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Impact of leadership styles on employees' performance with moderating role of positive psychological capital

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The study aimed to investigate the most effective leadership style that enhances the employees' performance at the workplace and also evaluate the impact of leadership styles (Laissez-faire leadership, Transformational leadership, Transactional leadership,) on employees' performance in the textile sector of Pakistan. The study explored the moderating role of Positive psychological capital to examine the relationship between leadership styles and employee performance. A quantitative research technique was used, and Data were collected from the lower to middle-level manager of the textile sector. The findings of this study showed that laissez-faire leadership has a significant but negative impact on employee's performance; however the moderating effect of psychological capital has made this relationship negatively significant. Transformational leadership has a significant impact on employee performance. Moreover, transactional leadership has an insignificant effect on employee performance by adding psychological capital as a moderator; this relationship has become positively significant.

The textile organisations of Pakistan have been facing many challenges, including lower employee satisfaction and performance. Through the transformational leadership styles, the organisations may improve the employees' performance as the study supported this argument. The results would have practical implications for policymakers, employees, and management. The study has contributed in developing the relationship between the leadership styles and employee performance by adding an unexplored moderator, which is – Positive psychological capital – in an ignored social setting of the textile organisation.

Keywords: Transactional Leadership; Laissez-faire leadership Transformational leadership; Employees' performance; Positive psychological capital

Introduction

The world is shifting towards an economy where the essential resource of an organisation is its knowledge (Popli & Rizvi, 2016). Thus the employees are needed to be upgraded continually with the enhancements in their professional skills and knowledge, supplementing the standardised expertise which they need for the accomplishment of their tasks. Many researchers work on leadership styles to estimate their effect on employee performance (Ogbeide, Groves, & Cho, 2008). When the leaders give autonomy to the employees, they would be more loyal and motivated to perform efficiently which would enhance organisational productivity with better outcomes. (Kim & Beehr, 2018). For creating innovative

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ideas, there is a need of the competent human resource (Jyoti & Bhau, 2015). In order to get innovative ideas, leaders play a vital role (Jyoti & Bhau, 2015). All the theories of TQM (Total Quality Management) powerfully show the importance of leadership styles in the organisation's top management to motivate the employees for the success of quality improvement programmes (Teoman & Ulengin, 2018).

There are many leadership styles; however, in this study, the main focal point in this study is on Transactional, laissez-faire, and Transformational leadership styles. Leadership and employee job satisfaction plays a significant role in organisational success (Hamidifar, 1985). The Leaders provide such environment of the workplace for the employees where they may perform well (Skakon, Nielsen, Borg, & Guzman, 2010). Leadership style also makes a positive and negative impact on the employees' performance (Skakon et al., 2010). In some situations, the leaders have to take decisions instantly. Therefore, the leaders should have some capabilities to take immediate corrective actions (Leadership, Dixon, Weeks, Boland, & Perelli, 2016). Such as Contingent rewards, Management by exception, Laissez-faire. In the view of the contingent rewards, employees do their work rightly on time, and the rewards are given to them, however, if employees do not do the work accurately and properly, they are punished. According to the approach of Management by exception, the focus is on resources to check the response to any event. In Laissez-Fair approach, employees do all the work by themselves; the leader involves in the case when the problem occurs (Rothfelder, Ottenbacher, & Harrington, 2012).

With reference to Bass and Avolio, laissez-faire leadership is that

the absence of leadership, avoidance of intervention, or both. With Laissez-faire (Avoiding) leadership, there are generally neither transactions nor agreements with followers. Decisions are often delayed; feedback, rewards, and involvement are absent; and there is no attempt to motivate followers or to recognize and satisfy their needs As compared to other leadership style laissez-faire leadership is unproductive leadership. (Sut I Wong Humborstad, 2016)

The psychological capital is related to the positive psychology of employees, showing the positive employees behaviour rather than the negativity of the employees. By using positive psychological capital, the organisation becomes more successful as the positive psychological capital creates positivity among employees, enhancing the employee's level of performance (Tosten & Toprak, 2017). According to Luthans, Avolio, Avey, and Norman (2007) and Youssef and Luthans (2007) the idea of positive Organizational capital had been presented many centuries ago'.

Textile sector of Pakistan

The textile industry is the most famous and oldest industry in all over the word as clothing is the basic need of everyone all over the world (Abbas, 2015). Textile sector of Pakistan is the fourth biggest producer and third-biggest user of textile products in all over the world. Pakistan textile sector has been facing problems due to the fluctuation in prices and weak forecasting system (Abbas, 2015). The top management of the textile organisations need to cope the fundamental problems, encountering the employees, consider about how the employees would be satisfied and motivated by implementing the strategic plans or approaches for the accomplishment of the assigned tasks as well as an achievement of the organisational goals. Besides, the current top management should take such initiatives for the implementation of such leadership styles which are helpful to boost up the satisfactory level of the subordinates with good performance.

According to Avolio and Bass (2004), Full Range Leadership (FRL) Model includes transformational leadership, transactional leadership, and laissez-faire. All leadership

styles of FRL model have been measured by different ways in different settings. And these styles showed different behaviour in different contexts. So the researchers are still unable to conclude the findings, which leadership styles are more appropriate in accordance with the circumstances (because) there are distinctive features of human nature and culture of the specific environment where the implementation of the leadership styles is different across the globe (Bhagat & Steers, 2009).

Most of the textile organisation in Pakistan is owned and control (administrative) by families. Due to poor leadership style, most of textile industry did not achieve its full potential since employee performance, and their productivity has now dropped behind when compared to other textile producing countries. In Pakistani textile industry, weak leadership style is cause for its decline. Riaz and Haider (2010) state that effective leadership always plays an important role in the growth and better performance of the employees and their organisation. According to the contingency theory, no specific leadership style is the best fit for all situations as it depends on the characteristics of leaders, and capabilities of the followers and the most important is the complexities of the situations and problems on hand and the role of issues in overall organisational success (Griffin, 1999). Koutra et al. (2018), stress the need for research which focuses on leadership styles and employee performance in different settings. In this way, there is an intense need to think about the impact of leadership style on employee performance in Pakistani setting to look at all the inclusiveness of the Full Range Leadership model. Moreover, it would also make to help the textile leadership by knowing how their subordinates see their leadership styles and how they impact on their performances in various perspectives.

