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# Unlocking Employee Potential: The Impact of Training, Motivation, Work Environment Flexibility, and Goal Setting on Employees Performance in Contemporary Organizations

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## Abstract

*Human capital practices translate into superior performance not merely through skill development but through the attitudinal climate they create. This quantitative study examines how training and development, employee motivation, work environment flexibility, and participation in goal setting influence employee performance, with job satisfaction as a mediator and leadership style as a moderator. Using a cross-sectional survey design, data were collected from 200 employees across the IT, manufacturing, and service sectors in Pakistan and analyzed through Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reveal that training and development and employee motivation significantly enhance employee performance, with job satisfaction partially mediating these relationships. Work environment flexibility and participation in goal setting also show meaningful positive effects on job satisfaction. Moreover, transformational leadership strengthens the link between job satisfaction and performance and significantly moderates all proposed relationships, indicating that HR interventions achieve their strongest impact when aligned with supportive leadership behaviors. Overall, the study provides robust empirical evidence that integrated HR practices and leadership development jointly foster higher performance. It offers practical guidance for organizations seeking to optimize human capital investments in hybrid and evolving work contexts, particularly within South Asia's dynamic labor markets.*

**Keywords:** Employee Performance, Job Satisfaction, Transformational Leadership, HRM Practices, Work Environment Flexibility, Pakistan.

## 1. Introduction

The paradox facing organizations today is that, although digital transformation and hybrid work arrangements can lead to productivity benefits, they are also making work experience and performance delivery a challenging issue to employees (Korn Ferry, 2023; OECD, 2023). The proliferation of remote working tools, permeable work roles and changing expectations regarding autonomy have disrupted perennial beliefs about how individuals learn, how they feel motivated and remain happy at work (ILO, 2023; World Economic Forum, 2024). Researchers are more and more convinced that HR systems need recalibration to support skills development, motivational strategies,

and work design in relation to new organisational conditions instead of inherited practices (Boxall and Purcell, 2023; Cascio and Montealegre, 2023). However, there remains evidence in the emerging economies, where technological adoption tends to be stronger than management research (Budhwar et al., 2024). The performance of the employees remains the cornerstone of organisational competitiveness since it determines productivity, service quality, and responsiveness (DeNisi and Murphy, 2017; OECD, 2023). Recent research demonstrates that organisations that invest in training, motivating approaches, participative initiatives, and flexible work design are more likely to perform better, yet these drivers do not usually work independently (Kraiger and Passmore, 2023; CIPD, 2024). They are refracted through the evaluative reactions of employees to work, specifically job satisfaction that converts organisational practices into behavioural effort and commitment (Judge et al., 2017; Al Dilby and Farmanesh, 2023). These relationships are also conditioned by the leadership style that either enhances or undermines the credibility of HR initiatives (Banks et al., 2023; Hoch et al., 2018). Although each factor has been thoroughly studied individually, their interactions have not been sufficiently tested in the situation like Pakistan where collectivist norms, hierarchical structures, and speedy sectoral change form unique dynamics (Budhwar et al., 2024).

Training and development continue to be the core of performance as it provides employees with the knowledge and adaptability needed to operate in rapidly evolving conditions (Kraiger and Passmore, 2023; Salas et al., 2024). There is evidence in sectors which indicate that structured learning opportunities enhance competence, engagement, and retention, particularly when based on organisational strategy (CIPD, 2024). Motivation, in its turn, defines whether or not employees use their abilities with passion and perseverance (Ryan and Deci, 2020; Gagné et al., 2023). The perspectives of the Self-Determination Theory shed light on the importance of autonomy, competence, and relatedness as the fundamental psychological needs contributing to intrinsic motivation and enduring performance (Ryan and Deci, 2020; Gagné et al., 2023). Employees increase their efforts and become more committed to organisations when organisations appreciate their contributions, create meaningful tasks, and establish supportive relationships (CIPD, 2024). Work environment flexibility has become another determining factor. Remote or hybrid working, flexible schedules, and increased autonomy of the tasks can positively affect both well-being and productivity by matching the work requirements with individual situations (ILO, 2023; OECD, 2023). Nevertheless, flexibility is not enough, and its advantages hinge on the perception of the workers in the justice, confidence, and encouragement of organisational practices (Korn Ferry, 2023). Involvement in goal setting also has an influence on performance through generating ownership and accountability (Locke and Latham, 2019; CIPD, 2024). Employees involved in specifying the performance targets are prone to internalisation of the targets, perseverance amid challenges, and organising activities with other employees (Locke and Latham, 2019).

