

HOW LEADERSHIP BECOMES PERFORMANCE: THE MEDIATING ROLE OF HUMAN RESOURCE FLEXIBILITY PRACTICES

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Abstract

The current research investigated the relationships of leadership, human resource flexibility practices, and firm performance. It examined the leadership influencing firm performance, leadership influencing HR practices flexibility, and HR practices flexibility influencing performance of firm. It further explained the human resource practices flexibility mediation role in leadership and firm performance. To meet the research aims, a quantitative research approach was adopted. The sample had been students doing jobs and studying in three universities in south Punjab region. Data collected from 150 respondents, out of which 99 respondents duly filled the questionnaires during survey. The software SmartPLS 4 used for data analysis. The data analyzed through descriptive statistics, measurement model, and structural model. The demographics show that there had been more male respondent approximately 55.6 %, age group 18-24 approximately 60.6 %, and enrolled in Bachelor study program 40.4 %. The measurement model show that factor loading > 0.7, AVE > 0.5 confirmed discriminant validity. Similarly, cronbach's alpha and composite reliability values > 0.7, confirmed reliability of constructs. The structural model confirmed that all the paths found significant. The results show that leadership directly and positively impact HR flexibility practices and does not directly impact firm Performance. Whereas, leadership indirectly impacts firm performance through human resource flexibility practices. By elucidating these complex dynamics, this paper offers deep understanding for scholars, practitioners and organizational leaders pursuing to enhance their understanding of how effective leadership can drive organizational agility and success in today's dynamic business environment.

INTRODUCTION

Firm performance has been of critical importance for businesses all around the world (Andrews et al., 2025). Most of the firms use firm performance as a criterion to gauge their progress (Agazu et al., 2025). It provides a standard to compare with and help in attainment of firm goals (Zhang et al., 2025). Employees of organizations collectively put effort to

enhance firm performance (Henttonen, 2025). There have been many financial aspects forming firm financial performance including returns on investment, cash inflow, profit, liquidity, efficiency and leverage (Ansari, 2020). Similarly non-financial factors like long term success, sustainability, competitive advantage, and goodwill of the

organization compose firm performance (Abdullahi et al., 2021). Firm financial and non-financial performance usually measured through leadership (Agazu et al., 2025; Nakra & Kashyap, 2025), Human resource practices (Bhattacharya et al., 2005; Eng et al., 2025; Giampaoli et al., 2025; Ketkar & Sett, 2009; Way et al., 2018; Xiu et al., 2017), marketing efforts (Alqahtani et al., 2025; Jung & Shegai, 2023; Mu & Zhang, 2025), innovation culture (Li et al., 2025) and so on.

Leadership has played an important role in enhancement of firm performance (Nakra & Kashyap, 2025). Moreover, both transformational and transactional types of leadership increase firm performance (Gündüz Çekmecelioğlu et al., 2025). Similarly, the human resource flexibility practices have been playing important role between leadership and firm performance (Nakra & Kashyap, 2025; Pahi et al., 2024; Way et al., 2018). Human resource practices flexibility like skill flexibility (Bhattacharya et al., 2005), behavior flexibility (Kazmi & Bagram, 2025), and HR flexibility practices (Bhattacharya et al., 2005) bridge between leadership and firm performance.

Most of the previous work (Ketkar & Sett, 2009; Pahi et al., 2024; Xiu et al., 2017) leadership moderation between HR flexibility practices and firm performance. None of the previous research (Kazmi & Bagram, 2025; Nakra & Kashyap, 2025; Zhao et al., 2025) has explored the direct influence of leadership on firm performance and indirect influence of leadership on firm performance through HR flexibility practices. Nakra and Kashyap (2025) and Siraj et al. (2022) recommended filling this gap to further explore the HR practices playing role between leadership and performance of employees and organizations.

