



**RESEARCH PAPER**

**The Mediating Role of Psychological Capital in the Relationship between Transformational Leadership and Job Performance**

**Asma Ghulam Muhammad\*<sup>1</sup> Dr. Jahanvash Karim<sup>2</sup> Mr. Safiullah<sup>3</sup>**

1. MS Scholar, Institute of Management Sciences University of Balochistan, Quetta, Balochistan, Pakistan
2. Professor, Institute of Management Sciences, University of Balochistan, Quetta, Balochistan, Pakistan
3. Lecturer, Institute of Management Sciences, University of Balochistan, Quetta, Balochistan, Pakistan

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<b>PAPER INFO</b>	<b>ABSTRACT</b>
<b>Received:</b> February 07, 2022 <b>Accepted:</b> May 29, 2022 <b>Online:</b> May 31, 2022	In leadership research, Psychological Capital is considered an important construct and gained prominence. For both leadership development and job performance of employees' psychological capital is considered as a vital factor. The present study investigated the impact of transformational leadership on job performance with the mediating role of psychological capital in the context of Quetta, Pakistan. The survey was conducted in public and private higher educational institutes of Quetta city. Respondents of the study comprised of teaching faculty and their heads of departments (HOD's). 261 responses were collected, out of which 200 were teachers and 61 were HOD's. Data were analyzed using the SPSS and AMOS. Results of the study showed that transformational leadership has a positive influence on job performance, in addition, psychological capital fully mediates the relationship between transformational leadership and job performance. Thus, this was revealed that transformational leaders with positive attitudes enhance the psychological capacities of their subordinates and employees with higher psychological capital can do more through their positive work behavior to achieve organizational objectives.
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<b>*Corresponding Author</b>  asma.mengal@ yahoo.com	

**Introduction**

Though different styles of leadership exist in literature one of the most applied styles to manage change in organizations is transformational leadership (Sarros & Santora, 2001; Kejriwal & Krishnan, 2004; Indrawati, 2014). Transformational leadership is an influential leadership style that motivates followers to express role and extra-role behaviors (MacKenzie et al., 2001).

Generally, Organizations expand internationally because of today's competitive environment and have to face a lot of hurdles to attain their objectives (Ismail., 2013; Paracha et al., 2012; Alsaeedi & Male, 2013). In this context, the leader has a great role in motivating followers to reach their full strength, grasp and break through the limitation of knowledge (Chathoth & Olsen, 2002; Slater & Narver, 1995; Day et al., 2014). In addition, transformational leadership theory continuously receives the attention of scholars in the context of issues related to the performance of employees and their

commitment (Bass & Bass, 2008). According to Bass and Bass (2008), transformational leadership is termed as a process that is essential to inspire and motivate subordinates that in order to achieve collective goals they must align their interests to the interests of the whole organization. Moreover, organizational citizenship behavior and the performance of employees can be improved through transformational leaders (Buil et al., 2018; Piccolo & Colquitt, 2006). Likewise, some publications relate a form of leadership to the psychological variables of followers (Gooty et al., 2009; McMurray et al., 2010; Rego et al., 2012). Psychological capital is positively experienced and generated by organizational leadership (Newman et al., 2014). Thus, individuals with their own positive psychological capabilities like being helpful, positive, and resilient will surely exhibit transformational leadership styles.

Additionally, the direct impact of transformational leadership on job performance have been identified by many researchers (Geyer, 1998; Dvir et al., 2002; Wang et al., 2005; Bushra et al., 2011; Yang et al., 2011; Grant, 2012; Saleem et al., 2018), while many other researchers viewed the relationship of transformational leadership and job performance with the help of other variables like, self-efficacy (Walumbwa & Hartnell, 2011; Cavazotte, 2013), trust (Gillespie & Mann, 2000; Chou et al., 2013; Zhu & Akhtar., 2014), leader-member exchange (Jiyoti & Bhau, 2015) and identification (Walumbwa & Hartnell, 2011; Cavazotte, 2013; Tse & Chiu, 2014; Buil et al., 2018).

