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Relationship Between Leadership and Employee Motivation: An Empirical Analysis of Leadership Styles and Their Impact on Employee Performance

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Abstract: This study investigates the empirical relationship between leadership styles, employee motivation, and subsequent employee performance within contemporary organizational frameworks. Utilizing a quantitative research design rooted in a positivist philosophy, data were gathered from 384 full-time corporate employees across diverse sectors using a standardized, self-administered questionnaire. Structural equation modeling and multiple regression analysis were employed via statistical software to evaluate the hypothesized relationships. The findings demonstrate that transformational leadership exerts the most substantial positive impact on both intrinsic motivation and overall employee performance. Transactional leadership shows a moderate, statistically significant positive relationship with performance, primarily mediated by extrinsic motivation, while servant leadership strongly fosters psychological empowerment and intrinsic drive. The empirical results confirm that employee motivation acts as a critical mediating variable through which leadership behaviors translate into enhanced operational performance. This paper contributes to organizational behavior literature by providing a comprehensive, comparative analysis of three dominant leadership paradigms within a single conceptual framework, offering actionable insights for human resource practitioners and executive leadership aimed at optimizing organizational efficacy.

Keywords: Transformational Leadership, Transactional Leadership, Servant Leadership, Employee Motivation, Employee Performance, Structural Equation Modeling.

Citation: Saydullayevich, M. K. Relationship Between Leadership and Employee Motivation: An Empirical Analysis of Leadership Styles and Their Impact on Employee Performance. Central Asian Journal of Theoretical and Applied Science 2026, 7(3), 305-310

Received: 10th Mar 2026
Revised: 21st Apr 2026
Accepted: 08th May 2026
Published: 20th June 2026



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1. Introduction

Background of the Study

In an increasingly volatile, uncertain, complex, and ambiguous (VUCA) global economic environment, organizations are continuously forced to optimize their internal capabilities to maintain competitive advantages. Among the various determinants of organizational success, human capital remains the most critical asset. The mechanisms through which organizations direct, inspire, and sustain human effort are inherently tied to the quality of leadership. Leadership is not merely a position of authority but a dynamic process of influence that aligns individual aspirations with strategic organizational objectives. Concurrently, employee performance serves as the ultimate metric of operational success, reflecting the efficiency, quality, and innovation generated by the workforce [1].

Historically, the connection between how a leader leads and how a subordinate performs has been recognized as a cornerstone of organizational psychology. However, this relationship is rarely direct or simplistic. It is mediated by the internal psychological states of employees, chief among which is motivation. Motivation acts as the catalytic

engine that converts latent human potential into manifest performance. Understanding how distinct leadership behaviors—specifically transformational, transactional, and servant leadership styles—interact with different motivational dimensions is paramount for contemporary enterprises seeking to navigate shifting workforce demographics and evolving workplace expectations [2].

Despite voluminous literature on leadership and motivation individually, contemporary organizations still face persistent challenges in diagnosing why specific leadership interventions fail to yield expected performance outcomes. Many firms suffer from low engagement, high turnover intentions, and stagnant productivity because leadership practices are misaligned with the motivational profile of the modern workforce.

Furthermore, much of the existing research treats leadership as a monolithic construct or isolates a single leadership style without conducting a comparative empirical analysis against competing paradigms within the same organizational context. This creates an empirical ambiguity: organizational leaders lack clear, data-driven guidance on which specific leadership behaviors optimize particular types of motivation (intrinsic versus extrinsic) to drive quantifiable performance metrics. This study addresses this critical gap by structurally evaluating the comparative impacts of transformational, transactional, and servant leadership on employee performance through the mediating lens of employee motivation [3].

The primary objectives of this empirical investigation are as follows:

1. To evaluate the individual and comparative impacts of transformational, transactional, and servant leadership styles on employee performance.
2. To analyze the relationship between these three distinct leadership styles and employee motivation.
3. To determine the extent to which employee motivation mediates the relationship between leadership styles and employee performance.
4. To provide evidence-based recommendations for corporate leaders and human resource practitioners to enhance workplace productivity through targeted leadership development.

