity and cash flow (Al-Ettayem & Zu'bi, 2015).

What significance this area carries? The resemblance in products and services being offered considered as the key point of competition? What is significant in this area, the same type of services and products as one of the most competitive areas of business? Is the difference in quality and quantity of services a measure of distinguishing a bank from another as there are matched services and absence of innovation (Soleymani & Akbari, 1391 cited in Salek, & Khoeini 2017).

In such critical situations high performing staff become a key success factor. So to face economic difficulties, there is a need for banks to create processes and controls to confront the hardships by increasing performance of their employees. (Al-Ettayem & Zu'bi, 2015). Unfortunately, problem of inefficient performance management system being faced as a critical issue behind lack of employee performance such as, inaccurate performance appraisal implementation, poor working environment, lack of satisfaction among operational staff, turn over and lack of career development opportunities (Ashraf, Ashraf, & Anam, 2015).

As performance of front line employees in this era of competition in banking industry is important, there

has been a hard effort by practitioners and scholars in determination of its predictors. Although there are different factors highlighted in literature but there has been a consistent identification on supervisory behavior on performance of frontline employees as identified in previous researches. The performance and success of service oriented business depends on the managers' roles (Terglav, Ruzzier, & Kaše 2016), because they have an effect on attitudes, emotions and behaviors of the employees (Avolio, Gardner, Walumbwa, Luthans, & May 2004) and their method of customer interaction (Wallace et al., 2013). In such situation, of intense work pressure a leader is only source to keep the performance momentum of the employees to motivate them towards achieving higher performance.. Executives of the organization also need to focus on the motivation of the employees so that the organization can achieve its mission (Marzuki & Sularso, 2018).

Studies on employee performance in other industry like hospital industry (Buil, Martinez, & Matute, 2018), tourism industry (Rabbane, Burford, & Ramaseshan, 2015) have been researched but there is lack of research about employees' performance of frontline employees in banking industry. Front line employee play very important role in delivering services to the variety of clients. In banking sectors frontline employees are the bridge between the customer base and the management. So for such importance of frontline employees in banking industry, to keep them motivated and overcome the hurdles these frontline employees are facing. There is need of strong leadership. Among leadership styles transformational leadership play important role in such situations.

Specifically, the method of leadership which creates a transformation in followers to go beyond their self-interest by bringing a change in their interest, values, ideals and Morales and creating a motivation among them to show better performance than expectations (Pieterse, Van Knippenberg, Schippers, & Stam, 2010), is the most used paradigm in literature of leadership. (Judge & Piccolo, 2004).

An evidence of positive impact on performance of frontline officers has been proved in prior studies under transformational leadership. (Judge & Piccolo,

2004). But still more research work is needed about processed by which these effects are seen and the conditions which base improvement in employee performance by transformational leadership (Patiar& Wang, 2016).

Beside this, employees own decision making ability also an essential factor in enhancement of their performance. Employees with more empowerment deliver better services and perform well with accountability and authority (Dahou&Hacini, 2018).

Hence, this study intends to focus on circumstances and insights through which transformational leadership causes betterment in performance of employees. Further how employee empowerment contributes its role for enhancement of employee performance as a catalyst variable among performance of frontline employees in banking sector and transformational leadership.

## 2.0 Literature review

### 2.1 Pakistan banking sector

Financial sector of any country play very important role, Pakistan's financial sector is comprises of four key parts, commercial banks, micro finance banks, development finance institutes, and non-banking financial institutes. Current study has focused on banking sector of Pakistan (State Bank of Pakistan, 2009). Pakistan's banking sector play key role in development and economic growth of the country (Zafar& Aziz 2013). Currently Pakistan banking sector is based on 6 full-fledged Islamic banks and 13 conventional banks providing varieties of products and having tough competition (Ahmed, Malik, &Hummayoun, 2010).

### 2.2 Employee performance

There are different capacities which cause ascertainment of performance of employees such as organizational, human, institutional and technological level. The initial step is start from management at top line but its results are achieved from lower line of staff (employees). There is a greater level of satisfaction among employees of High-performing companies whereas often this behavior is found among employees of companies which show poor performance financially. Besides, the result of efforts of a person on the basis of his ability in specific condition is considered as the performance. The combination of tasks perception, ability and effort is called performance (Timpe, 2002). Griffith (2004) stated that performance is one from total aggregates of labor available to worker (Haseeb, Hassan, &Azam, 2017).