The number of textile industries has been increased in the last few decades in the sub-continent. Some studies have been conducted to explore the impacts of leadership styles and psychological capital on the textile industries. Despite an increase in the number of textile industries, very few in-depth studies have been conducted to explore the managerial issues of textile industries, especially in the context of leadership style and psychological capital. Three theoretical models were used in this study to develop a theoretical framework of this paper. Firstly, we adopted the ideas of Fiedler leadership contingency model which proposed that effective employees performance depends upon the leaders' ability to lead, leaders' capabilities, desired style, and behaviour. This theory propounded that leaders should adopt that style which best to the situation and at once stimulate the employee performance (Iqbal, Anwar, and Haider, 2015). Secondly, we used the Path-Goal theory. In 1971 Robert House proposed the Path-Goal theory. This theory describes that employee will be satisfied with their leader if they feel their leaders will lead them (Ramay, Majeed, Javed, Saeed, & Ismail, 2017). Thirdly we rely on the theory of conservation of resources (COR) suggests that individuals resources are limited (Hobfoll, 2001). So, the resources are allocated to fulfil the needs of individuals, and these allocated resources will produce different results.

Objectives of the research

The objectives of this research are to examine more effective leadership style that affects employees' performance positively and also find out the role of psychological capital for enhancing the effective employees' performance:

- To investigate the impact of leadership styles (Laissez-faire leadership, Transformational leadership, and Transactional leadership) on employees' performance.

- To examine the impact of leadership styles (Laissez-faire leadership, Transformational leadership, and Transactional leadership) on employees' performance through the moderating role of psychological capital.
- To suggest recommendation for policymakers on the basis of findings.

Literature review

Leadership

Leaders influence the organisation of their followers. Leadership has a strong impact on employees (Batista-Taran, Shuck, Gutierrez, & Baralt, 2009). This paper focusses on the leadership style theory. Leaders demonstrate particular leadership styles; the most common investigated are transactional, transformational and laissez-faire styles (Webb, 2008) and also according to the Bass, leadership theory includes three mechanisms:

- Transactional leadership
- Transformational leadership
- Laissez-faire

Transactional leadership

In Transactional leadership, appreciation is given to high achiever employees through a reward system (Batista-Taran et al., 2009). Transactional leadership emphasises on observing behaviour and exchange process through a contingent reward system to engage the employees and enhance the employee's performance. For the last five years, the researchers have been researching and finding the powerful impacts of transactional and transformational leadership on employees' work behaviour. According to Zhang's study, there is a negative association among classical leadership and staff work, transactional leadership and employees work (Popli & Rizvi, 2016). But some studies show that there is a positive relationship between 'organisational' performance and transactional leadership style and organisational performance depends on employees' performance (İşcan, Ersarı, & Naktiyok, 2014). The relationship between organisational performance and transactional leadership has also been proved with the help of Meta-analysis study (İşcan et al., 2014).

H1: There is a relationship between Employees' Performance and Transactional leadership.

Transformational leadership

Transformational Leadership is a leader's capability to motivate followers by leadership qualities. According to cf. Avolio '*Transformational leaders articulate a vision via metaphors, stories, personal reflections, humor, and images, and they tend to speak to the follower's minds and their sense of purpose rather than to their wallets only*'. In order to get innovative ideas, leaders play a vital role (Jyoti & Bhau, 2015). All the theories of TQM (Total Quality Management) powerfully show the importance of effective leadership styles in the organisation's top management to motivate the employees for the success of quality improvement programmes and boost employee performance (Teoman & Ulengthin, 2018). In Transformational Leadership, the followers' dream about high achievements is due to Transformational Leadership style. Transformational Leadership style influences the followers through stories, humour, personal reflection metaphors, and images as compared to the punishments. According to the viewpoints of the transformational

leadership style, it helps to develop more commitment and motivational level among the employees. According to the previous research on transformational leadership, the organisations may enhance effective performance and productive outcomes (Zhu, Chew, & Spangler, 2005). According to the Pygmalion effect theory, leaders can influence the performance of employees through inspirations and expectations. So good expectations can create more good results. Transformational leadership leaders have more expectations from employees through providing more support and encouragement, and create more good results.

H2: There is a relationship between Transformational leadership and Employees' Performance.

Laissez-faire leadership

Laissez-Faire is a kind of leadership that is neither transactional nor transformational. Laissez-faire leadership is related to a passive form of management. To use this leadership style, we get implementation even when organisations need corrective actions. Actually, Laissez-faire leadership is where things are going on by their own way. This leadership style is implemented when supervisors feel hesitation in taking decisions, actions and responsibility. These kinds of leaders avoid taking any position; avoid giving any suggestion to followers and avoid giving help to their followers. These kinds of leaders do not want to become prominent; they do not want to supervise anything. Under these kinds of leadership style, employees do their work by their own self; sometimes they take help by other persons then the leaders like they get help from peers, other managers and even other organisation members (Luthans et al., 2007). Laissez-faire leadership is considered a non-leadership technique. In which leaders play a passive role. According to the research of Rothfelder et al. (2012) laissez-faire kind of leadership is commonly used in industries. This kind of leadership style has negative impact on subordinates' job satisfaction level (Luthans et al., 2007).

H3: There is a relationship between Laissez-faire leadership and Employees' Performance .

Positive psychological capital

Positive Psychological Capital, or primarily PPC, is used in offices as a positive psychological science (Luthans & Youssef, 2007). Positive Psychological Capital is defined as '*the study and claim of positively oriented human resource strengths and psychological capacities which can be measured, developed, and with success managed for performance improvement in today's workplace*' (Luthans et al., 2007).

Consistent with (Luthans et al., 2007) resilience is being explained as '*The developable capability to rebound or convalesce from adversity, conflict, and failure or perhaps positive events, progress, and accumulated responsibility*'. When someone faces a problem, then resilience acts positively (Cheung, Tang, & Tang, 2011).