Literature Review

The firms' performance and their betterment has been a key issue in organizations all around the world (Kayani et al., 2024; Zhang et al., 2025). Firms all across the globe focus on firm performance (Charles & Ochieng, 2023; Inthavong et al., 2023) to increase competitive advantage, good reputation, efficiency, and profit. Firm performance could be measured in terms of financial and non-financial benefits to the firms (Abdullahi et al., 2021). There

have been various antecedents of firm performance especially leadership (Nakra & Kashyap, 2025) and HR practices flexibility (Ketkar & Sett, 2009; Way et al., 2018) explained below,

Firm Performance

The firm performance has been under discussion from various perspectives (Sun & Abdullahi Usman, 2025). Different scholars have gauged firm performance in different ways. Some have measured firm performance through financial aspects and others have measured through non-financial aspects (Afshar & Shah, 2025; Sun & Abdullahi Usman, 2025). Firm performance measured through financial indicators like return on investment, return on equity, turnover ratios and others (Bahhouth et al., 2014; Kayani et al., 2024). However, non-financial performance being measured through marketing, operations, supply chain, and human resource management indicators (Abdullahi et al., 2021; Kotane & Kuzmina-Merlino, 2011). The most important and most affective factor affecting firm performance has been human resource practices (Ketkar & Sett, 2009; Kotane & Kuzmina-Merlino, 2011; Lim et al., 2025).

Human Resource Practices Flexibility

The more the human resource practices become flexible, the more have been firm performance (Fabling & Grimes, 2007). Various authors have been of the view human resource flexibility practices comprise of skill flexibility, behavior flexibility, and human resource practices flexibility (Ketkar & Sett, 2009; Xiu et al., 2017).

Skill flexibility

Skill flexibility refers to vastness in skills and knowledge of workers as per requirements of the changing environment (Ketkar & Sett, 2009). The skill flexibility developed either through providing training to existing employees to cope with change in work, or through hiring new employees having vast number of working skills (Bhattacharya et al., 2005; Eng et al., 2025). Such vastness in skills with variations in their level and types of skills brings about improvement in firm performance.

Behavior flexibility

Behavior flexibility refers to change in actions of employees in varying circumstances to achieve organizational goals (M. Z. Islam et al., 2025). Lack of behavior flexibility may cause rigidity and inclination to traditional approaches of solving an organizational problem, whereas, behaviorally flexible employees welcome and acknowledge the new situations and handle them with new actions (Giampaoli et al., 2025). Usually standard operating procedures found to be a key ingredient of rigid behavior while behavior flexibility has been the criteria of employees facing the challenging situations to get along the completion in the market (Bhattacharya et al., 2005). Such behavioral flexibility brings about benefits to the firm in terms of better firm performance (Xiu et al., 2017), strong competitive position (Beltrán-Martín & Roca-Puig, 2013), and ultimately financial growth of the firm (Ketkar & Sett, 2009; Way et al., 2018).

Human resource practices flexibility

Human resource practice flexibility refers to the convenience with which employees could be assigned new tasks without their resistance (Bhattacharya et al., 2005; Way et al., 2018). Various factors contribute to HR flexibility practices like Training, empowerment, communication, and participation of employees (Bamel & Stokes, 2016). Human resource practices flexibility could not be achieved without the influence of leadership.

Leadership

Leadership in organizations and firms in terms of chief executive officers, managers and supervisors provide motivation and encouragement to human resource to master various skills through training and development program, take action according to situation, and utilize HR practice flexibility to cope up with emerging trends in business and its strategic moves (Ketkar & Sett, 2009; Pahi et al., 2024; Xiu et al., 2017). Such a leadership help pave the way for flexibility in HR practices to increase firm performance.