Because employee performance reflects the productivity of organization with reflection of ability of employees towards attainment of goals as planned, it is considered the critical interest for any organization. According to Pushpakumari (2008) performance greatly depends on attitudes, values and perception. Whereas Porter and Lawler (1974) considered performance a function of effort, skills and ability of an individual in a situation assumed. In a nutshell, the working ability of an employee in terms of effectiveness and efficiency to achieve objectives and goals of an organization is called the performance of the employees (Kovach, 1987). Hence "employee performance" is defined by the researcher as the efforts made to complete the job by an employee.

Academics and professionals' explanations indicate that the procedures which are used by an organization for employee management define the results. (Delaney, 1996). There are different methods which are adopted to improve business outcome such as job redesign, empowerment, skill based training and development programs, employee job involvement and reward and appraisal systems (Pfeffer, 1998).

### 2.3 Transformational leadership and employees performance

An approach through which leaders create motivation among followers to have an identification with goals and interests of the organization for performing beyond expectations is referred to as Transformational leadership. There is a critical role of transformational leadership in creating necessary changes for managing effectively. According to Kim (2014, p. 398), "transformational leaders have the ability to transform organizations through their vision for the future, and by clarifying their vision, they can empower the employees to take responsibility for achieving that vision." Generally, four different types of behaviors are displayed by these leaders i.e. individual consideration, intellectual stimulation, inspirational motivation and idealized influence. (Bass, 1985). Moral and ethical conducts of high standards are the definition of "charisma" and idealized influence. Their abilities include confidence and higher personal regard and they represent for followers as strong role models. Creating vision in followers which is exciting and motivational is referred to Inspirational motivation. Creation of inspiration among followers to have sharing ability and empowering to achieve goals is a skill of transformational leaders. There is an ability in leaders which encourages creativity of followers, problem solving ability with different perspectives and

presentation of ideas which are new and challenging is referred to as intellectual stimulation. Hence, we refer attention giving to needs of followers and achievement of their goals along with provision of mentoring and coaching is done under the umbrella of individualized consideration.

The presence of significance role by transformational leaders in organizations having hierarchical authority structure in enhancement of trust, commitment and performance is agreed by many leadership scholars. (Podsakoff, MacKenzie, Moorman, & Fetter 1990; Wright, & Pandey, 2010). Transformational leadership is significant because it may be considered as a process of making employees feel a sense of belonging and inculcating them with a vision. (TSE, 2008). It is an outcome of the transformational leadership that employees feel support from the organization and this results members of the organization having attachment for one another. For support of organizational purposes, a relationship of high intensity appears between organization and the employees. In a nut shell, by using process of social influence, a culture which is mission-oriented is created in an organization through transformational leadership. (Hofstede 1993; Hofstede, 2001).

For enhancement of behaviors which are extra-role and in-role from employees, transformational leadership is considered more effective leadership styles among many other styles. MacKenzie, Podsakoff, & Rich, 2001). There are different outcomes of transformational leadership such as establishing high performance standards, rising above own self-interest, helping followers in becoming more innovative and creative, providing feedback and paying attention to needs of the followers. (Bass, 1985). Transformational leaders have been observed motivating in achieving more than expected by bringing a transformation in their values, beliefs and attitudes. (Rafferty and Griffin, 2004). Consequently, performance of employees increases due to transformational leaders. There are different evidences by several meta-analyses about these effects of positivity. (Fuller, Patterson, Hester, & Stringer, 1996; Judge & Piccolo, 2004).