According to C. Rick Snyder, 'Hope' may be a word that is used in daily language. According to researchers' hope is described as a '*positive motivational feature state that's supported an interactively subsequent sense of successful (1) agency (goal-directed energy) and (2) pathways (planning to satisfy goals)*' (Avey, Luthans, Smith, & Palmer, 2010). The positive psychologist is (Luthans et al., 2007) considered as a source of defining optimism as a POB strength.

Efficacy is better instead of any other capability of POB. Yeo and Neal (2013) elaborates the comprehension theory and extensive research efficacy which is better than any other capabilities of POB.

Employee's performance with moderating role of psychological capital

The theory of the conservation of resources (COR) suggests that individuals' resources are limited (Hobfoll, 2001). Therefore, the resources are allocated to fulfil the needs of individuals and these allocated resources will produce different results. Many studies discussed that the skills of an individual could influence the process of resource allocation of the individual (Witt & Carlson, 2006).

Witt and Carlson (2006) believed that the use of limited resources decreases job dedication. People with a high degree of psychological capital equitably distribute the resources (time and energy), and they are confident of making a positive effort to minimise the conflict. Therefore, the influence of work-family conflict on job dedication is weaker. The people with a low degree of psychological capital are less motivated, and they are not confident in dealing with conflicts. In return, they try to minimise the job commitment to protect their limited resources.

In this manner, if they are under extraordinary weight, the individuals try to raise sources to encounter the potential loss of resources in the future (Kobasa & Puccetti, 1983). The individual resources with psychological resources that are necessary internal resources. This examination has centred around the majority of psychological resources, which is also known as psychological capital, a developing field of research. Luthans and his associates were the primary researchers had adapted the psychological capital into the board of management. He stresses his representation of positive psychological advancement (Luthans & Youssef, 2004).

On the other hand, the trait theory, psychological capital, has a focal construct including self-efficacy, expectation, positive thinking, and obstruction. Psychological capital is a critical source which is utilised to upgrade of organisation adequacy. Then again, it can likewise be supported and created and influencing the cognitive ability of an individual, level of job satisfaction, and performance (Avey, Reichard, Luthans, & Mhatre, 2011; Luthans, Avolio, Walumbwa, & Li, 2005). Different psychological constructs are understood as a core, (Hobfoll, 2002).

While thinking about self-efficacy, hope, optimism, and resilience as critical facets of psychological capital, its combined effect is expected to be broader than any individual dimension (Luthans et al., 2007). Rego, Sousa, Marques, and e Cunha (2012) called this phenomenon a 'synergistic effect.' According to the 'synergistic effect,' psychological Capital is considered as a whole rather than its dimensions. Sweetman and Lutherans suggested a psychological capital that predicts a positive working relationship, and in view of the challenges, the people with high psychological capital are more likely to take control of the situation so that they can begin to work efficiently.

According to the research, there is a positive rapport between performance and positive psychological capital (Luthans & Youssef, 2007). This strong rapport shows that the four positive capacities 'hope, resilience, optimism and efficacy' of psychological capital which may help to be motivated, goal attainment and better performance. In a transformational leadership style, employees are more satisfied because of leaders' moral values and give employees self-empowerment. Transformational leaders help followers to build goals by their self, and leaders also develop confidence in the followers to accomplish their goals. Leaders also help followers how to overcome adversity through psychological capital. It

shows that psychological capital effects positively on employee performance and transformational leadership. In a transformational leadership style, employees are more satisfied because of leaders' moral values and give employees self-empowerment. Transformational leaders help followers to build goals by their self and leaders also develop confidence in the followers to accomplish their goals. Leaders also help followers how to overcome adversity through psychological capital. It shows that psychological capital effects positively on employee performance and transformational leadership. In transactional leadership, leaders involved in active participation to take corrective action at the right time and employees are satisfied with this type of leadership. According to Thomas & Velthouse, it affects positively on employees' performance and transactional leadership (Pieterse & Van Knippenberg, 2010). According to Luthans, there is a positive relationship between psychological capital and employees' performance (Toor & Ofori, 2010). Crawford shows that there is a positive impact of psychological capital on transformation leadership and shows the low positive impact of psychological capital on transactional leadership and laissez-faire leadership (Toor & Ofori, 2010). More precisely, Positive Psychological Capital employees (followers) are categorised as hopeful, optimistic, resilient, and confident, and these positive abilities, attitude and capacities motivate them to perform well. By discussion, we developed the following hypothesis.

H4: Psychological capital moderates the relationship between transformational leadership and employees' performance.

H5: Psychological capital moderates the relationship between transactional leadership and employees' performance.

H6: Psychological capital moderates the relationship between laissez-faire leadership and employees' performance.

Theoretical framework

The framework was derived from the literature on Fiedler leadership contingency model, and the Path-Goal theory is used to measure the relationship between leadership styles and employees performance. Fiedler leadership contingency model which proposed that effective employees performance depends upon the leaders' ability to lead, leaders' capabilities, desired style, and behaviour, as well as employees competency and attitudes. This theory propounded that leaders should adopt that style which best to the situation and at once stimulate the employee performance (Iqbal, Anwar, & Haider, 2015). Based on literature proposed the Path-Goal theory, he describes that employee will be satisfied with their leader if they feel their leaders will lead them to satisfaction and they do well (House, 1971). Furthermore, this study examines the moderating role of psychological capital by theory of conservation of resources (COR). This theory suggests that individual's resources are limited (Hobfoll, 2001). So, the resources are allocated to fulfil the needs of individuals, and these allocated resources will produce different results [Figure 1](#).

Research methodology

The preceding two sections studied the literature about influences of Leadership Style on employees' performance with the moderating role of positive psychological capital.