Leadership refers (Silva, 2016) to “A process of interactive influence that occurs when, in a given context, some people accept someone as their leader to achieve common goals”. It states that leadership

has three aspects when people or group of people accepts a person as their leader in a specific context to achieve shared objectives. Similarly, Drucker (1996) stated that only a person who has followers could be known as leader. It states the only thing to consider regarding leadership having followers of leader. Furthermore, the leadership consists of a leader, the lead being followers, and the context collectively form a construct of leadership (Silva, 2016). Moreover leadership in organizations refers to the leader, the people, and the problem context. Moreover, Bass’s 1985 famous model of leadership differentiates between transformational leadership and transactional leadership (Dabie & Asare, 2025). Transformational leadership motivates, encourage, show charisma, and change the state of the people through dialogue and communication. Whereas transactional leadership focuses upon the rewards and benefits offered in exchange for following the leader. Both these approaches form a leader in organizations (Jian & Fairhurst, 2017).

Conceptual Framework

The leadership and firm performance have been linked. Similarly, leadership impacts HR flexibility practices. HR flexibility impacts firm performance. Such relationships between firm performance and its antecedents leadership and HR flexibility practices explained as,

Relationship of Leadership and firm performance

Leadership plays a pivotal role in improvement of firm performance (Gündüz Çekmecelioğlu et al., 2025). Firm performance evolves with the help and support of leadership styles such as transformational and transactional (Dabie & Asare, 2025). Transformational leadership improves firm performance through transformation of employees’ minds. Leadership improvises, motivates, encourage, show charisma, and change the state of mind of the people through dialogue and communication. Transformational leadership positively impacts firm performance like development pf subordinates’ perception of effectiveness and performance of leader along increase in sales, and profit (Agazu et al., 2025). Whereas, transactional leadership involves structured rewards and penalties to employees (Nababan & Rinova, 2025), also influences firm

performance factors such as efficiency and consistency (M. N. Islam et al., 2025). Therefore it may be hypothesized that,

H₁: Leadership positively and significantly impacts the firm performance.

Relationship of Leadership and HR flexibility practices

Leadership influenced HR practices flexibility (Gündüz Çekmecelioğlu et al., 2025). Without the strategic will of leadership, the true purpose of HR practices flexibility could not be achieved (Beltrán-Martín & Roca-Puig, 2013; Bhattacharya et al., 2005; Xiu et al., 2017). HR flexibility practices includes skill, behavior, and HR practices flexibilities instilled in transformational and transactional leadership (M. Z. Islam et al., 2025). Transformational leadership motivates employees to do new tasks with agility, while transactional leadership focuses upon rewards to employees for smoothly working in varying tasks and job rotations without resistance to changing work and task environment assigned to them by leadership (Gündüz Çekmecelioğlu et al., 2025; Nababan & Rinova, 2025; Siraj et al., 2022). Top administration's obligation to establishing a comprehensive environment is appeared in comprehensive practices that empower worker commitments (P. C. Susanto et al., 2023; X. M. Susanto & Priyowidodo, 2025). It may be hypothesized that,

H₂: Leadership positively and significantly impacts HR flexibility practices.

Relationship of HR flexibility practices and firm performance

HR flexibility practices influence firm performance. HR flexibility practices in terms of skill, behaviour, and HR practices flexibilities shape the employee task performance, commitment, goal attainment. It results into firm financial benefits as higher profit and non-financial benefits as increased efficiency, better reputation and higher productivity. Similarly, HRM rehearses help a firm in creating and creating representatives as those remarkable resources who, thusly, can demonstrate pertinent to the achievement and long-haul endurance of the organization (Gahlawat & Kundu, 2019). It may be hypothesized that,