Measurement of the performance of the organization at a large scale is necessary because the biggest cost for an organization is the cost of human resources. (Walumbwa & Hartnell, 2010; Walumbwa and Lawler, 2003). There has been great research about achievement of high levels of performance in literature of transformational leadership. (Jyoti & Bhau, 2015). There are many predictors of improvement in employee performance but transformational leadership is the one which is

the most reported one in literature. (Walumbwa & Hartnell, 2011). A great link between team performance and direct transformational leadership has been established by earlier researches which concludes that ultimate increase in profitability of the organization is dependent on employee performance. (Meng and Wu, 2015; Gul, Akbar, & Jan, 2012). Gang Wang, Oh, Courtright, and Colbert (2011) found a positive correlation between staff performance and transformational leadership, they presented it in their meta-analysis and suggested that performance of employees is increased overall due to transformational leader.

Following hypothesis have been emerged on the basis of arguments discussed above:

***H1: Transformational leadership has positive significant relationship with employee performance***

#### **2.4 Transformational leadership (TFL) and employee empowerment (EE)**

Banking organizations cannot bear reduction in employee empowerment because this is a requirement of excellent customer service that employees should be able to make quick and customized decisions instantly while giving their services independently and this is only possible with employee empowerment. Hence, finding strategies which can help on improvement in empowerment by employees are important to be found. For banking industry, a great consideration is held by Transformational leadership for creating advancement in employee empowerment. As a result, there should be a tendency of high desire in employees to get increase in empowerment irrespective of what has been designed and designated to them by upper management.

Employees are encouraged in taking addition in current responsibilities if they have improvement in empowerment. (Stanton, 1993). Those employees which want increase in empowerment are not demotivated due to hardships and there are more chances that they will try harder to overcome the issues. (Honegger & Appelbaum, 1998). The one employee with higher desire for empowerment will prosper more and have more control on hardships and become successful in his attempts leading to getting empowerment as compared to one who has same perception of control but less desire for empowerment. For encouragement of open communications with followers, a finding on transformational leadership has been made (Tracy & Hinkin, 1994). There is a way for manager to describe goals, objectives, mission and vision of the



organization and that is open communication and this results in improvement in employee empowerment. Hence, irrespective of any biasness, for enhancement of employee empowerment TFL can be related positively to it.

To have motivation and psychological empowerment in employees, transformational leadership is a key factor in respect of importance. (Lowe, Kroeck, & Sivasubramanian 1996; Avolio, Bass, & Jung 1999).

**H2: Transformational leadership has significant effect on employees' empowerment**

## 2.5 Employee empowerment and employee performance

A shift in accountability and authority for making decisions and work task performance starting from managers and ending in actual daily task performers is defined as empowerment. (Dahou & Hacini, 2018). Wilkinson states that generally redistribution of authority is considered as empowerment but in actual, it is a form of involvement by employees, which is created by management and intends in creation of commitment and contributions towards organization by the management. (Ollikainen & Varis, 2006).

As noted by Baird, Su, & Munir, (2018), the sense of self efficacy in organization members or staff is caused by employee empowerment. According to employee empowerment 307 Leadership and empowerment the limit is reflected to which employees are allowed to participate or share the decision making in an organization (Hanaysha, 2016; Dust, Resick, Margolis, Mawritz, & Greenbaum 2018). Whatever the format of empowerment is in employees; either it is informal or formal but it has showed results in form of increase in attachment to organization and self-confidence. (Haq, 2016). Performance of employees is majorly predicted by empowerment and authority

delegation vested in them (Choi, Goh, Adam, & Tan, 2016). Baird, Su, & Munir, (2018) found in a study of Australian manufacturing sector that financial and non-financial aspects of an organization are associated with empowerment. Intrinsic motivation to perform job well and show greater performance is generated by sense of empowerment. So, this study states following hypothesis.

**H3: Employees' empowerment significantly affect employees' performance.**

## 2.6 Mediating role of employee empowerment between relationship of transformational leadership and employee performance.

A positive relationship among transformational leadership and employee performance is evidenced through literature, but few studies such as Vipraprastha, Sudja, and Yuesti, (2018) show negative results about relation of the transformational leadership with performance of employees, which create need of further study to involve mediator for clearer view of the relationship.

Based on the Barron and Kenny (1986) recommendation that a variable can perform function of a mediator which can perform a role of independent variable with dependent variable, and simultaneously perform a dependent variable role with independent variable in any study. In current study plenty of evidences shown that employee empowerment played a role of independent variable with employee performance (section 2.3), and dependent variable role with transformational leadership (section: 2.4). Based on extensive literature review current study proposed employee empowerment as mediator between relationship of transformational leadership and employee performance.

