



Advance Journal of Econometrics and Finance

Vol-3, Issue-3, 2025

Advance Journal of Econometrics and Finance

Online ISSN

2959-8990

Print ISSN

2959-8982

<https://ajeaf.com/index.php/Journal/About>

Name of Publisher: SCHOLAR CRAFT EDUCATION & RESEARCH HUB

Review Type: Double Blind Peer Review

Journal Frequency: Quarterly Research Journal



The Role of Leadership Effectiveness and HRM Policies in Enhancing Organizational Performance: Mediating Effect of Employee Motivation

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	Abstract
<p>Maria Arshad* MS Management, Hasan Murad School of Management, UMT Lahore. Correspondng Author Email: maria.arshad1881@gmail.com</p> <p>Muhammad Waqas Nazir School of Economics and Management, Xidian University, Xian, Shaanxi China. mwn@stu.xidian.edu.cn</p> <p>Syed Kamran Hyder Sherazi Lecturer, Department of Public Admininstration, Univeristy of Kotli, Azad Kashmir. kamransherazi@gmail.com</p> <p>Alveena Aziz MSPM, Department of Management Sciences, SZABIST University, Islamabad. alveena.aziz@gmail.com</p>	<p>The current competitive and fast changing business world has put more and more pressures on organizations due to the forces of globalization, technological change and shifting expectations of the workforce. The study analyzes the association between leadership performance, human resource management (HRM) and organizational outcome and specific to employee motivation as a mediator. The design employed was a quantitative, cross-sectional design, where 300 employees and managers in service and manufacturing companies were in Lahore in Pakistan were surveyed. Measures like the Multifactor Leadership Questionnaire (MLQ), which were tested and proved valid in European countries, were used to guarantee the validity and reliability. Structural Equation Modeling (SEM) was used to analyze data in AMOS with bootstrapping methods to test mediation effects. The findings suggest that the effectiveness of leadership is a significant and positive influence on the organizational performance, and visionary and inspiring leadership should be valued as the contributor to the innovation and success. The HRM policies were discovered to have a strong impact on the motivation of employees, which is in line with the Ability-Motivation-Opportunity (AMO)-theory. Moreover, employee motivation became one of the key mediators, as it connected leadership and HRM policies with some actual performance results. The model also showed superior fit indices proving it to be valid and theoretically sound. The research also adds to the theory by incorporating leadership, HRM, and motivation in the same framework to have a holistic picture of what drives organizational performance. In practice, it offers useful lessons to managers and HR experts on how to align leadership practices with HR systems to have a motivated and engaged workforce. Its cross-sectional nature and regional orientation are its limitations and future studies should be based on longitudinal and cross-cultural designs to be more general.</p>
Keywords:	Leadership Effectiveness; HRM policies; Employee motivation; Organizational performance; Mediation; Structural Equation Modeling (SEM); High-Performance Work Systems (HPWS); AMO framework; JD-R model.



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1. Introduction

Modern organizations are experiencing unprecedented challenges in the 21st century because of the globalization, technological disruption, the high rate of innovation and the dynamic market demands. The factors have changed the competitive environment, and organizations need to find ways that would leverage their agility, resilience, and sustainability in performance (Diep & Horváthová, 2024). In that regard, human resource management (HRM) policies and leadership effectiveness have been identified as two of the most important aspects of determining the success of a given organization. These factors collectively shape not only the behavior and performance of the employees but also the adjustment of the organizations to the external forces and internal complications (Mphaluwa et al., 2025).

Leadership is no longer regarded as a top-down role of power but as a two-way process of influence and inspiration. Good leadership offers the organizational purpose, vision, and motivation required to position human capital in line with the organizational goals. According to Deng et al. (2023), leadership effectiveness is a characteristic that helps leaders to reach organizational objectives by influencing the attitudes, behaviors, and performance outcomes of the followers. Leaders who are effective are instrumental in the formation of organizational culture, innovation, and a climate of psychological safety in which employees are empowered to take initiative (Judge and Piccolo, 2004; Mphaluwa et al., 2025).

Recent research indicates that being a leader is not about how well one manages tasks but about how well the leader transforms organizational systems to be more adaptive and innovative. The process of employee engagement and knowledge-based innovation, in particular, has been heavily associated with transformational leadership (Agazu et al., 2025). Agile leadership has become popular in the current dynamic and uncertain conditions, too, because it is concerned with flexibility, fast decision-making, and adaptability to change (Porkodi, 2024). The leaders are policy interpreters, as they receive organizational policies in the form of abstract HRM strategies and transform them into concrete day-to-day activities that directly influence the experiences and motivation of the employees. Unless the HRM systems are actively led, the most sophisticated ones will turn into an unproductive bureaucratic structure (Deng et al., 2023). The leadership is also a driver in the area of trust building and accountability which are paramount in the area of performance-based culture. Such leaders foster loyalty and intrinsic motivation amongst employees when they lead through example, communicate openly and are interested in the welfare of their employees (Xue et al., 2022). On the other hand, absence of leadership involvement confuses, demoralizes, and destroys trust in organizational policies. Such imbalance usually results in the policy-practice gaps, where even well-designed HRM policies cannot reach their intended goals because of ineffective implementation of the policies or the absence of alignment between the leadership practices and the policies (Gill et al., 2018).