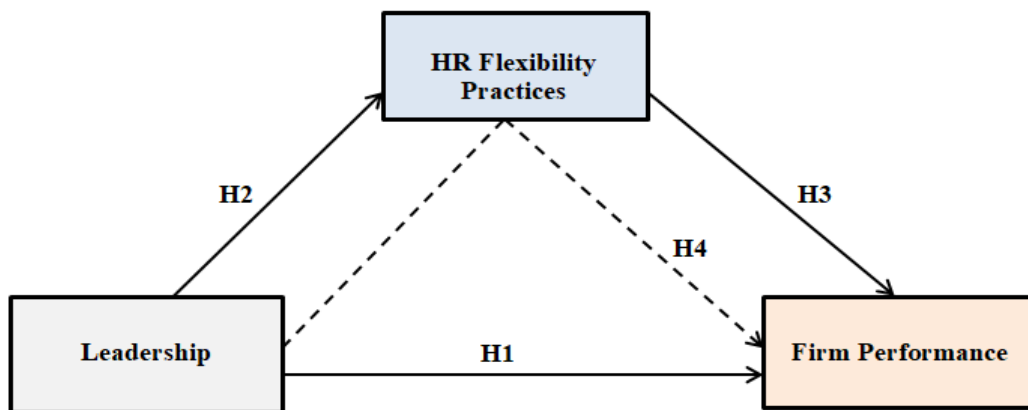
H₃: Human resource flexibility practice positively affects the firm performance.

Role of HR Flexibility Practices between Leadership and Firm Performance

Similarly, the HR flexibility practices mediate between leadership and firm performance (M. Z. Islam et al., 2025; Nakra & Kashyap, 2025; Pahi et al., 2024). Leadership impacts HR flexibility practices and in turn HR flexibility practices impact firm performance. So, it may be hypothesized that,

H₄: Human resource flexibility practices mediate between leadership and firm performance.

Figure 1
Framework: A deep insight into leadership, HR flexibility practices, and firm performance



Methodology

The current research used quantitative research methodology and quantitative research design (Kumar & Praveenakumar, 2025) to answer the research question, what could be the impact of leadership directly and indirectly through HR flexibility practices on firm performance. The population was the total number of enrolled students in universities of South Punjab region in Pakistan doing jobs in various firms. The simple random sampling technique used to collect data from students of various universities in South Punjab region of Pakistan including University of Education Lahore Multan Campus, Bahauddin Zakariya University Multan, and Islamia University Bahawalpur. The cross sectional data collected (Sekaran, 2016) from 150 respondents through questionnaires using survey method (Saunders, 2011). The data analysis explains descriptive

statistics, measurement model and structural model using partial least squares based structural equation modeling (PLS SEM) technique (Guenther et al., 2023; Hair et al., 2011). SmartPLS 4 software used for structural model estimations using Bootstrapping technique which uses reiterations approach by developing 5000 sub samples for normalization of data (Cheah et al., 2024; Ringle, C. M., Wende, S., and Becker, J.-M., 2024). Leadership measured through scale of Bass and Avolio (1996), HR flexibility practices measured through scale of Way et al. (2012). The firm performance measured through scale of Huselid (1995) (adapted to perceptual items) and Santos and Brito (2012). Moreover, five point likert scale (1 strongly disagree to 5 strongly agree) used to measure the responses. Various constructs, their items, and references given below in table 1.

Table 1
Constructs measurement items/scales

Construct	Items	Reference
Leadership	<ol style="list-style-type: none"> 1. My leader inspires others with a clear vision of the future. 2. My leader encourages innovative thinking. 3. My leader provides guidance to achieve organizational goals. 4. My leader recognizes achievements and contributions. 5. My leader communicates expectations clearly. 6. My leader supports employee development. 7. My leader demonstrates ethical behavior. 8. My leader motivates employees to perform beyond expectations. 	(Bass & Avolio, 1996)
HR Flexibility Practices	<ol style="list-style-type: none"> 1. Our HR policies allow employees to adjust work responsibilities when needed. 2. Employees are trained to perform multiple tasks. 3. Our workforce can adapt quickly to changing business needs. 4. Job roles are flexible to accommodate business demands. 5. Our HR system supports skill development for changing requirements. 	(Way et al., 2012)
Firm Performance	<ol style="list-style-type: none"> 1. Our organization outperforms competitors in profitability. 2. Sales growth has been satisfactory in recent years. 3. Our firm meets financial targets consistently. 4. Customer satisfaction has improved over the last year. 5. Operational efficiency is high compared to competitors. 6. Our firm is innovative in products/services. 7. Employee productivity is above industry standards. 8. Market share has increased steadily. 9. Organizational growth is satisfactory. 10. Our firm maintains a competitive advantage. 	Huselid (1995) (adapted to perceptual items); Santos and Brito (2012)