However, further research is required for the occurrence of such effects through specific mechanisms and circumstances under which transformational leaders enhance the job performance of employees (Pan & Lin, 2015; Patiar & Wang, 2016; Holten et al., 2018). That's why what mediates the links between transformational leadership and job performance is still unclear and needs further research. Therefore, to fill this gap, the present study aims at contributing towards the research of examining the indirect effect of transformational leadership on job performance in view of psychological capital. In addition, as an underlying mechanism, this study clarifies the role of psychological capital which might affect the relationship between transformational leadership and job performance.

## **Theoretical Background and Hypothesis**

### **Transformational Leadership**

Transformational leadership refers to an approach by which leaders motivate followers to identify with organizational goals and interests and to perform beyond expectations. Transformational leadership plays a critical role in causing changes necessary for effective management (Buil et al., 2018) As suggested by 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."

Traditionally the concept of leadership was the relationship of economic exchange through which desired behavior was obtained by offering rewards and compensation, whereas new theory about leadership viewed it as it is a process of change and investigate the effects of leaders behavior on the intensive needs, beliefs, and values of the followers (Liu, 2018). Particularly, as leader behaviors Transformational Leadership was described by Bass (1985) that in order to achieve desired objectives followers should be motivated and inspired by enhancing the morality and motivational level in leaders themselves as well as their subordinates. Four types of behaviors showed

by transformational leaders namely, Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration (Bass, 1985, 1990).

However, there are several reasons to enhance the effectiveness of Transformational Leaders, according to Kuhnert and Lewis (1987), transformational leaders have the ability to mold the belief and goals of the followers, and also unity among them be managed by the transformational leader. Conger and Kanungo (1988), stated that vivid representations of a future vision for followers are described by transformational leaders. These leaders can define a reasonable convincing vision. They are probably going to share that vision by their followers by motivating them.

### **Job Performance**

Performance is defined as achieving the goal of organization, fulfilling expectations of organization and attaining objectives or standards of the organizational ability (Mahdinezhad et al., 2017). Thus, job performance is the efficiency of individual employee on various job related behaviours and outcomes comparative to his or her colleague (Babin & Boles, 1998).

Moreover, Jiyoti and Bhau (2015) expressed that, Performance is the result of awareness, talents, abilities and inspiration, such as structured work duties, directed at role-prescribed actions. This represents the fulfilment of the role/task delegated to a single individual/employee. In contrast to the roles allocated to them, it is a framework designed for individual success rather than collective performance.

### **Psychological Capital**

Psychological capital has been defined as “one’s positive appraisal of circumstances and probability for success based on motivated effort and perseverance” (Luthans, Youssef, et al., 2007, p. 550). The possible advantages of positivity have been officially identified by ancient Greek philosophy (e.g., the influence of Pygmalion), so positive thinking offers indicators of what is wrong and right about people’s actions and seeks to restore interpersonal behaviour and improve human resources management. (Luthans, 2002).

Psychological capital describes four essential optimistic psychological growth states, including: (1) self-efficacy-confidence in the capacity to take on difficult challenges and achieve, (2) optimism-positivity for current and potential progress, (3) hope-perseverance in reaching a goal, and (4) resilience-ability to maintain and bounce back when faced with difficulty (Luthans et al., 2007). In other words, psychological capital tests the positive psychology of an individual. In addition, it will improve the administrative social responsibility actions of followers as well as their intent and achievement in individual careers. Psychological capital also reduces the attrition and deviation of followers’ workers (Avey et al., 2011b).

### **Transformational Leadership and Performance**

In enhancing employee job performance, transformational leaders play an imperative function by educating their staff, scheduling meetings with their subordinates, and taking input from their subordinates, resulting in employee efficiency. Followers who work for leaders of change are inspired and dedicated, contributing to better job efficiency (Givens, 2008).

Previous research has identified a strong correlation between transformative leadership and team efficiency, illustrating that transformative leadership activities contribute to employee performance eventually improve an organization's profitability (Saleem et al., 2018; Meng & Wu, 2015; Gul et al., 2012). In addition, meta-analysis of Wang et al. (2011) shown that transformational leadership align favorably with employee performance, indicating that a transformational leader increases employee performance overall. In the light of the above literature, we hypothesize that,

H1: Transformational leadership will positively associate job performance.