**H4: Employees' empowerment will significantly mediate the relationship of transformational leadership with employees' performance.**



Figure 2.1 Frame work

## 3.0 Methodology

Ibrahim, and Arshad (2017) recommended comprehensive methodological approach for quantitative research, current study followed their methodology regarding data collection procedure, instrument adaptation, techniques for analyses.

## 3.1 Questionnaire

In current study 7 items used in Buil, Martinez, and Matute, (2019) developed originally by Bass, and Avolio, (1995) Multifactor Leadership

Questionnaire (MLQ) were used for measurement of transformational leadership. This research adopted a uni-dimensional construct for examining transformational leadership which is in agreement with the empirical studies of Walumbwa, Wang, Lawler, & Shi (2004) and Alharbi and Yusoff (2012). Instrument for measuring employee empowerment with 5 items was adapted from McGrath, (2007). For measurement of employee performance 6 items were adapted from Liao, Lu, Huang, and Chiang, (2012) work.

### 3.2 Data collection

Current study followed design of research which is cross sectional quantitative. Simple random sampling technique was utilized for selecting sample as in every branch of bank maintain attendance list which were used with the help of branch managers by following anonymousness about employee number and name, by putting employee one, employee two instead of name of employees. Data were collected through self-administrative questionnaire. Data were gathered from 223 employees who were working in different banks' branches. For desired response rate total 240 questionnaires were distributed.

**Table 3.1.**  
*Response Rate*

| Response                                   | Frequency | Response rate |
|--|-----------|---------------|
| Total number of questionnaires distributed | 240       |               |
| Total number of questionnaires returned    | 233       | 97.08%        |
| Total number of useable questionnaires     | 223       | 92.91%        |
| Total number of questionnaires omitted     | 10        |               |

A total of 240 distributions were made of the questionnaires target audience for obtaining rate of response. Out of which 233 questionnaires were received which show total response rate of 97.08%. After scrutiny and data screening through SPSS 10 instruments were unusable so 233 questionnaires were found usable representing valid response rate of 92.91%.

### 3.3 Analyses of data

Firstly collected data were processed for data screening by using SPSS 25, in which issues pertaining to missing values, outliers, and linearity were assessed. Then after, model was assessed by using Smart PLS by applying structural equation modeling through to main approaches, 1) measurement model through PLS algorithm, and 2)

structural model assessment was done through bootstrapping to test the hypothesized relationships.

### 4.0 Findings

Current section discussed about the results regarding measurement model assessment and structural model assessment, further model predictive relevance also discussed in findings of current study.