Data Analysis

Data screening

The research questionnaire has been distributed among 150 students of three universities studying in different departments and doing jobs. Total 99 duly filled questionnaires received generating response rate of 66 % found suitable for further data analysis (Hair et al., 2019).

Table 2 shows the female dominance as most of responses received from female (55.6% female and 44.4% male). Further, most of the respondents were between 18-24 years age group. Table 2 demonstrates demographic profile of respondents in detail. Moreover, most of the students were enrolled in Bachelor degree program in their relevant universities.

Table 2

Demographics profile

Variables	Category	Frequency	Percentage (%)
Gender	Male	55	55.6
	Female	44	44.4
Age	18-24	60	60.6
	25-34	22	22.2
	35-44	17	17.2
Education	Master	20	20.2
	Bachelor	40	40.4
	Intermediate	20	20.2
	Other	19	19.2

Measurement model

Convergent Validity and Reliability

Table 3 shows the validity and reliability of data. The value of Cronbach’s Alpha lies in the range between 0.909-0.931 and is more than 0.7. Composite

reliability of all the variables is more than 0.7 and lie in between 0.932-0.944. The Average Variance Extracted of all the constructs is lie between 0.606-0.732 and is more than 0.5.

Table 3

Measurement Model

Model Construct	Measurement Items	Loadings value before deleting indicators	Loadings value after deleting indicators	Cronbach’s Alpha	CR	AVE
Firm Performance	FP1	0.037	-	0.920	0.932	0.606
	FP2	0.716	0.724			
	FP3	0.801	0.807			
	FP4	0.741	0.738			
	FP5	0.862	0.867			
	FP6	0.736	0.742			
	FP7	0.701	0.702			
	FP8	0.815	0.821			
	FP9	0.864	0.861			
	FP10	0.727	0.725			
Leadership	LDR1	0.155	-	0.931	0.944	0.708
	LDR2	0.833	0.833			
	LDR3	0.842	0.844			
	LDR4	0.835	0.834			
	LDR5	0.869	0.870			
	LDR6	0.813	0.812			
	LDR7	0.837	0.837			
	LDR8	0.857	0.858			
HR Flexibility Practices	HRF1	0.873	0.873	0.909	0.932	0.732
	HRF2	0.824	0.824			
	HRF3	0.865	0.864			
	HRF4	0.845	0.845			
	HRF5	0.872	0.872			

Discriminant Validity

Discriminant Validity described as level of indicators and their construct found differentiated than that of others (Hair et al., 2019). It verifies whether or not the indicators of the construct measuring the other construct. Table 4 shows that the uppers values of the constructs are greater than 0.7 and higher than other lower values. Upper values lie in the range between 0.856-0.779 and clearly support the analysis.

	FP	HRF	LDR
FP	0.779		
HRF	0.234	0.856	
LDR	0.182	0.890	0.841

Structural Model

PLS-SEM Path Analysis

Figure 1 represents the indicators loading on their respective latent constructs. PLS-SEM used to measure the inner-model. The result shows, keeping other things constant, if there is 1 unit increase in leadership it decreases firm performance by -0.126 units. Similarly, by keeping other things constant, if

there is 1 unit increase in leadership it increases HR flexibility practices by 0.890 units. Furthermore, if other things remain constant, than 1 unit increase in HR flexibility practices increases the firm performance by 0.346 units. Moreover, indirect path from Leadership to firm performance through HR flexibility practices shows full mediation.