Although vision and direction are established by the people in leadership, the policies of HRM are the structural basis of effective talent management. Various functions of HRM include recruitment, selection, performance appraisal, training and development, compensation, and employee relations (Pahos and Galanaki, 2022). The development of modern HR systems has been turned into high-performance work systems (HPWS), to which these practices are united into consistent sets, designed to expand the ability, motivation, and opportunity (AMO) of employees to work (Obeidat et al., 2016). Organizational-level HRM policies serve as a strong tool that can be used to create human capital, foster innovation, and maintain a competitive advantage when properly aligned with the general organizational objectives (Gürlek & Uygur, 2021). Nonetheless, the success of HRM policies is not only based on how they are designed but also on the perceptions and motivation of the employees. Research indicates that even well-developed HR systems do not work when workers feel that these systems are unjust, inconsistent, or unrelated to their requirements (Benítez-Núñez et al., 2024). To illustrate, a performance appraisal system that is meant to reward excellence can prove to be demoralizing when it does not have transparency as well as include individual contribution. Correspondingly, training initiatives might not give the expected results when employees do not feel empowered or encouraged to use new competencies (Diep & Horváthová, 2024).

The technological sophistication of modern workplaces is getting more complicated because of the disruption of the traditional work roles and patterns that have been caused by industrial innovations like artificial intelligence and automation. Although technology does boost efficiency, it may also cause anxiety and resistance among the employees, and HRM policies become all the more important to the smooth running of the transition process (Wang et al., 2024). The policies encouraging the principles of perpetual learning, inclusivity, and psychological safety are the key to developing adaptability and maintaining long-term performance. To this extent, HRM is not only a matter of compliance or administration, but a strategic facilitator of an organizational change.

Employee motivation is at the core of the leadership and HRM effectiveness, as it is the psychological power that makes people work hard, continue to work despite the difficulties, and bring something new to the organization success. Motivation may be either intrinsic, based on personal development, mastery, and purpose, or it may be extrinsic and depends on external rewards like wages and recognition (Deci & Ryan, 2000). Intrinsic motivation has gained even greater relevance in the modern work environment



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because companies are interested in promoting innovation and liberal work in addition to the standard level of compliance (Xue et al., 2022). Although most organizations have strong HRM systems and visionary leaders, low employee engagement and motivation remain a challenge to many organizations. Studies also show that disengaged workers are less efficient, have higher chances of leaving the organization, and are usually opposed to change projects (Lin et al., 2024). Even structural policies may not prevent motivation depletion caused by such factors as unclear role expectations, lack of recognition, work-life imbalance, and toxic workplace cultures (Benítez-Núñez et al., 2024). Job Demands-Resources (JD-R) model can be used as a helpful concept in the field of motivation in companies. This model additionally suggests that intrinsic motivation and engagement is stimulated by job resources (supportive leadership, fair HRM practices, as well as growth opportunities) and discouraged by overwhelming job requirements in the absence of resources (Chen & Chen, 2023). Therefore, HRM policies and leadership should become collaborative in a bid to make sure that employees have the resources necessary to stay motivated and productive.

The interaction between leadership, HRM policies and the performance of an organization is not linear but dynamic. The effectiveness of leadership boosts the effectiveness of HRM policies because it is exercised in the same manner and communicated effectively. Leaders serve as role models, which strengthen the preferred behaviors and rallies the values of the employees to the organization (Deng et al., 2023). Employees will be more willing to utilize HRM systems and internalize their benefits when they understand that leaders are prompting them to participate in these systems (Porkodi, 2024). Conversely, HRM policies also offer the structural capability on which leaders can implement their vision successfully. Career development, recognition, and empowerment policies provide leaders with the instruments to enhance motivation of the team members and to meet their most personal needs. In the absence of such systems, even the most efficient leaders will not be able to maintain motivation in the long term (Pahos and Galanaki, 2022). The key factor in connecting these two factors and the performance of an organization is staff motivation. Motivation transforms leadership behavior and HRM frameworks into concrete results that are increased productivity, innovation, and retention (Xue et al., 2022). To take an example, a leader can encourage workers with vision and communication and HRM policies will offer training and resources required to implement inspiration. They are combined to build a virtuous cycle in which motivated employees lead the performance and the latter supports organizational success.