According to Do Sul, Costa, & Fillmann, 2014 the research design refers to a 'plan blueprint or guide for data collection and interpretation – a set of rules that enable the investigator to conceptualise and observe the problem under study.' According to (Krauss & Putra, 2005), a research population is a group of those people who are selected to be in the

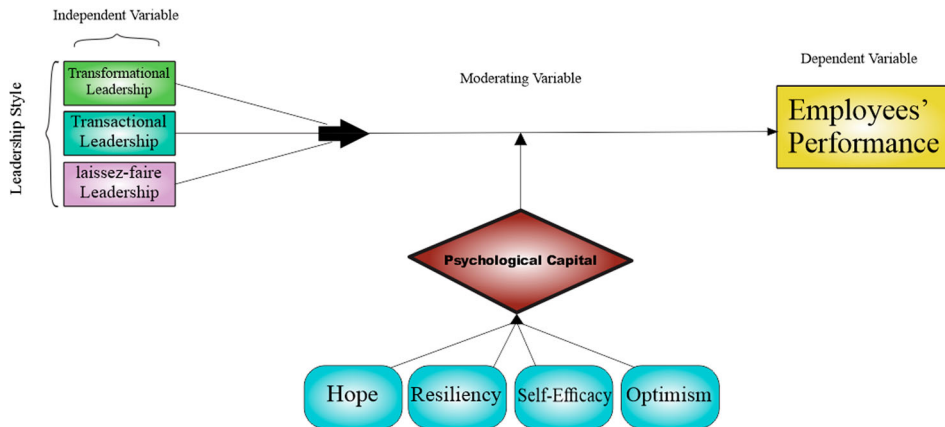


Figure 1. schematic diagram.

research. the sample is defined as a set of people that are selected from the specific population.

Due to accessibility, time, resources, and budgetary constraints, this study only focused on the textile sector of Faisalabad only. Respondents were drawn from the textile sector in Faisalabad, Punjab only.

Measuring instruments

A questionnaire was used in this research to acquire information on the ‘Impact of Leadership Styles on employees’ performance: Moderating role of Positive psychological capital.’ There were five variables used in this survey, one was transformational leadership, second was transactional leadership, third one was laissez-faire leadership, fourth one was psychological capital, and the fifth one was employees’ performance. Five-point Likert scale was used to measure all variables of this study [Table 1](#).

Data collection

For collection of the data, (primary data collection) technique was used. Primary data collected through the questionnaires. Data collection techniques are divided into two techniques: one is quantitative, and second is qualitative (Bryman, 2004). The quantitative method is preferable instead of the qualitative method (Bojlén & Lunde, 1995). This

Table 1. Reference table.

Sr. No	Variable	Items	Scale adopted from	Reliability coefficient
1	Transformational Leadership	9	(Bass & Avolio, 2010)	0.94
2	Transactional Leadership	5	(Bass & Avolio, 1992)	0.84
3	Laissez-faire Leadership	5	(Bass & Avolio, 1992)	0.94
4	Psychological Capital	22	(Luthans et al., 2007)	0.89
5	Employees Performance	3	Auer Antoncic & Antoncic, 2011	0.7200

study is directly related to the textile sector of Pakistan. In Pakistan, the textile firms have located in various geographical regions of Pakistan, e.g. Karachi, Faisalabad, and Lahore. Berenson, Levine, and Szabat (2009) have disclosed that under such conditions when the study population has been located in wider geographical areas, in such condition, the cluster probability sampling would be the most appropriate sampling technique to get a representative sample because it is cost-effective in contrast to simple random sampling. Berenson et al. (2009) gave the explanation of the cluster probability sampling. The Pakistani textile industry has been divided into three clusters. The division had been done, based on the three regions of Pakistan. Among these regions, Faisalabad region was selected as a cluster, based on the availability of respondents. Snowball sampling technique was adopted to overcome the issue of high security and busy schedules of the managers of mills. Data were collected from lower to middle-level managers, working with their current textile organisation for at least one year. One year with the current textile organisation was a pre-condition to making sure that the participants have enough knowledge about the current organisational culture and practices and also gone through performance appraisal. A face-to-face survey technique was adopted for collecting quality data. Two hundred ten interviews were conducted. However, 198 questionnaires were selected for analysis which is enough for a demanding analysis including measurement model on PLS-SEM.

Data analysis technique

Model assessment

In order to of examining the results, PLS-SEM smart 3.0 (Bontis & Serenko, 2007) is used and find inner and outer path modelling through PLS SEM 3.0 (Wetzels & van Oppen, 2009).

Assessment of measurement model (reliability and validity analysis)

Table 2 summarises the item of the factor loading (Bass, Avolio, Jung, & Berson, 2003), average variance, composite reliability, and Cronbach's alpha. Table 2 shows the reliability of each item. The factor loading of each item should be higher than 0.7 (Ribbink, van Riel, Liljander, & Streukens, 2004). The value of the loading of each item should be 0.7 or greater than 0.7, and the value of average variance should be 0.5 (Bontis & Serenko, 2007). To check construct reliability, composite reliability is used (Real, Roldán, & Leal, 2014).

In the table below, all the loading of items is above 0.7, and the value of the average variance of all items is greater than 0.5. Through composite reliability and average variance check the validity so, according to the table, the value of composite reliability and average variance is above 0.7 and 0.5. It proves that the validity of all items is at the right level. The reliability of items is examined through the value of Cronbach's alpha. The value of Cronbach's Alpha should be at least 0.5, according to the table, the value of Cronbach's Alpha of all items is greater than 0.5, it proves that the reliability of all items is at the right level Figure 2.

R-square

Table 3 indicates the results of the structural model from PLS SEM yield. The transformational and transactional leadership and psychological capital as a moderator are found to be

Table 2. Evaluation of the measurement model.