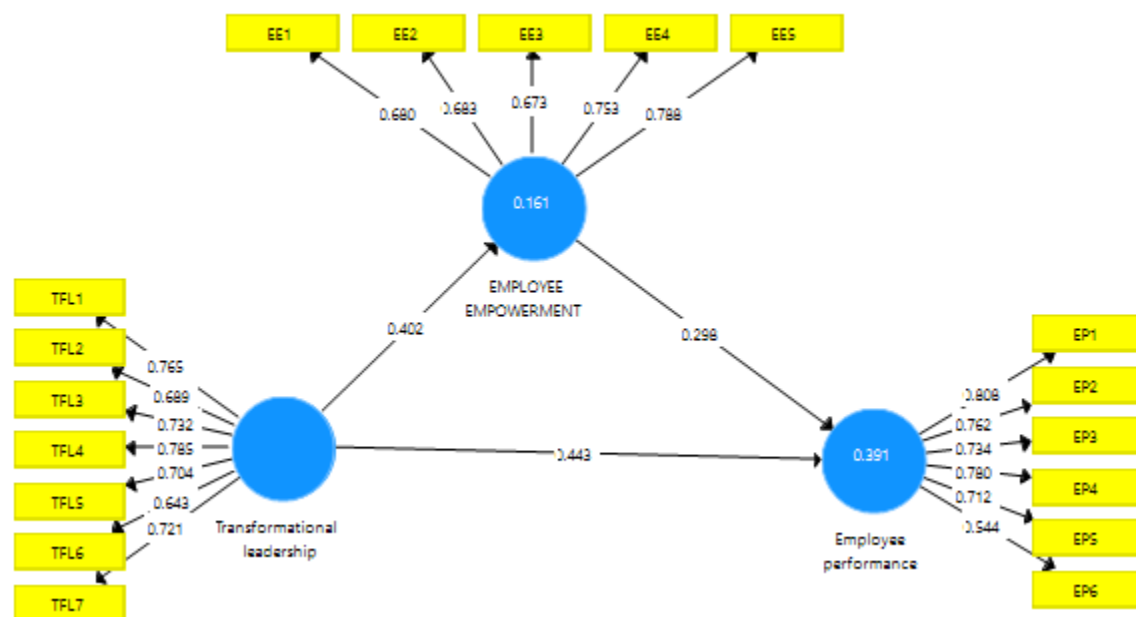
#### 4.1 Measurement model assessment

For analyses structural equation modeling was used through smart PLS. Recommendations of scholars such as Hair, Hult, Ringle, and Sarstedt (2014) that model to be assessed through two most valuable approaches 1) measurement model assessment through PLS algorithm approach, and 2) structural model assessment through bootstrapping.

**Table 4.1.**  
*Latent variables loading, Composite reliability (CR), Average Variance Extract (AVE)*

| Latent variables            | Loadings | CR    | AVE  |
|-----------------------------|----------|-------|------|
| Transformational Leadership |          |       |      |
| TFL1                        | 0.765    | 0.883 | 0.52 |
| TFL2                        | 0.689    |       |      |
| TFL3                        | 0.732    |       |      |

|                      |       |      |       |
|----------------------|-------|------|-------|
| TFL4                 | 0.785 |      |       |
| TFL5                 | 0.704 |      |       |
| TFL6                 | 0.643 |      |       |
| TFL7                 | 0.721 |      |       |
| Employee Empowerment |       |      |       |
| EE1                  | 0.68  | 0.84 | 0.514 |
| EE2                  | 0.683 |      |       |
| EE3                  | 0.673 |      |       |
| EE4                  | 0.753 |      |       |
| EE5                  | 0.788 |      |       |
| Employee Performance |       |      |       |
| EP1                  | 0.808 | 0.87 | 0.531 |
| EP2                  | 0.762 |      |       |
| EP3                  | 0.734 |      |       |
| EP4                  | 0.78  |      |       |
| EP5                  | 0.712 |      |       |
| EP6                  | 0.544 |      |       |



**Figure 4.1: Measurement model**

During assessment of measurement model, current study framework was analyzed for reliability and validity (Hair, Sarstedt, Pieper, & Ringle, 2012<sup>a</sup>; Hair, Sarstedt, Ringle, & Mena, 2012<sup>b</sup>; Hair et al., 2014). Regarding each item reliability, based on rule of

thumb every item our loading was observed well above the criteria of 0.50. Furthermore internal consistency and reliability current study examined the composite reliability of the framework (Peterson & Kim, 2013). For internal consistent

reliability composite reliability (CR) score were observed and current study result found composite reliability much beyond the recommended criterion of 0.70 (Bagozzi & Yi 1988).

Beside this, discriminant validity was also measured. Discriminant validity of current research was assessed through two main approach i) through average variance extract (AVE). Results of current study regarding AVE matched with the criteria set by Fornell and Larcker (1981) <sup>a, b</sup>. Numerical results of AVE are appended in table 4.2. Further discriminant validity was also assessed through Heterotrait-monotrait ratio of correlations (HTMT). According to Henseler, Ringle, and Sarstedt (2015) HTMT is good and alternative criteria for assessment of discriminant

validity and HTMT provide two main advantages. It works without factor analyses to obtain factor loading and it does not require construct score calculation. Clark and Watson (1995) and Kline (2011) mentioned the threshold of HTMT<sub>0.85</sub> and Gold, Malhotra, and Segars (2001) and Teo, Srivastava, and Jiang (2008) given criteria of HTMT<sub>0.90</sub>. Henseler, Ringle, Sarstedt (2015) used both HTMT<sub>0.85</sub> and HTMT<sub>0.90</sub> higher value of HTMT than the criteria shows lack of discriminant validity. Current study results regarding HTMT scores mentioned in table 4.3 found all values lies below threshold. Hence discriminant validity has been established by following and comparing current study HTMT scores with mentioned threshold.