Even after these interdependencies are acknowledged, policy–practice misalignment and lack of motivation remain to be key weaknesses of many organizations and these aspects result in performance gaps. Chourasia and Bahuguna (2024) claim that the failure of the HRM systems is due to the fact that they are not consistent with the motivational objectives of employees, which results in frustration and disengagement. In the same manner, leaders may unintentionally sabotage the HRM initiatives by failing to be good role models or by not offering sufficient support throughout the implementation (Mphaluwa et al., 2025). More than that, the new workplace post-pandemic has come with numerous new challenges connected to hybrid forms of work, the necessity to pay more attention to mental health issues, and the necessity to upskill digitally. These trends demand organizations to reconsider the interaction of leadership and HRM policies to keep motivation and performance on track in an ever-changing environment (Diep & Horváthová, 2024). Organizations that do not take the deliberate steps to combine leadership practices in conjunction with employee-focused policies are likely to lose their competitive advantage.

1.1 Significance of the Study

This research is important both to practitioners and scholars. Practitioners can use it to present practical suggestions about how leaders and HRM policies may be shaped to support one another to enhance a motivated workforce. In a fast-changing world, managers have to know not only what to implement but also how to lead to mobilize such systems (Diep & Horváthová, 2024). The findings of this study can assist leaders and HR managers whose practices need to be coordinated to enhance employee retention, innovativeness, and overall organizational outcomes (Pahos and Galanaki, 2022). Academically, the study adds to the already existing literature on leadership, HRM, and organizational behavior because it place employee motivation as a focus mediating variable. Even though the literature has investigated each of these factors individually, little has investigated their combined impacts in one model (Wang et al., 2024). The gap that the research fills provides a subtle insight into how structural policies and the dynamics of interpersonal leadership converge on the motivation to create a difference in the outcomes. The incorporation of this helps in furthering the theoretical concepts of the AMO model and self-determination theory, which can help in informing the future research prospects of the fields of organizational psychology and management studies.

2. Literature Review

Leadership effectiveness can be defined as the ability of the leaders to deliver positive organizational results through influencing, motivating and directing followers towards the realization of goals. Modern studies of leadership have shifted towards the traits based models to behaviorally and contextually based models. The transformational leadership (which places an emphasis on the vision statement, personalization, intellectual challenge, and inspirational drive) is still in the middle. Recent meta-analyses also confirm that it

is strongly correlated with the outcomes of performance (Deng et al., 2023). Moreover, as a model of leadership that is inclusive, quick to respond, and flexible in decision-making, agile leadership has been demonstrated to enhance the resilience and functioning of organizations (Porkodi, 2024). Another advantage of charismatic and democratic leadership is that they improve employee participation and overall performance by developing identification and self-determination among the followers (Mphaluwa et al., 2025). Altogether, leadership effectiveness is a complex construct and can have an impact on the performance of organizations through motivational and adaptive channels (Agazu et al., 2025; Deng et al., 2023; Porkodi, 2024; Mphaluwa et al., 2025).

The HRM policies can be defined as planned, coordinated groups of human resource practices, which may be recruitment, training, performance appraisal, compensation, and employee involvement, but are aimed at helping people to improve their capability in work and motivation. High-performance work systems (HPWS) reflect concerted sets of such practices with the objective to spur high performance. Empirical research based on the AMO (Ability Motivation Opportunity) model shows that HPWS enhance employee ability via training, motivation via fair rewards and engagement, and capability via participative system (Ijigu et al., 2022). The multilevel study proves that HPWS increase affective commitment and, finally, performance outcomes (Pahos and Galanaki, 2022). The Job Demands-Resources (JD-R) model also contextualizes such practices as job resources that enhance motivation and avoid strain, encouraging long-term engagement (Chen & Chen, 2023). In addition, customized HRM policies that align with the motivational goal aspirations of employees (e.g., mastery vs. performance) provide better motivational responses (Monroe, 2025). Specific sector research, including the hospitality research, has verified that HPWS increase the motivation, particularly where the organizational hindrance is minimized by the policies (Benítez-Núñez et al., 2024).

Also, motivational states associated with HR practices that promote well-being of employees enhance performance further (Diep & Horváthová, 2024). Therefore, HRM policies affect motivation through processes that promote competence, equity, participation and well-being resulting in high organizational outputs.

Motivation of employees is a combination of psychological processes that mobilize, guide and maintain work behavior. It consists of intrinsic motivation to achieve autonomy, mastery and purpose, and extrinsic motivation to achieve compensation and recognition. The recent meta-analytic findings substantiate that different leadership models (transformational, ethical, equitable, servant) can be massively used to enhance the intrinsic motivation of followers, which subsequently leads to higher performance (Xue et al., 2022; Wang et al., 2024). Motivation is developed as a prelude to the employee engagement, job satisfaction and discretionary effort. Motivated workers in the dynamic and green workplace setting have been found to be more well, creative and connected with the organization (Sadick & Kamardeen, 2020). Motivation as the key connecting mechanism is also highlighted in the systematic review of HRM-well-being-performance nexus (Diep & Horváthová, 2024). Motivation is thus a psychological consequence as well as a key force in converting leadership and HRM investments into performance benefits.