First order construct	Item	Factor Loading	AVE	CR	Cronbach's Alpha
TF	TF2	0.803	0.599	0.930	0.917
	TF3	0.717			
	TF4	0.834			
	TF5	0.832			
	TF6	0.844			
	TF7	0.837			
	TF8	0.788			
	TA10	0.876	0.754	0.939	0.919
TA	TA11	0.863			
	TA12	0.893			
	TA13	0.848			
LF	TA14	0.861	0.714	0.926	0.900
	LF15	0.827			
	LF16	0.854			
	LF17	0.824			
	LF18	0.896			
PCF	LF19	0.821	0.624	0.869	0.806
	PCF1	0.856			
	PCF2	0.777			
	PCF3	0.762			
EP	PCF4	0.762	0.705	0.877	0.790
	EP42	0.874			
	EP43	0.814			
	EP44	0.828			

Note: TF = transformational leadership; TA = transactional leadership; LF = laissez-faire leadership PCF = psychological capital factor; EP = employee's performance.

significantly associated with employees' performance respectively, explaining 37 percent of the variance.

Convergent and discriminate validity

According to previous research, the average variance is used to measure discriminate validity (Wong, 2013). For the purpose in order to find validity, calculate the square root of the average variance, and then the average variance is linked with the construct correlation. Concerning the previous studies, all the values should be higher than the inner rows and columns (Bontis & Serenko, 2007). Table 4 indicates that this condition is fulfilled, which confirms the discriminate validity at the construct level.

Evaluation of structural model

The researcher uses PLS SEM to run the procedure of nonparametric bootstrapping (Sleuwaegen, 1992). Nonparametric bootstrapping is used for the purpose of providing confidence intervals for all parameter estimates. The structural model provides the finding to the hypotheses of the conceptual framework. To find the stability and significance between the variables use nonparametric bootstrapping modelling (Ribbink et al., 2004). Table 5 explains about which hypotheses are accepted and which hypotheses are rejected by indicating the values of path coefficient, the sample means, standard deviation, T value, and P values.

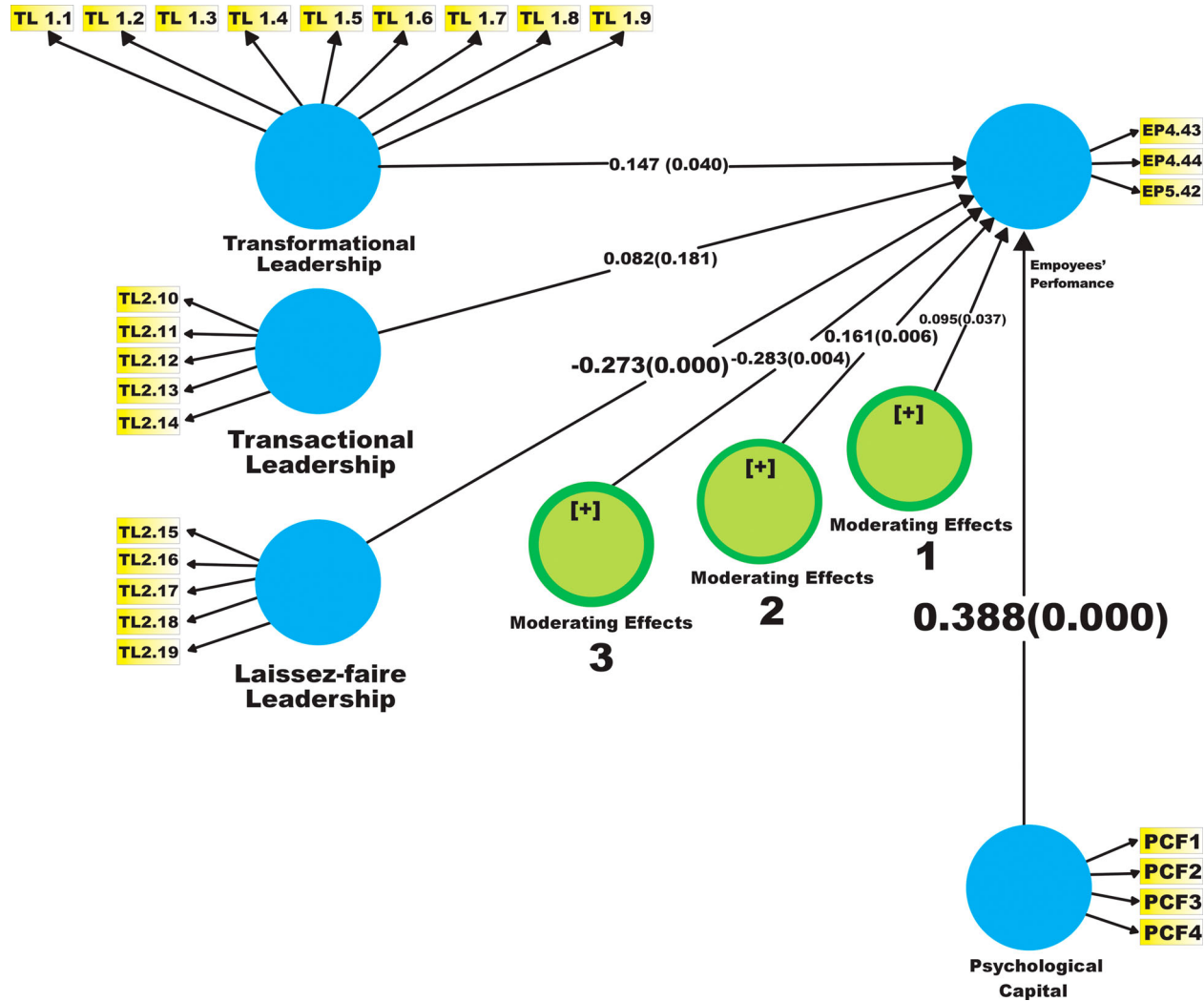


Figure 2. PLS Factor Loading and R-square. Note: TF = transformational leadership; TA = transactional leadership; LF = laissez-faire leadership PCF = psychological capital factor; EP = employee's performance.

Table 3. The R-square value.

Predictor construct	Target Construct	R Squared	Predictive accuracy
TF, TA and LF	EP	0.375	Moderate

Note: R-Square predictive accuracy level: 0.25 = weak, 0.5 = moderate, 0.7 = Substantial, TF = transformational leadership; TA = transactional leadership; LF = laissez-faire leadership; EP = employee's performance.