### **Transformational Leadership and Psychological Capital**

Findings of Newman et al. (2014) support the belief that Psychological capital is positively experienced and generated by organisational leadership. Rationally, transformational leadership's functionality improve Psychological capital's four right booster framework, including; (i.e. self-efficacy, optimism, hope & resilience). Since the foundation of transformational leadership exhibits strong demonstration capabilities that turn and set visionary targets for others to accomplish positive outcomes (linked to hope & optimism), their capacity to successfully execute obligations (linked to self-efficacy) and show motivated effort and determination in the face of challenges (linked to resilience) (Gooty et al., 2009). The Psychological capital effects of transformational leadership are confirmed by scientific literature. Gooty et al. (2009) observed that transformational leadership expectations are related to Psychological capital followers. Thus, we hypothesize that

H2: Transformational Leadership and psychological capital are positively associated.

### **Psychological Capital and Performance**

In principle, people who are high in Psychological capital perform more successfully than those who are low in Psychological capital to achieve their goals (Newman et al., 2014). Investigation of Luthans, Avolio, et al. (2007), showed that Psychological capital is fully related to an individual's work success, which accounts for higher performance levels and central self-evaluation. Moreover, Peterson et al. (2011) checked using empirical evidence that employee Psychological capital is directly related to supervisor-rated performance and financial performance based on individual revenue figures.

Additionally, the beneficial link between psychological capital and performance is clarified by the fact that when the main viewpoints of motivation, ambition, desire, and resilience combine to determine the psychological capital level of a person, they enable a synergistic agentic ability that is considered essential to the achievement of goals, innovation, progress, and subsequent performance (Stajkovic, 2006). In psychological assets theories, evidence for this integrated agentic potential can be found (Hobfoll, 2002). Thus, we hypothesize that,

H3: Psychological Capital has a positive impact on Job Performance.

### **Psychological Capital as mediator**

Transformational leaders often show their own rich knowledge, give positive input to staff (Luthans et al., 2007) and inspire staff to take matters more positively into account (Gupta & Singh, 2014). Furthermore, it is believed that transformational leaders

persuade subordinates to sustain a constructive outlook and to develop an optimistic attitude as they seek interpersonal experiences with respect to the relationship between transformational leadership and psychological resources. In addition, Transformational leaders can gain the esteem and loyalty of workers by understanding the personal interests of employees and by displaying charisma, and becoming the models for subordinates to learn from and emulate (Jung & Avolio, 2000). Empirical evidence has also shown that Psychological capital is positively correlated to performance and satisfaction of employees (Luthans et al., 2007b), as they imitate the attitudes of their transformational leaders, employees can experience positive feelings which in turn increases their self-efficacy and work (Newman1 et al., 2014). Thus, we hypothesize that,

H4: Psychological Capital mediates the relationship between Transformational leadership and Job performance.

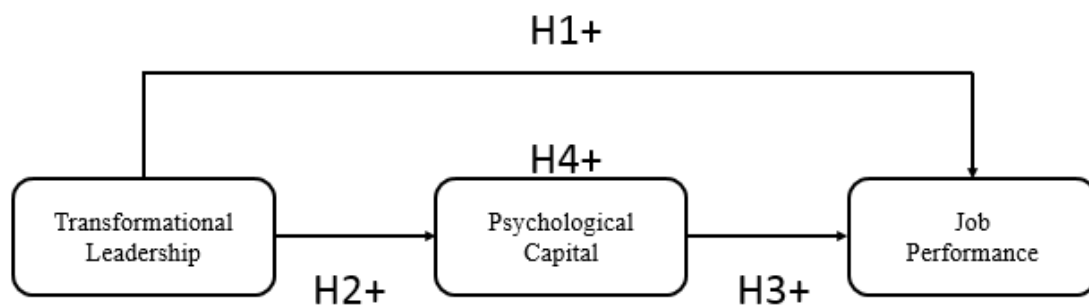


Figure 1: Hypothesized research model

## Material and Methods

### Research Design

This research was quantitative, descriptive, and causal in nature to analyze the relationship between Transformational leadership and job performance with the mediating effect of psychological capital.