Figure 2
PLS-SEM path analysis results

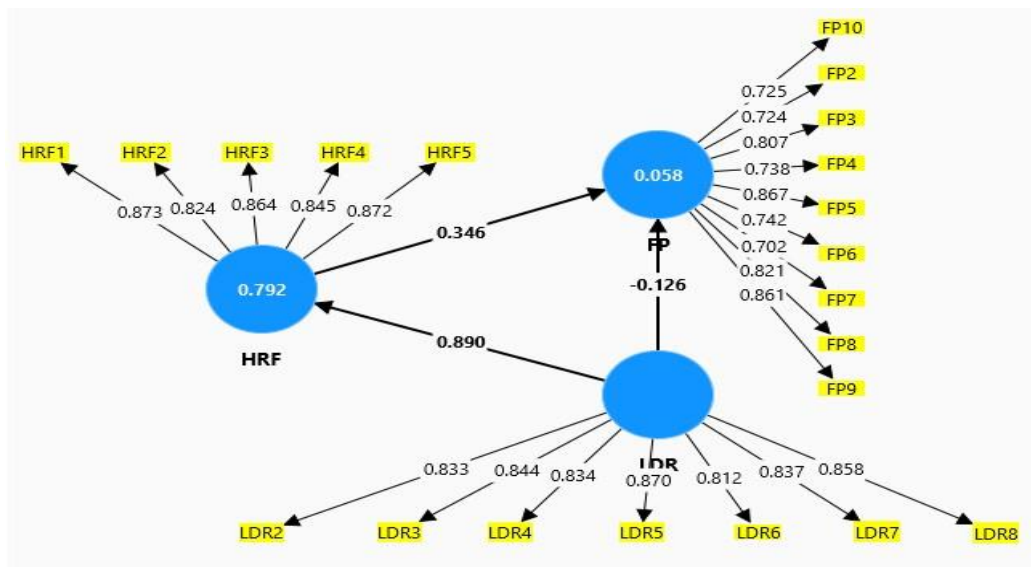


Table 5 represents the path coefficients and p values whether the paths found to be significant or insignificant and support the hypotheses or not respectively. It was found that the relationship from leadership to firm performance found to positive and significant ($\beta= 0.182$, $P\text{-value}=0.000$, total effect) before mediation. The first hypothesis H_1 accepted (Direct Path). Whereas, leadership positively and significantly impacts on HR flexibility practices ($\beta=0.890$, $P\text{-value}=0.000$). The second hypothesis H_2 accepted. It indicates that HR flexibility practices

positively and significantly impact on firm performance ($\beta=0.346$, $P\text{-value}=0.002$). Therefore, the hypotheses H_3 accepted. Finally, HR flexibility practices mediate between leadership and firm performance ($\beta=0.308$, $P\text{-value}=0.000$) along the relationship from leadership to firm performance found to be negative and insignificant ($\beta= -0.126$, $P\text{-value}=0.681$) after mediation so it shows full mediation of indirect path. Therefore, the hypothesis H_4 accepted.

Table 5
Hypothesis testing and path coefficients

Hypotheses	(β)	P value	Supported
LDR \rightarrow FP (H_1)	0.182	0.000	Yes
LDR \rightarrow HRF (H_2)	0.890	0.000	Yes
HRF \rightarrow FP (H_3)	0.346	0.002	Yes
LDR \rightarrow HRF \rightarrow FP	0.308	0.000	Yes (Full mediation)
LDR \rightarrow FP (H_4)	-0.126	0.681	No

Discussion

The current research found that leadership positively impacts firm performance. Leadership through transformational and transactional approaches positively influences firm performance. Firm performance like financial and perceived non-financial performance gets influence from leadership. Organizational chief executive officers, general managers, departmental heads, and supervisors help in the improvement of firm performance to achieve competitive advantage, market share, return on investment, revenue growth, customer satisfaction, loyalty, and employee productivity.