Table 5 displays the results of the structural model through PLS output. First, we hypothesised (H1) that Transformational leadership has a positive impact on employees' performance of the textile sector in Faisalabad, Pakistan. The Table 5, highlights positive β value 0.147, which means 14% influence on principle variables, in another word, we can say that through Transformation leadership, the organisation will increase 17 percent of employees' performance. The t-value 1.962 that reflects the strong influence of transformational leadership on the performance of textile sector employees and has significant p -value 0.050 level, which is less than or equal to 0.05, so (H1) is accepted ($\beta = 0.147$, $p < 0.05$, $t < 1.962$).

Hypothesis H2, Transactional leadership has a positive influence on employees' performance. The results show that positive β values of 0.082, which means 8% influence on principle variables. The t-value 1.302 which means that Transactional leadership has insignificant impact on employees' performance. The p -value 0.194, which is above than standard value 0.05, which shows that hypothesis (H2) is rejected ($\beta = 0.082$, $p = 0.194 > 0.05$, $t = 1.302$).

The third hypothesis (H3) that Laissez-faire leadership negatively affects employees' performance. Table 5, indicate that the negative β value is -0.273, which means negative influence of Laissez-faire leadership on employee's principle, The t-value of this Laissez-faire leadership is 5.170, which reflects the significant involvement of laissez-faire leadership on the employee's performance. This significant as a result indicates that p -value 0.000 level, which is less than standard value 0.05 and a negative relationship between laissez-faire leadership and employees' performance, therefore H3 is accepted, its means laissez-faire leadership impact on the employee's performance negatively ($\beta = -0.273$, $p = 0.000 < 0.05$, $t = 5.170$).

Hypothesis (H4) is Psychological capital has a moderating effect on the relationship between Transformational leadership and employees' performance. Findings show that β value is 0.095, which means it has 9% influences on the relationship between transformational leadership and employee's performance. The t-value of moderation effect is 2.070 that reflects the significant and positive influence on transformational leadership and

Table 4. Convergent and discriminate validity.

	EP	LF	PC	TA	TF
EP	0.839				
LF	-0.317	0.845			
PC	0.421	-0.207	0.790		
TA	0.162	0.054	0.001	0.868	
TF	0.130	0.015	-0.091	0.439	0.774

Note: TF = transformational leadership; TA = transactional leadership; LF = laissez-faire leadership PCF = psychological capital factor; EP = employee's performance.

Table 5. Evaluation of structural model.

Hypothesis	Relationship	Path coefficient	Sample Mean (M)	Standard Deviation (STDEV)	T Values	P Values	Decision
H1	TF ->EP	0.147	0.143	0.075	1.962	0.040	Supported
H2	TA ->EP	0.082	0.088	0.063	1.302	0.194	Not supported
H3	LF ->EP	-0.273	0.000	0.053	5.170	0.000	Supported
H4	Moderating Effect 1 ->EP	0.095	0.114	0.046	2.070	0.039	Supported
H5	Moderating Effect 2 ->EP	0.161	0.169	0.056	2.899	0.004	Supported
H6	Moderating Effect 3 ->EP	-0.283	-0.288	0.092	3.086	0.002	Supported

Note: TF = transformational leadership; TA = transactional leadership; LF = laissez-faire leadership PCF = psychological capital factor; EP = employees' performance.

employee's performance; this moderate variable has a significant p -value of 0.039, which hypothesis (H4) is accepted ($\beta = 0.095$, $p < 0.05$, $t = 2.070$).

The study hypothesised (H5) that psychological capital has a moderating effect on the relationship between Transactional leadership and employees' performance. Results indicate that β value is 0.161, which means it has 16% influences on principle variables. The t -value shows that employee retention has a significant moderating effect on the relationship between transnational leadership and employees' performance. The t -value of moderating effect is 2.899 that reflects high influence between two variables; this moderate variable has a significant p -value of 0.004, that shows that the hypothesis (H5) is accepted at ($\beta = 0.161$, $p < 0.05$, $t = 2.899$).

Hypothesis (H6) is Psychological capital has a moderating effect on the relationship between Laissez-faire leadership and employees' performance. Table 5, and Figure 3 highlights the negative β value of -0.283 , which means, it has negative influence on the Laissez-faire leadership and employees' performance. The t -value of moderation effect is 3.086 that show significant influence between the relationship of Laissez-faire leadership and employees' performance and has a significant p -value of 0.002. Which accept H6 at ($\beta = -0.283$, $p < 0.05$, $t = 3.086$).

Moderating Effect 1: According to Figure 4, psychological capital positively moderates the relationship between employees' performance and transformational leadership. Thus, Hypothesis H4 is supported.