### Sample Design

Nonprobability sampling in which convenience sampling technique, the survey method (Questionnaire) was preferred for the collection of data. The population of the study was comprised of teachers and their heads of departments (HOD's) working in the higher education sector in Quetta city (Pakistan). Only those teachers were contacted who voluntarily participated (200) in the study to rate themselves on psychological capital and their HOD's on transformational leadership whereas, their respective heads of departments (61) were contacted to rate the performance of their teachers.

In order to keep the responses confidential questionnaires were coded with the initial letter of their name and department name. The coding of responses assisted in matching the responses of teachers with supervisors' ratings and vice versa.

### Measures

For the sake of uniformity in measuring the variables a seven point Likert Scale has been used in the study. It ranged from (1) strongly disagree to (7) strongly agree. Below are the instruments which were used in measuring the studied variables.

### Transformational Leadership

For measuring transformational leadership, 7 items scale developed by Jensen et al. (2016) have been used. Sample item for transformational leadership was "My HOD / Supervisor/ Boss concretize a clear vision for the organization's future". Cronbach's alpha coefficient is 0.88.

### Psychological Capital

We applied a measure of 15 items scale developed by Gupta and Singh (2014), from the study drawings of Scheier and Carver (1985); Wagnild and Young (1993); Snyder et al. (1996) and Tierney and Farmer (2002). Sample item is "I'm optimistic about my future" with Cronbach's alpha of 0.93.

### Job Performance

Six items scale developed by Kuvaas (2007) was used to measure job performance, sample item was "My subordinate often performs better than what can be expected". Alpha value for this scale is 0.91.

### Data Analysis

For data analysis SPSS V.26 and AMOS v.23 were used. Descriptive statistics, Pearson correlation and Structural Equation Modeling were used among the variables to calculate the data and test the hypotheses. Preacher's and Hayes (2013) PROCESS macro method, model 4 was used to check the relationship between transformational leadership and job performance with the mediating effects of emotional intelligence, psychological capital and values. Bootstrapping analysis technique was used for mediation effects with sampling 5000 bootstraps. 95% confidence interval with lower limit (LL) and upper limit (UP) for the indirect effect do not include 0 is considered significant in mediation.

### Results and Discussion

**Table 1**  
**Descriptive Statistics**

Respondents	Age			Gender		Job Title			
	N	M	S.D	Male	Female	Lecturer	Assistant Professor	Associate Professor	Professor
Followers	200	34.08	6.66	117	83	119	41	26	14
Leaders	61	47.62	7.30	41	20	0	17	3	41

Results of table 1 indicated a total number of respondents in the study which comprised 200 followers (teachers) and 61 leaders (HODs). The average age of followers was 34.08 and the number of leaders was 47.62. Similarly, of the valid respondents, 117 were male and 83 were female followers. Likewise, 41 were male and 20 were female leaders. Furthermore, 135 followers belong to the public sector and 65 were from the private sector. Whereas, 35 leaders were from the public sector and 28 from the private sector. Of the total 200 followers, 119 were lecturers, 41 assistant professors, 26 associate professors, and 14 professors. Likewise, from the total of 61 leaders, 17 were assistant professors, 3 associate professors, and 41 professors.

**Table 2**  
**Correlation Analysis of the Study**

*The Mediating Role of Psychological Capital in the Relationship between Transformational Leadership and Job Performance*

Variables	1	2	3
1 Transformational leadership	1		
2 Psychological capital	.342**	1	
3 Job performance	.488**	.574**	1

\*,  $p < .05$ . \*\*,  $p < .01$

**Confirmatory factor analysis (CFA) of constructs**

To test the model validity, we used confirmatory factor analysis by using AMOS.