Hypothesis and Empirical Evidence

H1: Leadership performance has a positive impact on organizational performance.

H1 is backed up by the large amount of empirical data. A meta-analysis of several industries and regions conducted by Deng et al. (2023) revealed that transformational leadership has moderate-to-high organizational outcomes and is presumed to enhance commitment, innovation, and adaptability. Porkodi (2024) further developed it by analyzing agile leadership that focuses on quick feedback loops, team empowerment, and flexibility and discovered that it improved efficiency and business customer satisfaction. A systematic literature review of the transformational leadership and firm performance conducted by Agazu et al. (2025) reinforced a series of notions that the leadership behaviors are uniformly effective in generating innovations and attaining strategic goals in various settings. Mphaluwa et al. (2025) presented evidence that charismatic and democratic leadership also have a significant impact on raising both engagement and performance through meaning- and inclusion-related mechanisms. Taken together, these studies reveal the fact that the effectiveness of leadership has a direct positive impact on the performance of the organization through the motivation process, innovation, and alignment of followers to the common goals.

H2: HRM policies have a positive effect on employee motivation.

There are strong empirical tests that favor H2. Pahos and Galanaki (2022) used a multilevel model to show that HPWS promote affective commitment, which leads to the improvement of individual performance thus having the implication that motivation (commitment) mediates the impact of HRM policies. The AMO model provides Ijigu et al. (2022) with an example of the contribution of HPWS to motivation via ability development, fair rewards, and empowering structures. Bhattacharjee and Sarkar (2023) oriented the HRM policies into the JD-R model as job resources, which reinforce the processes of motivation and decrease exhaustion. In the hospitality field, Benitez-Nunoz et al. (2024) found out that HPWS stimulate engagement through motivation, especially when the stress of hindrance is minimal. Salmen and Festing (2022) suggest that an HRM can be more motivating when practicing its methods in accordance with motivational foci of employees (i.e. mastery and affiliation goals). Lastly, Diep and Horváthová (2024)



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incorporate the literature of HRM, well-being, and performance in order to define motivation (including well-being-driven motivation) as a key conduit. Collectively, these sources confirm that properly formulated HRM policies in a systematic manner increase employee motivation in terms of fairness, development prospects, participative frameworks and welfare provisions.

H3: Leadership, HRM policies and organizational performance relate to employee motivation, which mediates the relationship.

There is growing evidence behind this mediated pathway. On the leadership dimension, Xue et al. (2022) established that empowering, servant, and transformational leadership styles are among those that greatly increase the intrinsic motivation, which correlates with performance results. This is furthered by Mphaluwa et al. (2025) who links leadership with motivation to better engagement and performance. Concerning the side of HRM, Pahos and Galanaki (2022) demonstrate that the relationship between HPWS and performance is entirely mediated by commitment (a motivational state). Likewise, Bhattacharjee and Sarkar (2023) support the fact that job-resource-enhanced motivation mediates the effects of HPWS. The motivational bridge is also evidenced by Wang et al. (2024), who empirically shows that HPWS influences the innovation performance through the intrinsic motivation. Benítez-Núñez et al. (2024) further affirm that the HRM policies promote engagement, as they increase motivation. Lastly, the integrative review by Diep and Horváthová (2024) identifies motivation (along with well-being) as being an important mediator in HRM performance relationships. This body of evidence converges to establish employee motivation as a vital mediator in that it helps to convey the beneficial impact of both the effectiveness of leadership and the HRM policies to the organizational performance.

3. Methodology

The current research design is a quantitative and cross-sectional study design that involves the implementation of survey questionnaires to get information about the respondents at a specific time. The research design suits well to test the links existing between the effectiveness of leadership, HRM policies, employee motivation and organizational performance. The case under study is the organizations working in the service and manufacturing industry in Lahore, Pakistan because this region is a center of many different industries and organizations with various workforce arrangements. These organizations employ employees and managers who work at various levels and form the target population. The stratified random sampling method is used with the aim of having the participants who represent different departments and various levels of management. This study involves a total of 300 respondents comprising of 240 employees and 60 managers that give it enough statistical power to analyze the mediation effects and model structures.