Most of the previous work (Ketkar & Sett, 2009; Pahi et al., 2024; Xiu et al., 2017) has been on the moderation of leadership in HR flexibility practices and firm performance. None of the previous research (Kazmi & Bagram, 2025; Nakra & Kashyap, 2025; Zhao et al., 2025) explored positive influence of leadership on firm performance and influence of leadership on firm performance through HR flexibility practices. Nakra and Kashyap (2025) and Siraj et al. (2022) recommended filling this gap to further explore the HR practices playing role between leadership and firm performance. The current research fulfilled the research gap in terms of

mediation of HR flexibility practices between leadership and firm performance as recommended. Moreover, the combination of transformational and transactional leadership motivates human resource (employees) to practice flexibility in their skills, behavior, and HR practices to achieve intents of an organization. It helps and encourages human resource to grasp new and innovative skills to cope up with day to requirements. Such a leadership initiates modification of employee behavior up to required professional behavior to handle emerging situations, challenges and dynamic business demands.

The direct effect of leadership on firm performance occurred alone as well as through HR flexible practices. It explains that leadership directly and indirectly influencing firm performance has been an independent relationship as well as contingent on the HR flexibility practices. Unless, the employees express flexibility in learning and employing hard and soft skills to emerging situations, firm performance could not improve. Similarly, better behavior practices on the job, increases firm performance. Furthermore, the current research measured leadership through multifactor leadership questionnaire of Bass and Avolio (1996), HR flexibility practices scale of Way et al. (2012) and the

firm performance measured through scale of Huselid (1995) (adapted to perceptual items) and Santos and Brito (2012). It brings generalizability and rigor in current research through applying reliable and valid scales. Moreover, five point Likert scale (1 strongly disagree to ... 5 strongly agree) helped in generating stable data to be used in PLS SEM.

The results revealed that impact of leadership on firm performance has been significant and also becomes insignificant in presence of HR flexibility practices. Therefore, current research results representing full mediation of HR flexibility practices between leadership and firm performance. Such findings emphasize that in order to achieve organizational financial and non-financial goals, HR flexibility practices has been very necessary. Moreover, HR practices have not only been an operational level approach but a strategic tool of leadership to leverage firm performance and competitiveness.

Theoretical and practical implications

The current research provided a robust model which helped and supported in generalization of HR practices role between leadership and firm performance. The HR flexibility practices transform and transcend leadership goals into firm competitiveness. Moreover, the perceptual measurement of firm performance in context of and incorporating financial and non-financial performance of firm, brought rigor and robustness in current research. Similarly, it helped in measuring financial aspects in conditions where objective data would have been difficult to trace and use. Therefore, perceived financial and perceived non-financial performances of a firm expand the theoretical scope of current research. Practical implications include that organizations should invest upon and encourage HR flexibility practices like cross training, job rotations, innovative culture, conducive work environment, and adaptable job roles, to enhance leadership effectiveness to build, maintain, and sustain competitive advantage over other firms.

Limitations and future studies

The study has been limited to students doing jobs in south Punjab region. To bring rigor in current

research, future study may be conducted in other regions of Pakistan. Similarly, the current research used cross sectional data due to time limitations, future research may use longitudinal data to get more valid and reliable results. Future research may compare and contrast transformational and transactional leadership styles impacting firm performance through HR flexibility practices.

Conclusion

The current research examined and validated the HR flexibility practices between leadership and firm performance. All the objectives of current research achieved successfully. The study aimed at finding the influence of leadership on firm performance directly and through HR flexibility practices indirectly. All the four hypotheses accepted and provided a robust model through which leadership either transformational or/and transactional improvise and achieve firm financial and non-financial goals through HR flexibility practices as skill, behavior and practices flexibility. Finally, the research provided a theoretical contribution as it envisaged perceptual subjective measures of both financial and non-financial firm performance.

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