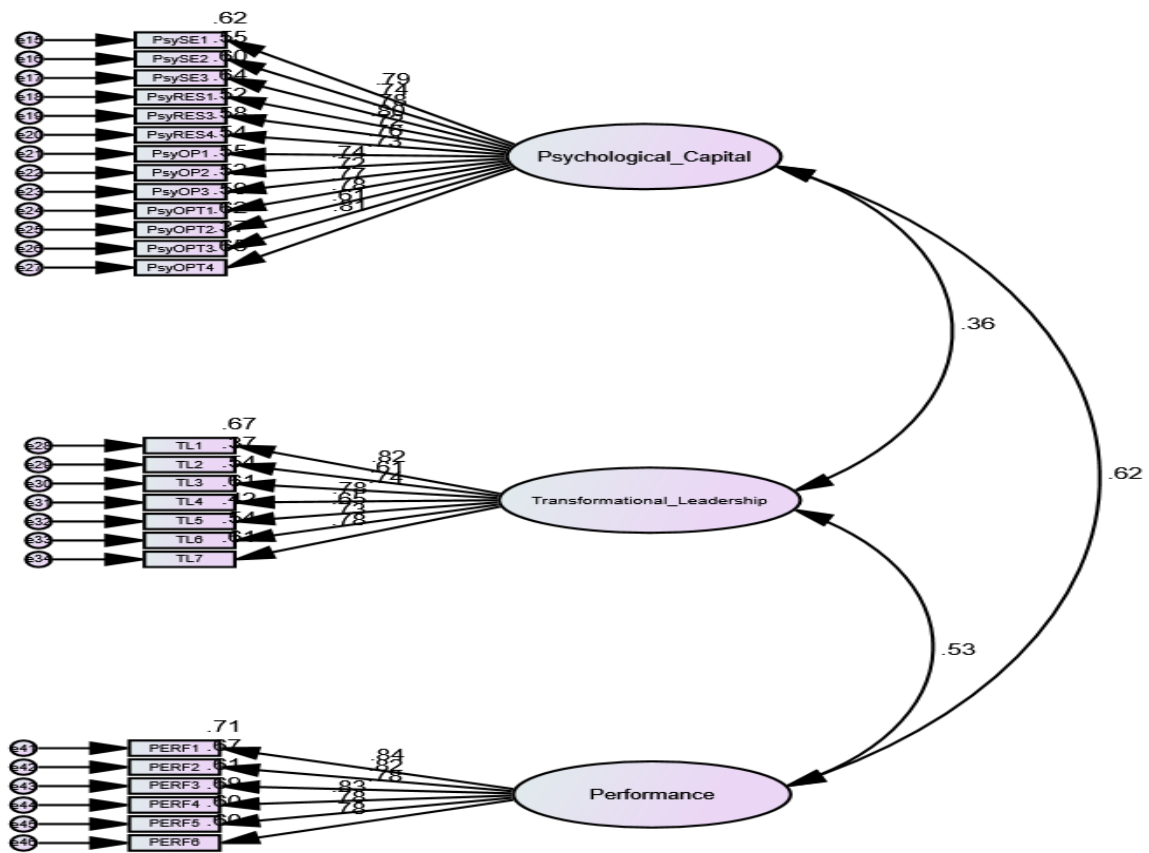


Figure 2. Confirmatory Factor Analysis (CFA)

CFA results related to goodness of fit for measuring model were obtained and values of CMIN/DF. = 1.179; CFI= 0.983; GFI= 0.769; RMSEA= 0.030 and TLI= 0.934 revealed that all values are under the acceptable range so it is a well-fit model.

**Average Variance Extracted (AVE), Composite Reliability (CR) and Correlation**

**Table 4**  
**Average Variance Extracted (AVE), Composite Reliability (CR) and Correlation**

Variables	CR	AVE	1	2	3
1. Psychological Capital	0.944	0.565	<b>0.751</b>		

2.	Transformational Leadership	0.890	0.537	0.364***	<b>0.733</b>	
3.	Job Performance	0.916	0.647	0.616***	0.529***	<b>0.804</b>