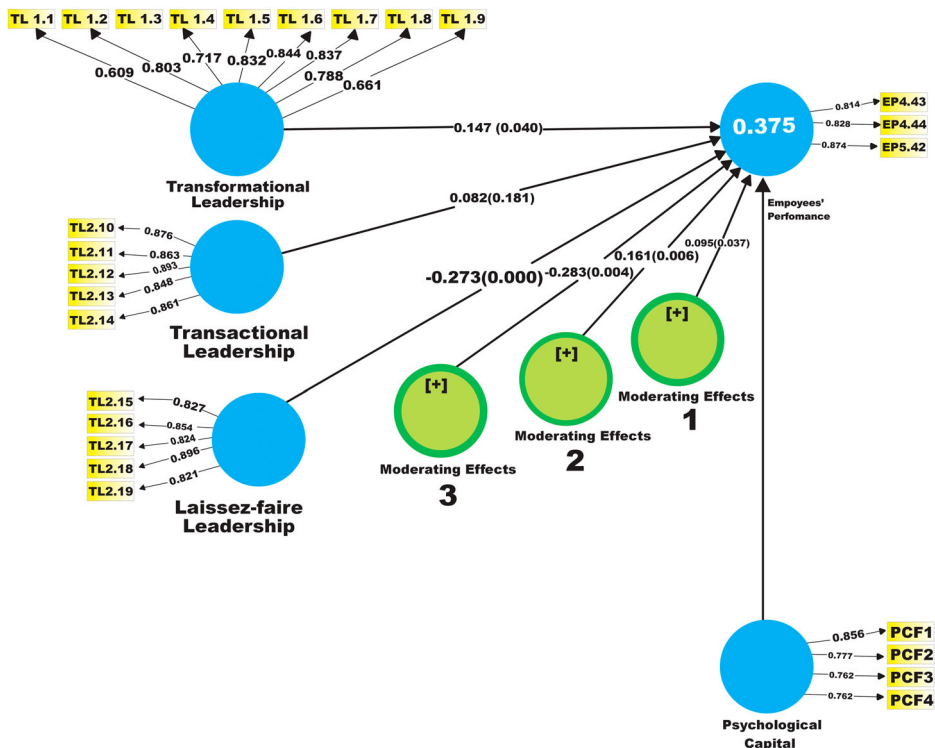


Figure 3. PLS Bootstrapping model with β and P values. Note: TF = transformational leadership; TA = transactional leadership; LF = laissez-faire leadership PCF = psychological capital factor; EP = employees' performance.

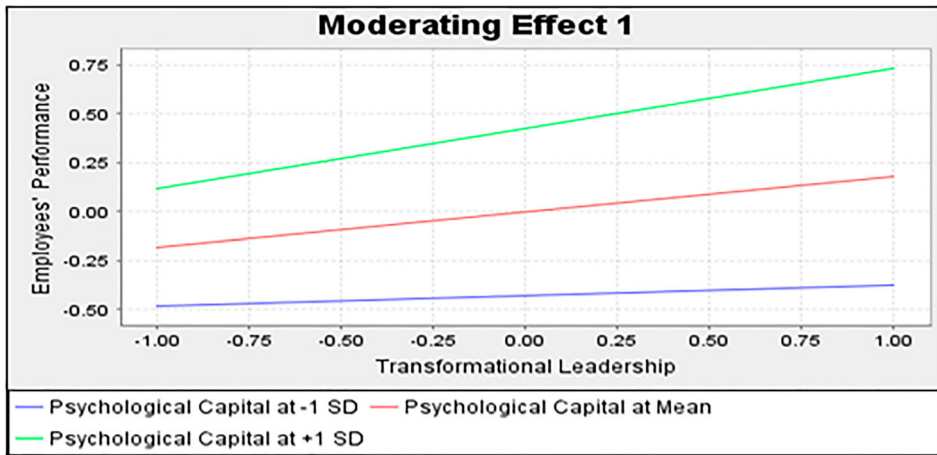


Figure 4. Interaction effect of transformational leadership and psychological capital in predicting employees' performance.

Moderating Effect 2: In Figure 5, psychological capital positively moderates the relationship between employees' performance and transactional leadership. Thus, Hypothesis H5 is supported.

Moderating Effect 3: According to Figure 6, psychological capital negatively moderates the relationship between laissez-faire leadership and employee's performance. Thus, Hypothesis H6 is supported, but psychological capital negatively moderates the relationship between laissez-faire leadership and employee's performance.

Discussion

The findings of the current study aligned with previous studies like Janaki Gooty, Mark Gavin, Paul D. Johnson, (2009) found that there is a positive association between

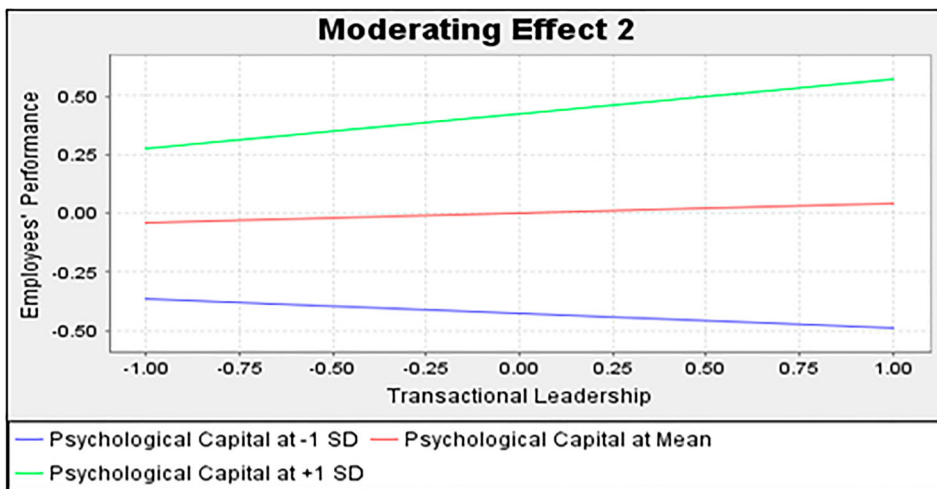


Figure 5. Interaction effect of transactional leadership and psychological capital in predicting employees' performance.

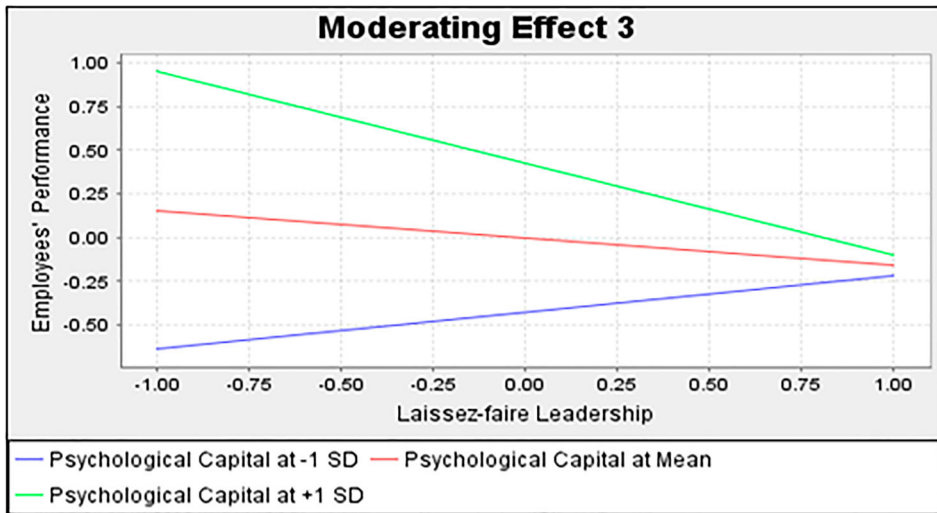


Figure 6. Interaction effect of laissez-faire leadership and psychological capital in predicting employees' performance.

employees' performance and transformational leadership. Some other studies also prove that there is a positive association between employees' performance and transformational leadership (Rothfelder et al., 2012).