**Table 4.2.**

*Heterotrait–monotrait ratio of correlations (HTMT).*

| Variables                   | EE    | EP    | TFL  |
|-----------------------------|-------|-------|------|
| Employees Empowerment       | ---   |       |      |
| Employees' Performance      | 0.589 | ----  |      |
| Transformational Leadership | 0.484 | 0.673 | ---- |

Beside this, assessment of variance explained by endogenous variable was also assessed through R<sup>2</sup> and f<sup>2</sup> values. Current study found weak effect (F<sup>2</sup>).

**Table 4.3**

*Effect size of variables (Cohen, 1988)*

| Variable                    | f <sup>2</sup> |       | effect size |
|-----------------------------|----------------|-------|-------------|
|                             | EE             | EP    |             |
| Employee empowerment (EE)   |                | 0.122 | Weak        |
| Transformational leadership | 0.192          | 0.27  | Weak        |

**Table 4.4**

*Variance explained in endogenous variables*

| Variables            | R-Squared (R <sup>2</sup> ) | Adjusted R-Squared |
|----------------------|-----------------------------|--------------------|
| Employee empowerment | 0.161                       | 0.157              |
| Employee performance | 0.391                       | 0.385              |

Current study results found substantial variance in endogenous variables R<sup>2</sup> results of current study are appended in table 4.4



#### 4.2 Assessment of structural model.

After assessment of measurement model, for testing hypothesis structural model was assessed through bootstrapping with 5000 resampling and data from 223 respondents to find out the significance of co-

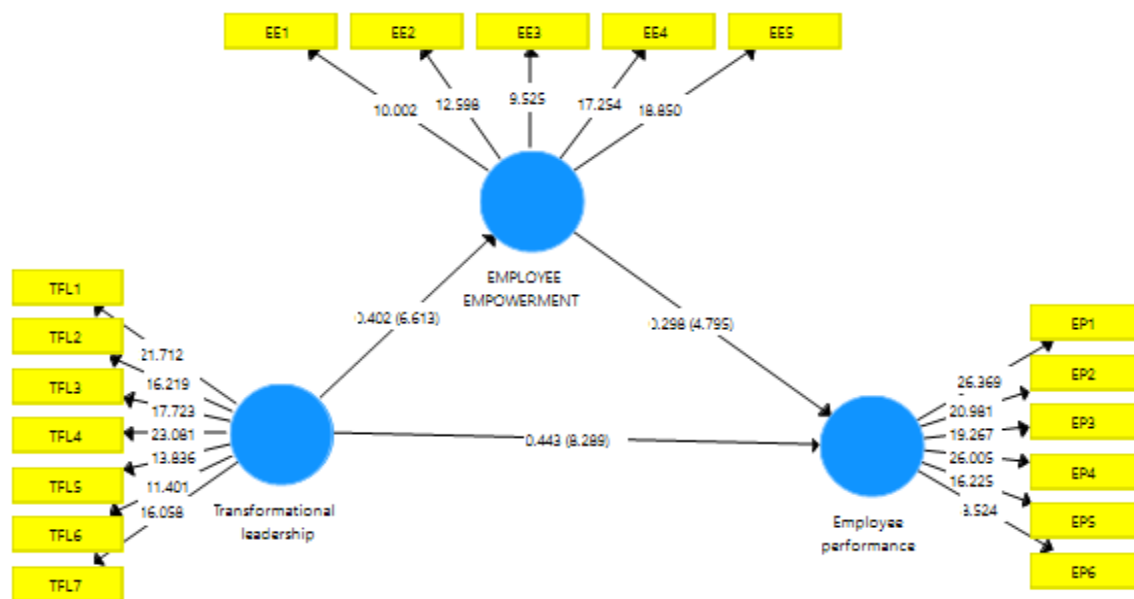
efficient by following the guidelines from scholarly work by prominent researchers (Hair et al., 2014; Hair et al., 2012<sup>a, b</sup>). Current study results regarding hypothesis testing are appended in table 4.5 and figure 4.2 (structural model).