In all these mechanisms, job satisfaction serves as a strategic conduit between organisational practices and performance results (Judge et al., 2017; Al Dilby and Farmanesh, 2023). Employees who feel satisfied have more engagement, lower turnover intentions, and discretionary effort (Harter et al., 2020; CIPD, 2024). The opposite also holds true as discontent weakens motivation and teamwork, weakening organisational capacity (OECD, 2023). These effects can be amplified or reduced by leadership style. Transformational and supportive leaders produce confidence in HR initiatives, strengthen the perception of fairness, and exemplify commitment, thus increasing satisfaction and performance (Banks et al., 2023; Hoch et al., 2018). Conversely, inconsistent or authoritarian leadership can eradicate otherwise planned HR practices (Cascio & Montealegre, 2023). These relationships must be viewed together in a holistic way. This research incorporates training and development, employee motivation, flexibility of the work environment and involvement in goal setting into a single conceptual model that views job satisfaction as a mediating variable and leadership style as a moderating factor. The study contributes to the important empirical gap by examining these interactions in various sectors within the changing economy of Pakistan to understand the functioning of HR practices as a unified system as opposed to an independent one

(Budhwar et al., 2024). These results are likely to contribute to theory and practice as they will explain how organisations operating in emerging markets can develop coherent HR systems that can maintain performance in hybrid, uncertain, and innovation-driven settings (World Economic Forum, 2024).

## 2. Literature Review

### 2.1 Employee Performance

Employee performance is the degree to which people are able to fulfill the job tasks and support organizational goals (Campbell et al., 1993). The well-known Ability Motivation Opportunity framework suggests that performance is a product of the joint influence of employee capabilities, motivational attitude and the provision of work conditions (Blumberg and Pringle, 1982). This perspective is extended by modern studies by differentiating between task performance, contextual performance, and adaptive performance (Borman and Motowidlo, 1993; Organ, 1997; Pulakos et al., 2000; Koopmans et al., 2022; Salas et al., 2024). Empirical studies have always indicated that HR practices that provide boost to skills, activate motivation and foster environments are the drivers of performance. Training enhances competence and flexibility (Aguinis and Kraiger, 2009; Kraiger and Passmore, 2023). There is a strong correlation between motivation and performance (Judge et al., 2001; Gagné et al., 2023). Work flexibility is beneficial in terms of productivity and well-being (Bloom et al., 2015; OECD, 2023). Goal setting helps enhance clarity and persistence (Kleingeld et al., 2011; Locke and Latham, 2019). These observations highlight the necessity of using an integrative approach to derive structural and psychological motivation factors of performance.

### 2.2 Training and Development, Job Satisfaction, and Performance

Training and development are coherent attempts to increase employee knowledge, skills, and abilities (Noe, 2017). The human capital theory is based on the assumption that an employee learning investment leads to productivity and competitive advantage (Becker, 1964). The Social Learning Theory also describes why observational learning and feedback mechanisms will reinforce the acquisition of the skill (Bandura, 1977). According to the research, a successful training program increases the competence as well as psychological attachment to the organization. Workers who see themselves as having access to the development opportunities tend to report increased confidence, lower role ambiguity, and a stronger sense of commitment (Saks and Haccoun, 2018). Modern solutions like individualized e-learning and game-based learning have also reinforced the engagement and retention of knowledge (Lee et al., 2023; Garcia and Patel, 2022; Salas et al., 2024). Notably, job satisfaction is a psychological mechanism that connects training with performance. When employees view developmental investments as helpful and beneficial to their careers, they feel more satisfied, which also reflects in their increased engagement and effectiveness in the tasks (Tannenbaum et al., 1991; Colquitt et al., 2000; Kraiger et al., 2023). Accordingly:

**H1:** Employee training and development is positively related to employee job satisfaction.

**H1-a:** Job satisfaction mediates the relationship between employee training and development and employee performance.

### 2.3 Employee Motivation, Job Satisfaction, and Performance

Employee motivation is the internal and external force that guides the effort being made to achieve an organizational goal (Deci and Ryan, 2000). Self-Determination Theory distinguishes between intrinsic and extrinsic motivation (Autonomy vs. Rewards and Purpose, respectively), which are driven by autonomy and purpose and rewards and recognition, respectively. The Expectancy Theory (Vroom, 1964) emphasizes the relevance of perceived connections among effort, performance and results. The empirical research supports this finding continuously, with motivated employees being more productive, creative, and persistent (Gagné et al., 2023).