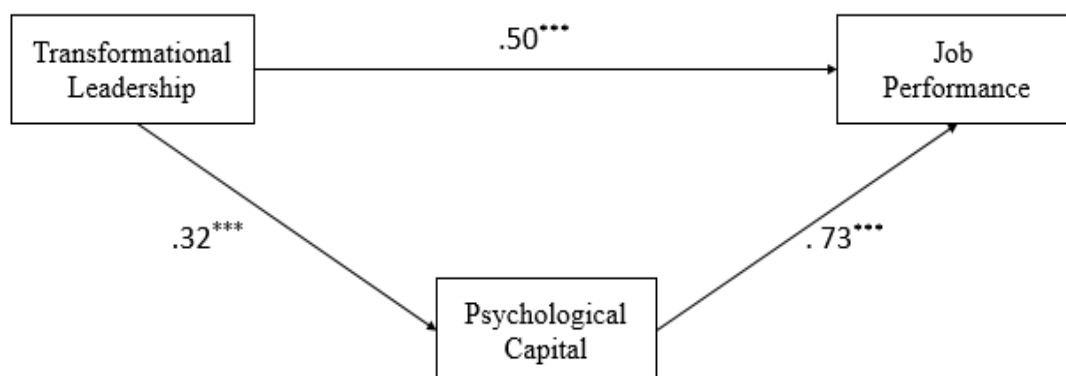
Note. CR. = Composite Reliability; AVE. = Average Variance Extracted; Bold values in table indicates the correlation between the same factors.

Table 4 indicate the average variance extracted (AVE), composite reliability (CR) values and correlation of variables. As shown in the table, values of CR ranged from .89 to .94 which exceeds the threshold of (.6) proposed by Bagozzi and Yi (1988); and also exceeds the limit of (.7) Cronbach's alpha value suggested by Hiar et al. (1998) hence, demonstrated reliability of constructs. In addition, values of AVE were also above the accepted limit of (.5) presented by Hair et al. (1998) shown that convergent validity is achieved because average of all item leadings are greater than (.6),  $p < .01$ . Moreover, table also indicated correlation among variables and shows that square root of AVE is higher for all variables consistent to the correlation between those variables thus, highlighting that discriminant validity is achieved.

### Structural Model

Figure 3: shows the results of model. Coefficients indicate the standardized regression weights.

\* =  $p < 0.050$ ; \*\* =  $p < 0.010$ ; \*\*\* =  $p < 0.001$



### Hypothesis Testing of Constructs

**Table 3**  
Direct Effects

Structural path	Coefficients $\beta$	Standard errors $Se$	t- values	P- values	R	Decision
TL to JP	.5080***	.0882	5.7584	.000	.6528	Supported
TL to PSYCAP	.3292***	.0643	5.1195	.000	.3419	Supported
PSYCAP to JP	.7355***	.0916	8.0262	.000	.6528	Supported

Note. \* =  $p < 0.050$ ; \*\* =  $p < 0.010$ ; \*\*\* =  $p < 0.001$

TL = Transformational Leadership; PSYCAP= Psychological Capital; JP= Job Performance



Results in above table5 indicated the direct effects of hypothesis, values of ( $\beta = .5080, t = 5.75, p < 0.001$ ) confirmed the hypothesis1 and the relationship between transformational leadership and job performance is accepted.

Similarly, hypothesis 2 that transformational leadership predicts psychological capital is accepted. Results of ( $\beta = .32, t = 8.02, p < 0.001$ ) showed that transformational leadership has a significant positive relationship with psychological capital. Likewise, psychological capital is significantly correlated with job performance ( $\beta = .73, t = 3.78, p < 0.001$ ). Therefore, hypothesis 3 is accepted.

**Mediation model (indirect effects)**

**Table 4  
Bootstrapping Indirect Effects**

Structural path	Effect	LL95%CI	UL95%CI
TL to PSYCAP to JP	0.24	.1375	.3701

TL = Transformational Leadership; PSYCAP= Psychological Capital; JP= Job Performance

We adopted bootstrap analysis in examining indirect effects as it is relatively a strong function (Hayes, 2013; Lau & Cheung, 2012), by using Amos with 5000 bootstraps samples for indirect effect analysis, results indicated that indirect effect of transformational leadership on job performance via psychological capital is significant, indirect effect = 0.24, 95%CI = (.1375 to .3701), zero is not present in 95% confidence interval. Thus, results revealed that psychological capital mediates the relationship between transformational leadership and job performance and H4 is accepted.