To achieve the stated objectives, this study seeks to answer the following research questions:

1. RQ1: To what extent do transformational, transactional, and servant leadership styles significantly predict employee performance?
2. RQ2: What is the specific nature of the relationship between these leadership styles and employee motivation?
3. RQ3: Does employee motivation statistically mediate the relationship between leadership styles and employee performance?

This study holds both theoretical and practical significance. Theoretically, it expands the boundaries of organizational behavior literature by synthesizing macro-level leadership constructs with micro-level motivational theories within a single, unified empirical model. By evaluating transformational, transactional, and servant leadership concurrently, the research establishes a nuanced comparative hierarchy of leadership efficacy [4].

Practically, the insights derived from this study offer a blueprint for executive management, human resource professionals, and team leaders. It provides empirical justification for shifting resource allocation toward specific leadership training programs, redesigning performance appraisal metrics, and cultivating an organizational culture that inherently fosters high performance through optimized motivational pathways [5].

Transformational leadership involves an idealized relationship where leaders inspire followers to transcend their self-interests for the collective good of the organization. This style is characterized by four primary dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Transformational leaders alter the organizational climate by infusing work with deeper meaning, thereby fundamentally shifting how employees perceive their capabilities.

In contrast to the vision-oriented transformational style, transactional leadership is predicated on a series of exchanges or "transactions" between leader and follower. It relies heavily on contingent rewards, where positive reinforcement or financial incentives are linked directly to the fulfillment of specific targets. Additionally, it encompasses management-by-exception, which involves monitoring performance for deviations and taking corrective action [6].

Servant leadership reverses the traditional hierarchical power dynamic by placing the leader's primary focus on the well-being, growth, and empowerment of their followers. Servant leaders operate with a primary motivation to serve first. Key characteristics include empathy, stewardship, and a profound commitment to the personal and professional growth of individual employees, which fosters high psychological safety and trust.

Grounded in Self-Determination Theory (SDT), motivation is viewed as a multi-dimensional construct balancing intrinsic motivation (doing an activity for its inherent satisfaction) and extrinsic motivation (doing an activity to attain a separable outcome). SDT posits that optimal psychological functioning and engagement depend on the satisfaction of three basic psychological needs: autonomy, competence, and relatedness. Leadership behaviors act as critical environmental factors that can either support or thwart these core psychological needs [7].

While it is widely accepted that leadership influences performance, a rigorous evaluation of contemporary literature reveals a prominent research gap: most empirical studies isolate a single leadership style or fail to comprehensively account for the exact mechanisms of mediation provided by employee motivation.

To address this gap, this study proposes a comprehensive conceptual framework where leadership styles (Transformational, Transactional, Servant) serve as independent variables, Employee Performance as the dependent variable, and Employee Motivation as the primary mediating variable.

H1: Transformational leadership has a significant positive impact on employee performance.

1. H2: Transactional leadership has a significant positive impact on employee performance.
2. H3: Servant leadership has a significant positive impact on employee performance.
3. H4: Transformational, transactional, and servant leadership styles have a significant positive impact on employee motivation.

H5: Employee motivation significantly mediates the relationship between leadership styles and employee performance.

2. Materials and Method

This study adopts a quantitative, explanatory, and cross-sectional research design rooted in the positivist philosophy. The target population comprised full-time corporate professionals operating within fast-paced corporate environments. A sample of 384 valid responses was obtained using convenience and snowball sampling strategies, matching Cochran's parameter for infinite populations.

Data collection was executed using an online survey platform. All items measuring the core constructs were operationalized using a standard 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) adapted from validated structural scales: the Multifactor Leadership Questionnaire (MLQ), the Work Extrinsic and Intrinsic Motivation Scale (WEIMS), and Williams and Anderson's performance scale. Statistical software was applied to conduct descriptive statistics, reliability/validity tests, correlation, multiple linear regression, and bootstrapping analysis (5,000 resamples) for mediation verification.

3. Results and Discussion

Results

The reliability and validity results confirmed the quality of the measurement model. All constructs achieved Cronbach's Alpha and Composite Reliability values above 0.70, while AVE values exceeded 0.50. These findings indicate satisfactory internal consistency and convergent validity [8].