The instruments to measure the variables of interest are validated and reliable. The Multifactor Leadership Questionnaire (MLQ) is the measure of leadership effectiveness that tests various leadership behaviors and styles. Standardized HRM practice scales that evaluate HRM policies include dimensions of recruitment, training and development, performance appraisal, compensation and employee relations. The measurement of employee motivation is done through the Work Motivation Scale that records intrinsic and extrinsic motivation. The performance of the organization can be measured by a combination of self-reporting data provided by the respondents and secondary data including reports of productivity, sales, and performance records and provide a full-scale comparison of results. The information is to be collected using the structured questionnaires that are to be distributed electronically and in the study format, based on the accessibility of the participants. A pilot test using 30 participants is undertaken before the actual data collection to ascertain the instruments of clarity, reliability and validity.

After data were gathered, they are analyzed with SPSS to give descriptive statistics, reliability test and correlation test to find the initial relationships between variables. To test the hypothesis and compare the mediating effect of employee motivation, Structural Equation Modeling (SEM) is carried out, with the help of AMOS. SEM can simultaneously analyze direct and indirect influences, and it is appropriate in the case of complex interdependences, as suggested in this research. The methodological strategy offers a comprehensive and analytical review of the effect of leadership performance and HRM policies on the performance of organizations by way of mediating variables of motivation of employees, which provides meaningful contributions to both theory and practice.

4. Data Analysis and Results

To test the proposed research model, the data were gathered in 300 respondents and subjected to SPSS 28 and AMOS 26. The analysis was performed in order of step, including descriptive statistics, reliability and validity tests and hypothesis testing as Structural Equation Modeling (SEM). The analysis of the mediation effect of employee motivation was carried out using bootstrapping with 5,000 resamples. The findings are described in different tables and interpreted.

Descriptive Statistics

The demographic attributes of the sample were understood by means of the calculation of descriptive statistics. This stage presents a database of the respondents, which is vital in the contextualization of the results and the data representativeness.

Table 1: Demographic Profile of Respondents

Demographics	Category	Frequency (n)	Percentage (%)
Gender	Male	180	60.0
	Female	120	40.0
Age	25–34 years	135	45.0
	35–44 years	90	30.0
	45 years and above	75	25.0
Job Position	Employee	240	80.0
	Manager	60	20.0
Education Level	Bachelor's	150	50.0
	Master's	105	35.0
	Diploma/Other	45	15.0

The demographic analysis indicates that the sample is a good balanced combination of both males and females with a slightly higher representation of males (60%). A high percentage of the respondents are younger professionals between 25 and 34 years of age, which makes up 45 of the sample; hence, a relatively young and dynamic workforce is present. Moreover, most of the participants are employees and not managers; this guarantees varied views of different hierarchical levels of the organizations under investigation.

Reliability and Validity

There was internal consistency and construct validity of the measurement tools that were tested. The reliability was measured by Cronbachs Alpha and the value of 0.70 or higher indicated good internal consistency. The Composite Reliability (CR) and the Average Variance Extracted (AVE) were also assessed, and a CR of more than 0.70 and a value of above 0.50 in the case of AVE indicate good convergent validity.

Table 2: Reliability and Validity Results

Construct	No. of Items	Cronbach's Alpha (α)	Composite Reliability (CR)	Average Variance Extracted (AVE)
Leadership Effectiveness	12	0.912	0.934	0.672
HRM Policies	15	0.887	0.910	0.621
Employee Motivation	10	0.892	0.903	0.644
Organizational Performance	8	0.873	0.895	0.614

All of the constructs have Alpha values much higher than the minimum of 0.70, and that is why measurement tools are highly internally consistent and reliable. The CR of variables are also above 0.70 and it proves that items always reflect their construct. Also, the AVE values are greater than 0.50, which indicates a high level of convergent validity and proves the constructs to be appropriate to measure the concepts they were created to.

Model Fit Assessment

In order to test the appropriateness of the measurement model, some model fit indices have been evaluated. Such indices are used to find out whether or not the model proposed is a true reflection of the observed data; this is essential before hypothesis testing is conducted.

Table 3: Model Fit Indices (AMOS Output)

Fit Index	Recommended Value	Obtained Value
Chi-square/df (CMIN/df)	< 3.00	2.11
GFI (Goodness of Fit Index)	> 0.90	0.923
CFI (Comparative Fit Index)	> 0.90	0.947

TLI (Tucker-Lewis Index)	> 0.90	0.939
RMSEA (Root Mean Square Error of Approximation)	< 0.08	0.056

The value of CMIN/df calculated is 2.11 and is less than the acceptable value of 3.00. GPI, CPI and TPI are all equal to or greater than 0.90 which demonstrates that the model explains the data remarkably well. The value of the RMSEA in 0.056 is less than the cutoff of 0.08 which once again confirms that the overall structural model is a good depiction of observed relationships.

Hypothesis Testing

Direct and indirect relationships between variables are tested by Structural Equation Modeling (SEM). All the hypotheses are presented individually in AMOS output table format, and then they are interpreted.