**Discussion**

The current study investigated the mediating role of psychological capital in the relationship between transformational leadership and job performance. The study aimed at direct impact of transformational leadership on employee job performance, association of transformational leadership with psychological capital, psychological capital's relationship with job performance and mediating role of psychological capital between transformational leadership and job performance.

Results of the study indicated that there is a positive relationship between transformational leadership and job performance which is consistent with the study of (Meng & Wu, 2015; Gul et al., 2012) illustrated that activities of transformative leadership contribute to employee performance ultimately enhance profitability of an organization. From the meta-analysis of (Wang et al., 2011), it is evidenced that transformational leadership enhance employee performance. So, performance of teachers in higher educational institutions will increase with the help of transformational leadership.

Similarly results of hypothesis 2 evidenced that positive relationship exists between transformational leadership and job performance which is also proved from the studies of (Schuckert, M., Kim, T.T., Peak, S., Lee, g., 2018; Gooty et al., 2009). McMurray et al. (2010) pointed that transactional management and transformational leaders improve psychological capital of followers. Ultimately, these results indicated that essence of psychological capital is established by transformational leaders, and the combination of these two variables can highly contribute in higher educational sector.

Likewise, third hypothesis, that psychological capital is positively associated with job performance was also accepted and our results indicated that employees with positive psychological capital are more successful in achieving their work goals. Studies of (Luthans, Avolio, et al., 2007; Luthans, Norman, et al., 2008) showed that high psychological capital employees perform more than those who are low in psychological capital. Hence, performance of teachers in higher educational institutes can be increased with the help of both transformational leadership and psychological capital.

Finally, fourth hypothesis of the study that psychological capital mediates the relationship between transformational leadership and job performance was also accepted and findings of the study showed that as the psychological capital of followers' grows, the psychological capital of leaders' is closely associated to the performance of their employees. In addition, transformational leaders allow workers to articulate their priorities and direction by presenting a desirable vision for the organisation, to understand the importance and significance of their jobs, which in turn excites their work passion and strengthens their optimism for the future (Helland & Winston, 2005; Yukl, 2002).

### **Theoretical and Practical Implications**

Current study establishes various contributions to the academic literature and leadership practice. This study contributes in existing literature of leadership by investigating the mediating role of psychological capital in relationship between transformational leadership and job performance responding to the previous studies (Pan & Lin, 2015; Patiar & Wang, 2016; Buil et al., 2018; Holten et al., 2018). Second, most of the studies on transformational leadership were conducted on western countries. Particularly, in context of Pakistan, previous research on transformational leadership and job performance was conducted by (e.g., Saleem et al., 2018) in banking sector. However, current study examines the mediating effect of psychological capital between transformational leadership and job performance in higher educational sector of Quetta, (Pakistan) so this research will provide useful and valuable insights in the literature of transformational leadership.

Practically, this study would help organizational leaders in many ways, leaders should meet individually with employees to assess their motivational level, behaviors, and possible tools to be shared, as well as develop reciprocal position requirements. They should offer coaching and mentoring in order to drive them up the learning ladder which result in improved levels of engagement, optimism, enthusiasm, happiness, hope and success. In addition, participatory decision-making should be facilitated, and leaders should foster an open environment in the workplace so that everyone can participate in debates, and a positive environment encourages subordinates to work together to achieve organizational objectives.

### **Conclusion**

Main objective of the study was to investigate the mediating effect of psychological capital in the relationship between transformational leadership and job performance. The study was conducted in small city of Quetta, Balochistan. In this study we analyzed how Transformational leadership influence job performance in educational sector. Results proved that HOD's with transformational leadership behaviors tend to enhance performance of their subordinates. Additionally, both transformational leadership and psychological capital behavior have greater influence on follower's

performance. This study fills a gap in the transformational leadership literature especially in context of Pakistan. Likewise, the study provides suggestions to educational sectors that HODs should strive to foster positive relationships with their colleagues, which will allow them to feel happier, do more, and contribute to the success of their organization. Furthermore, study indicated for future researches to apply other leadership styles on educational sector.

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