**Table 4.5**

*Structural model (results).*

| Relationship  | Beta-value | T value | P value | CI(5%) | CI(95%) | Decision |
|---------------|------------|---------|---------|--------|---------|----------|
| H1: TFL→EP    | 0.443      | 8.289   | 0.000   | 0.358  | 0.535   | Accepted |
| H2: TFL→EE    | 0.402      | 6.613   | 0.000   | 0.309  | 0.507   | Accepted |
| H3: EE→EP     | 0.298      | 4.795   | 0.000   | 0.197  | 0.40    | Accepted |
| H4: TFL→EE→EP | 0.120      | 3.858   | 0.000   | 0.076  | 0.178   | Accepted |

TFL: Transformational leadership, EE=Employee empowerment, EP= Employees' performance.



**Figure 4.2: Structural Model**

At first, current study proposed hypothesis **H1**: Transformational leadership has positive significant relationship with employee performance. Findings presented in table 4.6 and figure 4.2 represent positive significant relationship of transformational leadership with employees performance ( $\beta=0.443$ ,  $t$  value =8.289,  $p$  value  $\leq 0.000$ ,  $CI=0.358\_0.535$ ). So **H1** was supported. Findings also shown positive significant relationship in **H2**: Transformational leadership has significant effect on employees' empowerment ( $\beta=0.402$ ,  $t$  value=6.613,  $p$  value  $\leq 0.000$   $CI=0.309\_0.507$ ) **H2** was also accepted. Similarly, current study also found positive and significant findings regarding proposed **H3**: Employees' empowerment significantly

affect employees' performance ( $\beta=0.298$ ,  $t$  value=4.795,  $p$  value  $\leq 0.000$ ,  $CI=0.197\_0.40$ ) hence **H3** was also accepted.

Beside this, current study also assessed the mediating role of employees' empowerment between relationships of transformational leadership with employees' performance. For this current study hypothesized **H4**: Employees' empowerment will significantly mediate the relationship of transformational leadership with employees' performance. Current study results shows positive significant relationship of mediation by employees empowerment between transformational leadership and employees performance ( $\beta=0.120$ ,  $t$  value=3.858,

p value  $\leq 0.000$ , CI = 0.076\_\_0.178) Hence **H4** was also accepted. Additional this can be further analyzed by comparing beta values before mediation in **H1** ( $\beta = 0.443$ ) and beta value after mediation in **H4** ( $\beta = 0.120$ ) which reduced beta, and results shows that employees' empowerment has mediated relationship of transformational leadership with employees performance in **H4**.

#### 4.3 Predictive relevance assessment

Current study also assessed predictive relevance of research model through Stone-Geisser test by using blind folding (Geisser, 1974; Stone, 1974) as supplementary assessment of goodness of fit (Duarte & Raposo, 2010). Chin (1988); Hair et.al (2014) mentioned the  $Q^2$  criteria to assess that how data of omitted cases is predicted by model.  $Q^2$  value above zero show that model possess predictive relevance. Current study found substantial results regarding  $Q^2$  presented in table 4.6.

**Table 4.6**

*Construct Cross Validated Redundancy ( $Q^2$ )*

| Variable                    | SSO  | SSE      | $Q^2 = 1 - SSE/SSO$ |
|-----------------------------|------|----------|---------------------|
| Employees' empowerment      | 1115 | 1030.454 | 0.076               |
| Employees performance       | 1338 | 1072.099 | 1.99                |
| Transformational leadership | 1572 | 1561     | 0.007               |

## 5. DISCUSSIONS

After analyses of results, this section contains discussion on findings of current study hypothesis and linking them with existing literature. Under first research question, whether transformational leadership affects employees' performance in baking sector of Pakistan. In accordance to first research question, first objective was set for effect investigation of transformational leadership on performance of employees. To measure first research objective for answering first research question, hypothesis one H1 was set as "transformational leadership has positive significant effect on employees' performance". Current study found the hypothesized results which are in accordance with existing literature (Podsakoff et al., 1990; Wright, & Pandey 2010). Beside this number of scholarly evidences shown the significance of leadership towards employees' performance (TSE, 2008) because transformational leadership creates mission-oriented culture which further leads toward increased performance (Hofstede 1993; Hofstede 2001).