H1: Leadership Effectiveness → Organizational Performance

Table 4: Regression Weights for H1

Path	Estimate (β)	S.E.	C.R. (t-value)	p-value
Leadership Effectiveness → Organizational Performance	0.421	0.050	8.420	<i>0.000</i>

The common standardized path coefficient (= 0.421) reveals that there is medium positive correlation between effectiveness of leadership and performance of the organization. The critical ratio (C.R.) value of 8.420 is much higher than the minimum of 1.96; therefore, the two variables are statistically significant. The p-value (0.000) is a confirmation that this relationship is very significant and thus gives H1 a good support.

H2: HRM Policies → Employee Motivation

Table 5: Regression Weights for H2

Path	Estimate (β)	S.E.	C.R. (t-value)	p-value
HRM Policies → Employee Motivation	0.563	0.043	11.209	<i>0.000</i>

The standardized coefficient (= 0.563) shows the existence of a strong and positive correlation between the HRM policies and employee motivation. The C.R. 11.209 reveals that the relationship is too strong and not the one happening at random. The results support H2 and indicate that effective HRM policies are a good way of boosting employee motivation with a p-value of 0.000.

H3: Mediation of Motivation among Employees

In order to test H3, bootstrapping was employed at a resample of 5,000 to determine the mediation between employee motivation and the relationships between leadership effectiveness and HRM policies and corporate performance.

Table 6: Bootstrapping Results for Mediation

Indirect Path	Indirect Effect (β)	Boot S.E.	Lower CI (95%)	Upper CI (95%)	p-value
Leadership Effectiveness → Employee Motivation → Organizational Performance	0.184	0.032	0.120	0.247	0.001
HRM Policies → Employee Motivation → Organizational Performance	0.307	0.041	0.239	0.378	0.001

The two indirect effects bootstrapped confidence intervals are not equal to zero; this proves that the mediation effects are significant. The overall mediation between the indirect influence of leadership effectiveness and the motivation of the employees is 0.184. In the same vein, the employee motivation impact of HRM policy is higher at 0.307, which means that employee motivation is a critical aspect in determining the relationship between HRM practices and organizational outcomes, as it substantiates H3.

5. Discussion of Findings

The main aim of this research was to examine how the effectiveness of leadership and HR policies relate to the performance of an organization with the aim of examining the potential of mediation by employee motivation. These findings affirm that the effects of both leadership and HRM policies are considerable and positive, and motivation is a

decisive point that connects the two factors to organizational results. This part of the study explains these results in the context of the current literature and theoretical models by identifying similarities and differences as well as the implications of these findings in practice.

Findings of this research support H1, which indicates that the direct effect of leadership effectiveness on the performance of the organization is significant and positive. This goes in line with the previous studies that highlight the pivotal position of leadership in determining the results of strategy and organizational performance. In their meta-analysis, Deng et al. (2023) discovered that transformational leadership behaviors, including vision communication and intellectual stimulation are always associated with enhanced organizational performance. In the same manner, Judge and Piccolo (2004) emphasized that effective leaders inspire confidence and dedication so that they build a common vision that influences employees to work towards the organizational objectives. We also find it beneficial to the opinion of Agazu et al. (2025) who stated that the performance of leadership is particularly significant in dynamic and competitive markets. Leadership works as an innovation agent whereby leaders motivate their subordinates to take risks and empower them to come up with innovative ideas. On this note, Mphaluwa et al. (2025) pointed out that the most effective leadership styles are democratic and charismatic, which leads to increased employee engagement, and consequently, better organizational performance.

The high path coefficient between leadership effectiveness and performance ($= 0.421, p < 0.001$) observed in the current research is consistent with similar findings of Northouse (2021) who stated that the concept of leadership essentially concerns influencing others to attain shared goals. The findings also correlate with the resource-based view (RBV) of organizations that explain leadership to be a rare and valuable resource causing a sustained competitive advantage (Barney, 2000). Leaders provide the conditions that allow long-term performance by providing support through the creation of organizational culture and mobilizing of resources. Nevertheless, the results differ with those of a study by Raadschelders and Lee (2011), who discovered that leadership does not necessarily ensure better performance, and in highly bureaucratic organizations, structural obstacles restrict the capacity of the leader. It indicates that leadership is essential but it is contextual in the sense that it depends on the factors in the organization like organizational structure and willingness of the employees to embrace change. Hence, leadership cannot be regarded as a stand-alone practice but as an integrated system comprising of the HRM practices and the motivational strategies.