According to Avolio and Howell (1993), there is a negative relationship between transformational leadership and employees' performance. Another scholar Rothfelder et al. (2012) also found a negative relationship between laissez-faire leadership and employees' performance. (Goody, Gavin, Johnson, Frazier, & Snow, 2009). According to Avolio and Howell (1993), there is a negative relationship between transactional leadership and employees' performance. Previous studies support that people respond with positive motivation when they are following and working for those leaders, who are seeming as helpful about their employees. Another research showed the negative relationship between laissez-faire leadership and psychological capital (Toor & Ofori, 2010).

According to Dvir and Shamir (2003) individuals would be expected to have more need for growth, who perceives themselves as having greater positive characteristics, such as more responsible, take initiatives, and being independent critical thinkers. Al-Gattan (1985) argue that when followers working with leaders who are more active, will outperform with a higher need for growth as compared to those with a lower need for growth. The findings of the research suggest that employees need for growth moderate the link between leadership and employees performance. Furthermore, the Galatea effect may also suggest additional theoretical basis for expecting significant and positive psychological capital have moderating effect on the relationship between transformational leadership and employees work engagement (Dvir, Eden, Avolio, & Shamir, 2002). Theories on Transformational leadership were drawn heavily on hypothesising the positive relationship between leadership styles and the follower's performance (Bass & Avolio, 1992). Secondly, Transformational leadership style engages the employees in intellectual dialogue as well as develops a sense of trust and confidence among followers. However the Laissez faire leadership fails to develop sense of trust and confidence, and engage the employees in intellectual dialogue. So that the Laissez faire leadership unable to motivate their followers to perform well.

Conclusion

This study found that leadership styles have a strong positive association with the employee's performance through the moderating role of psychological capital. This implies that Transformational and transactional leadership styles are effectual leadership styles for enhancing the employee's performance in textile sector of Pakistan. However, laissez-faire leadership cannot impact on employees' performance as the employees cannot be motivated without managers' support, and guidelines. Organisations with leadership capabilities can use their psychological capital more efficiently, which enhance the employee's performance. As leaders, who demonstrate empowering behaviours through transformational leadership create more positive emotions in followers. The study has shown that transformational and transactional leadership should be implemented at workplace and the organisations should launch training and development programmes. (Barling, Weber, & Kelloway, 1996; Dvir et al., 2002), it is also recommended that endeavours to build follower Positive psychological capital have been supplemented by leadership skills enhancement programme would enhance the employee performance. This examination has important ramifications in the territories where employees have not grown and developed their psychological capital. This examination has given extra evidence that psychological capital is to be sure to open to develop and it has integrated into the organisation.' Human resource management programmes. The consequences of the present study have suggested that transformational leadership can help to expand an employee's innovative behaviour. Hence, the organisation should not just promote transformational leadership or debilitate transactional leadership and Laissez-faire Leadership. But also, should consider the development of psychological capital of their employees. The current study leads to the current knowledge both theoretically and practically. First, from a theoretical standpoint, we broaden the perspective of leadership styles by empirically seeing the moderating role of psychological capital between leadership style and its outcome. The beneficial and moderating role of PsyCap is analysed between leadership styles and employee performance. Second, by applying the leadership styles framework and positive psychological capital concept to the context of labour orientated manufacturing textile industry, which is providing more than 25 million jobs to the people of developing countries.

Human Resource development can increase Psychological Capital via selection and a few specifics forms of training (e.g. building tacit knowledge, using functional work teams). Psychological capital development programme can improve the level of efficacy, hope, optimism, and resilience through proper design of intervention and training programmes, such as helpful feedback, achievable goal, real views, and process of focused strategies are examples of psychological capital development programme (Luthans & Youssef, 2004). With Psychological capital developing programmes, the organisation should need to focus on stimulating the skills of desirable leadership styles of their managers. It has appeared to be most helpful to psychological capital and transformational leadership abilities of followers.

Implication

The current study leads to the current knowledge both theoretically and practically. A First, from a theoretical standpoint, we broaden the perspective of leadership styles by empirically seeing the moderating role of psychological capital between leadership style and its outcome. The beneficial and moderating role of Psychological Capital is analysed between leadership styles and employee performance. Second, by applying the leadership styles framework and positive psychological capital concept to the context of labour

orientated manufacturing textile industry, which is providing more than 25 million jobs to the people of developing countries. Thus, the textile sector of Pakistan the organisations should keenly pay attention towards motivational leadership practices. Employees' requirements and interest should be recognised, and they should assist employees for the development of positive psychological capital, and effective leadership skills, which enables to improve their performance and help the organisation to attain a sustainable competitive advantage.

Limitations and future research

The first limitation of this research is the question of generalizability. This research is directed only in textile sector of Faisalabad, Pakistan. The second limitation is that we used cross-sectional data for interpretation of the results in this study, but longitudinal data will give a clearer picture of the model.

The third limitation is that we used non-probability sampling technique for data collection, but normally, the results of probability sampling will be more valid for generalising the results.

5.4 Social contribution

The social contribution of our study is mainly to improve the welfare of employees. The welfare of employees is possible in that way when an organisation uses an effective leadership style that enhances employees' performance and employees' performance automatically enhances organisational performance. When organisations get high-profit rate, then organisations also work on the welfare of employees. When employees' welfare is increased, they work hard and show loyalty. Furthermore, this study shows that which leadership style is preferable for the purpose to get effective and efficient employees' performance

Disclosure statement

No potential conflict of interest was reported by the authors.

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