Along with this, for second research question and objectives stated in table 5.1 H2 was formulated that "transformational leadership has significant effect on employees' empowerment". Employees' empowerment shows power of overcoming the barriers at work and make employees to feel ownership status in organization (Honegger & Appelbaum, 1998). Findings of current study found significant effect of transformational leadership. Empirical evidences supported current study findings

(Tracy & Hinkin, 1994; Stanton, 1993; Lowe, Kroeck, & Sivasubramanian 1996; Avolio, Bass, & Jung 1999).

Third research question and objectives were set in current study, for measuring third research objective current study set H3: "employee empowerment significantly affect employees' performance. Current study also found positive significant effect of employees' empowerment on' performance of employees. Hence current study results are supported by existing literature (Choi et al., 2016; Baird, Su, & Munir, 2018).

Literature proved the existing relationship of transformational leadership with employee's performance with mixed results, like as Rafferty and Griffin, (2004) mentioned positive effect of leaders on employees performance by motivating towards better performance. While Vipraprastha, Sudja, and Yuesti, (2018) mentioned negative effect of transformational leadership with employees performance. Beside this, employees' empowerment showed positive significant relationship with employees' performance in existing literature (Baird, Su, & Munir, 2018) and also positive significant relationship of employees' empowerment with employees' performance in current study while examining the direct relationship.

Based on the evidences current study proposed mediation of employees' empowerment between transformational leadership and employees' performance and proposed H4: that employees empowerment will mediate the relationship of transformational leadership with employees' performance. Current study found positive significant

mediating results in H4. Hence in current study employees empowerment significantly mediated the relationship of transformational leadership with employees' performance.

## 5.1 Implication

Current section contains discussion on implication of the current study in both theoretical and practical perspective.

### 5.1.1 Theoretical perspective

Current study research framework drawn the grounds of empirical evidence and covered theoretical gaps. Current study framework was supported by the social exchange theory. In current study transformational leadership style was taken for better understanding and explaining the association with employees' performance through employees' empowerment.

According to Chadwich-Jones, (1976) narrated that, exchange theorists state that individuals value the relationship and perceiving the gains. According to social exchange theory, every relation needs input and generate output (Stafford, 2008). In current study, transformational leadership has been taken as positive input for employees empowerment and employees performance, additionally, employees' empowerment taken as input for employees performance. Due to lack of empowerment which create sense of ownership at work was missing context of current study. Current study covered gaps under light of social exchange theory.

### 5.1.2 Practical perspective

Current study also contributed numerous practical implications, transformational leadership is important for employees' performance. Banks can put emphasis on transformational leadership style to enhance employees' performance. Furthermore, transformational leadership will also support to employees empowerment for better performance.

Secondly banks in Pakistan can increase their support for increase of employees' empowerment at work for bringing creative idea to catch market share and retain the valuable clientele.

Thirdly, current study results shown that employees' empowerment is critically important factor for enhancing employees' performance.

Hence current study findings and discussion on findings precisely narrate that, transformational

leadership is significantly predicting the employees' performance directly, and indirectly through employees' empowerment increases the employees' performance.

### 5.1.3. Limitations and future research recommendations

Besides, remarkable implications current study has also some limitation, current study only considered transformational leadership while future studies can also be done by adding more leadership styles towards employees' performance through different intervening variables. Current study only covered the banking sector in Pakistan though there are many other important sectors such as health, education, in such sector future studies can be conducted for measuring employees performance through leadership styles. Current study only gathered data from 240 individuals and used 223 usable instruments in final analyses. Future studies can be conducted by considering larger sample.

## 6. CONCLUSIONS.

Despite of limitations current study successfully measured the objectives and answered the research questions through proposed hypothesized relationships. Current study covered the theoretical gap by considering employees' empowerment as mediator. Additionally, numerous future research directions are recommended by considering the limitations of the current study. Current study also contributed to the body of knowledge.

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