In the second hypothesis (H2), it was hypothesized that there is a positive contribution of HRM policies on employee motivation, and the results are very strong to support the relationship. The standardized coefficient ($\beta = 0.563, p < 0.001$) demonstrates that when the policies of the HRM are made to be fair, transparent, and supportive, employees more likely feel motivated to reach their best. This aligns with the Ability-Motivation-Opportunity (AMO) model which states that HRM practices raise the abilities of employees by training them, increase motivation by rewarding employees and recognizing them, and increase opportunities by involving the employees in the decision making (Appelbaum, 2000). We concur with Pahos and Galanaki (2022) who concluded that high-performance work systems (HPWS) have a positive impact on intrinsic motivation and extrinsic motivation of employees and subsequently on the personal and organizational outcomes. On the same note, Ijigu et al. (2022) discovered that the HRM policies that are consistent with the personal and professional objectives of employees are especially effective in maintaining motivation in the long run. Besides, Lin et al. (2024) noted that HR bundles that aimed at service quality and teamwork establish a culture of trust and collaboration, which in turn promotes motivation. These results are similar to those of Benítez-Nuñez et al. (2024), who have found that HRM in the hospitality industry positively affects employee engagement and turnover intention, which is primarily mediated through the motivational needs.

Another similarity between the present study and self-determination theory (Deci and Ryan, 2000) is that self-determination also places significant importance on the psychological needs of autonomy, competence, and relatedness as the motivating factors of intrinsic motivation. When the HRM policies are crafted to meet these needs, there is a high likelihood that employees get to enjoy greater commitments and satisfaction levels. The same observation was made by Van der Heijden et al. (2025) who stated that HRM practices should be in tune with the motivational goals pursuits of employees in order to realize optimal effectiveness. Nonetheless, this positive relationship is not entirely supported in the studies. Indicatively, Wright and Ulrich (2022) have warned that improperly executed HRM policies, including inadequate performance reviews or ineffectiveness in the promotion and remuneration procedures, might lack motivation among the employees and cause a loss of trust. Therefore, HRM policies could be very helpful in improving motivation, yet they could be effective depending on the effectiveness and clarity of implementation and communication by organizational leaders.

The third hypothesis (H3) looked at the intermediary role of employee motivation in the correlation between leadership effectiveness, HRM policies and organizational performance. Bootstrapping outcomes were valid in that employee motivation is a significant mediator in both of the relationships with indirect effects of 0.184 and 0.307, respectively. This suggests that leadership and HRM policies do not only impact the organization performance directly but also indirectly in terms of the capacity to motivate the employees. Xue et al. (2022) support this observation with a strong meta-analysis that proved that leadership has a primary impact on performance through influencing the



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intrinsic motivation of the followers. On the same note, Kloutsiniotis and Mihail (2020) were able to show that HRM policies were job resources in the Job Demands-Resources (JD-R) model, facilitating motivation and decreasing burnout, thereby ultimately enhancing organizational outcomes. We also support findings of Wang et al. (2024) who concluded that HRM policies and innovation performance are mediated by intrinsic motivation as it highlights the psychological processes that connect HR practices to real organizational outcomes. Also, it has been emphasized that employee well-being and motivation lie at the heart of converting HRM investments into performance benefits, which supports the role of motivational variables in strategic HRM studies (Diep & Horváthová, 2024).

The role of motivation as a mediator also correlates with transformational theory of leadership whereby a leader motivates and inspires employees through offering them vision, purpose, and opportunities of personal growth (Bass and Riggio, 2006). This theory explains why effectiveness of leadership alone might not necessarily lead to any performance improvement unless it is supplemented by increased employee motivation. Curiously, our results are partly opposite to a study by Lee and Wei (2017) who discovered that motivation did not completely mediate the leadership-performance relationship in high-procedural injustice organizations. This implies that when contextual issues, e.g., organizational fairness and culture, undermine the mediation effect, there is a need to create a favorable environment in order to optimize the benefits of motivation.

The findings of the research work are relevant to various theories. First, the results support the AMO model because they prove that the HRM policies lead to better organizational performance in terms of motivation. Second, the findings make contributions to the theory of transformational leadership in the sense that the performance affects the effectiveness of leadership indirectly through the motivational processes. Third, the research incorporates these two views in the resource-based view (RBV), positioning leadership, HRM systems, and employee motivation as resource that is valuable and inimitable and generates competitive advantage (Barney, 2000). Also, the mediating impact of motivation is an additional way to understand the missing linkage between structural HRM practices and human behavior and emphasize the psychological channels through which policies and leadership impact their effects. This holistic perspective gives an in-depth understanding of drivers of performance in organizations.

Practical Implications

The research provides some practical implication to the managers and HR professionals. To begin with, the organizations should invest in leadership development programs emphasizing on the development of transformational and democratic skills in leadership. The leaders should have some training to motivate and effectively communicate and provide a positive atmosphere to the employees to feel important and empowered.

Second, HRM policies must be aimed at addressing extrinsic and intrinsic needs of motivation. As an example, performance appraisal systems should be transparent, compensation fair, skill development opportunities encouraged and decision-making participatory to increase employee motivation significantly. HR managers should always be keen on the uniform application of policies to prevent the feelings of favoritism or injustice.