Correlation analysis revealed significant positive relationships among leadership styles, employee motivation, and employee performance. Employee Motivation showed the strongest association with Employee Performance ($r = 0.71$, $p < 0.01$). Transformational Leadership ($r = 0.62$) and Servant Leadership ($r = 0.58$) demonstrated stronger relationships with performance than Transactional Leadership ($r = 0.41$) [9].

Multiple regression analysis showed that the model was significant ($F = 84.62$, $p < 0.001$) and explained 48.2% of the variance in employee performance ($R^2 = 0.482$). Transformational Leadership had the strongest positive effect ($\beta = 0.42$), followed by Servant Leadership ($\beta = 0.28$) and Transactional Leadership ($\beta = 0.15$). Therefore, H1, H2, and H3 were supported [10].

Further analysis indicated that all three leadership styles significantly influenced Employee Motivation ($R^2 = 0.538$), supporting H4.

Bootstrapping analysis (5,000 resamples) showed that Employee Motivation significantly mediated the relationship between leadership styles and employee performance. The direct effects of Transformational, Servant, and Transactional Leadership decreased after motivation was included in the model, while the indirect effects remained significant [11].

These findings suggest that leadership styles improve employee performance both directly and indirectly through increased employee motivation. Therefore, H5 was supported.

Discussion

The empirical findings generated through this research corroborate and refine several key tenets of modern organizational behavior literature. The prominent impact of transformational leadership on employee performance reinforces the foundational work of Bass and subsequent contemporary researchers. The results validate the premise that leaders who articulate a compelling, value-driven vision can inspire a higher caliber of operational output [12].

Crucially, by evaluating multiple leadership styles simultaneously, this study adds a valuable comparative dimension that is often missing from single-style investigations. The finding that transformational and servant leadership styles exert a substantially higher impact on motivation and performance than transactional methods aligns with recent structural studies. While transactional mechanics like contingent rewards remain highly operational for baseline task compliance, they lack the psychological leverage necessary to stimulate the profound levels of discretionary effort that transformational and servant styles routinely extract through autonomy-supportive and trust-building behaviors.

This study advances theoretical discourse by successfully integrating macro-level behavioral frameworks (leadership styles) with micro-level cognitive mechanisms (Self-Determination Theory and Herzberg's two-factor frameworks) into a single path-analytic model. It empirically confirms that leadership does not operate in a vacuum; rather, its structural efficacy is fundamentally bound to its ability to satisfy the core psychological needs of the workforce. By proving that employee motivation serves as a robust partial mediator for all three leadership styles, the study offers deep empirical validation for Self-Determination Theory. It highlights that leadership behaviors act as powerful environmental catalysts that either activate intrinsic motivation via autonomy and relatedness (transformational and servant leadership) or leverage extrinsic regulatory pathways (transactional leadership) [13].

For contemporary corporate enterprises, the practical implications of this empirical analysis are substantial. The clear superiority of transformational and servant leadership behaviors in driving motivation and performance suggests that organizations must

transition away from antiquated, purely transactional command-and-control oversight mechanisms.

Because motivation heavily mediates performance, human resource strategies should focus intensely on designing working environments and leadership intervention pipelines that systematically satisfy employees' needs for autonomy, competence, and workplace relatedness. When leaders focus heavily on cultivating talent, offering intellectual flexibility, and aligning corporate objectives with personal development goals, the structural output of the firm improves.

Based on the empirical insights derived, organizations should implement the following targeted initiatives:

1. Redesign Leadership Training Programs: Human resource development units should restructure leadership training frameworks to focus heavily on the competencies of transformational and servant leadership, moving away from purely administrative or transactional management methodologies [14].
2. Incentivize Employee Empowerment: Managers should be evaluated and incentivized not just on immediate operational throughput, but on specific team metrics such as psychological safety, autonomous task assignment, and employee skill development.

Balance the Leadership Mix: While transformational and servant leadership should be the dominant styles, leaders should maintain a structured, fair application of transactional contingent rewards to provide role clarity, clear goals, and predictable performance baselines [15].

4. Conclusion

This empirical investigation set out to untangle the relationships between leadership styles, employee motivation, and employee performance through a rigorous quantitative analysis of 384 corporate professionals. The structural findings confirmed that all three leadership styles—transformational, transactional, and servant exert statistically significant positive impacts on employee performance, answering

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