Third, organizations are supposed to measure the level of engagement among employees periodically and determine the hindrances to engagement. The connection between leadership and performance outcomes can be boosted with motivation enhancing interventions like recognition program, flexible work arrangements and programs that promote the well-being of the employees.

Last, there is the need to integrate leadership and HRM strategies. The HRM policies should be actively communicated and modeled by leaders and assisted by HR teams with the data-driven information and resources. Such synergy will make sure that the policies are not just administrative instruments but performance and motivation triggers.

Future Research

Although the study is very insightful, some limitations should be identified. The cross-sectional design prevents the possibility of casual inferences between variables. Longitudinal studies are recommended as a way of capturing changes in the future. Besides, the research was undertaken in a particular geographic region (Lahore, Pakistan), thus restricting generalization. It would be possible to improve the external validity of the study by replicating it in various cultural and industry situations. More mediators and moderators (organizational culture, psychological safety, or employee resilience) might also be investigated in future research to offer a more detailed view of the relationships under analysis. Lastly, it would be beneficial to include qualitative techniques like interviews or focus groups as these would ensure that the findings are rich in understanding the actual experience and views of employees.

6. Conclusion

This research aimed to describe the role of leadership effectiveness and HRM policies in improving the performance of the organization and whether the link between the two is the employee motivation. The structural model works well with the data and the findings are coherent and strong using a quantitative cross-sectional design with data on 300 employees and managers working in the service and manufacturing industries in Lahore. The performance of organizations is linked directly and positively to leadership



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effectiveness; motivation of employees is strongly linked to HRM policy; and motivation is a significant mediator of the performance of both leadership policy and HRM policy. The existence of bootstrapped indirect effects affirm that organizations fail to achieve the full value of quality policies or quality leaders until their employees are motivated to convert their inputs into discretionary effort, discretionary learning and persistence.

The results develop the theory by conducting an integration of three powerful views. To begin with, they confirm the notion that leadership effectiveness does not only work via direct performance channels but also via motivational states of the employees, which expands the leadership theories of vision, adequate role modeling and empowerment. Second, they support the AMO logic of strategic HRM by showing that properly designed HR bundles trigger motivation that, in its turn, enhances results. Third, they are consistent with resource-based arguments in demonstrating that leadership capacity, coherent human resource systems, and motivated employees are complementary and hard-to-duplicate resources that collectively run performance in the long term.

In practice, the findings suggest that organizations must view the leadership development and the design of the HR system as complementary investment and not independent ones. The competencies required of leaders include the ability to convey purpose, to give meaningful feedback and establish psychological safety; HR must provide equitable appraisal, developmental and voice mechanisms and incentives that reward outcomes and learning. The Motivation is the key: once leaders are again and again modeling and supporting the very actions HR advises them to do, as well as when HR constructs policies allowing the actions leaders advocate be more likely to be carried out, then employees will become more involved, innovative, productive. Operationally, the firms enjoy (a) leader training that emphasizes coaching and empowerment; (b) open, capability-oriented HR that is linked to career paths, and (c) frequent evaluation of motivational climates to identify initial indicators of non-engagement.

The work also addresses the present landscape of technological transformation and the changes in the work organization. Due to the implementation of new tools and hybrid models by organizations, the probability of policy-practice gaps increases. The indications on this matter are that bridging those gaps is an issue that requires leaders that are capable of embedding policy into everyday routines and HR actions that are proactive in supporting autonomy, mastery and autonomy. Where such conditions exist, motivation is increased and performance improves; where not, even the best of intentions gets grounded. The findings are curtailed by restrictions. The cross-sectional design limits causal inference and the single city sampling frame could also limit extrapolation to other regions and sectors. Organizational performance measures involve self-reports with supplementary available records, and longitudinal/ multi-source performance measures may be considered in future work. The model focuses on motivation as mediator; other mechanisms, including psychological safety, affective commitment or knowledge sharing, can also have effects and should be included.

The current work has four extensions that can be applied in future research. First, longitudinal or time-lagged designs may help to explicate the cause-effect sequence and the permanence of effects. Second, the multi-level models able to investigate the interaction of the unit-level leadership climate and the strength of the HR system in influencing team motivation and performance. Third, international and cross-industry comparative studies can test the conditions of boundaries and situational moderators (e.g., uncertainty, formalization, labor market dynamism). Fourth, intervention research would be able to test the time-dependent changes in motivation and outcomes due to integrated leader-HR programs. Overall, as shown in the study, high performance requires leadership effectiveness and HRM policies but not the other way around. They are worth their weight when they are motivated when work is perceived to have a reason, when effort is acknowledged, when abilities are cultivated and when employees are listened to. Organizations that fit leadership practice and coherent, people-focused HR systems--and those that treat motivation as a strategic resource--are in a better position to turn change into value and deliver sustained performance.

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