Job satisfaction is also closely connected with motivation (Judge et al., 2001; Al Dilby and Farmanesh, 2023). Purpose-driven initiatives and reward systems that are more flexible seem to play a significant role in hybrid and digital contexts (Smith and Nguyen, 2023; Dutta et al., 2024; CIPD,

2024). Job satisfaction mediates the motivation performance relationship whereby positive affect and value perception are transformed into discretionary effort (Locke, 1976). On the other hand, demotivation brings in dissatisfaction and disconnection (Herzberg, 1966). Thus:

**H2:** Employee motivation is positively related to employee job satisfaction.  
**H2-a:** Job satisfaction mediates the relationship between employee motivation and employee performance.

#### **2.4 Work Environment Flexibility, Job Satisfaction, and Performance**

Work flexibility is an organizational practice that allows employees to have authority over work schedules, locations, and methods (Allen et al., 2013). Based on the Job Demands- Resources Theory, flexibility is a resource that mediates strain and promotes well-being (Bakker and Demerouti, 2007). Studies propose that flexible working enhances work-life balance, burnout, and productivity (Bloom et al., 2015; Kelly and Moen, 2020; ILO, 2023). The positive results are usually achieved when hybrid models balance between autonomy and collaboration (OECD, 2023; O'Connor et al., 2022). Nevertheless, lack of coordination and participation can be deterred by the poorly designed flexibility (Chen et al., 2023). Flexibility has a major mechanism of performance through job satisfaction. When autonomy and trust are felt by the staff members, they report greater involvement and performance (Gajendran and Harrison, 2007; Korn Ferry, 2023). Therefore:

**H3:** Work environment flexibility is positively related to employee job satisfaction.  
**H3-a:** Job satisfaction mediates the relationship between work flexibility and employee performance.

#### **2.5 Participation in Goal Setting, Job Satisfaction, and Performance**

Involvement in goal setting entails collaborative efforts that include employees in the process of identifying and tracking of work goals (Locke, and Latham, 2002). The Goal-Setting Theory holds that there is strong performance improvement in setting specific and challenging goals with the greater participation of employees in the goals development (Locke and Latham, 1990). Involving goals enhances ownership, focus, and tenacity (Erez and Arad, 1986; Kleingeld et al., 2011; Locke and Latham, 2019). Under Self-Determination approach, a goal formation will fulfill both the needs of autonomy and increase intrinsic motivation (Deci and Ryan, 2000; Gagné et al., 2023). Even though technology-driven tools like AI-based OKR systems can increase tracking and transparency (Kumar et al., 2024), over-automation can decrease perceived autonomy (Ali and Martinez, 2023). Job satisfaction is the affective mechanism that converts the participative practices into performance rewards (Judge et al., 2001; CIPD, 2024). Hence:

**H4:** Participation in goal setting is positively related to employee job satisfaction.  
**H4-a:** Job satisfaction mediates the relationship between work flexibility and employee performance.

#### **2.6 Job Satisfaction and Employee Performance**

Job satisfaction is used to indicate the judgmental aspect of the worker regarding work experiences (Judge et al., 2001). Affective Events Theory is the theory that describes the effects of workplace events as creating an emotional reaction, which evolves into a form of satisfaction (Weiss and Cropanzano, 1996). Employees who feel satisfied are more engaged, persistent, and organizational citizens (Hackman and Oldham, 1976; Judge and Bono, 2001; Harter et al., 2020). On the other hand, dissatisfaction adds to withdrawal and decline in performance (Kelloway et al., 2005). The meta-analytic evidence shows that performance has a positive relationship with satisfaction (Judge et al., 2001; Al Dilby and Farmanesh, 2023). Therefore:

**H5:** Job satisfaction is positively related to employee performance.

#### **Leadership Style and Employee Performance**

The term leadership style is defined as the type of behaviors exhibited by leaders in connecting with their followers (Bass and Avolio 1994). The transformational leadership promotes inspiration, intellectual stimulation and personalized attention (Bass, 1985). Transactional leadership focuses on

the use of the contingent rewards (Burns, 1978), whereas laissez-faire leadership presupposes the minimal guidance (Judge and Piccolo, 2004). Transformational leadership is always predictive of increased satisfaction and performance through augmented meaning and empowerment. There is also new evidence that empathetic and technology-based leadership is important in distant locations (Schmidt et al., 2024; Tanaka et al., 2023; Banks et al., 2023).

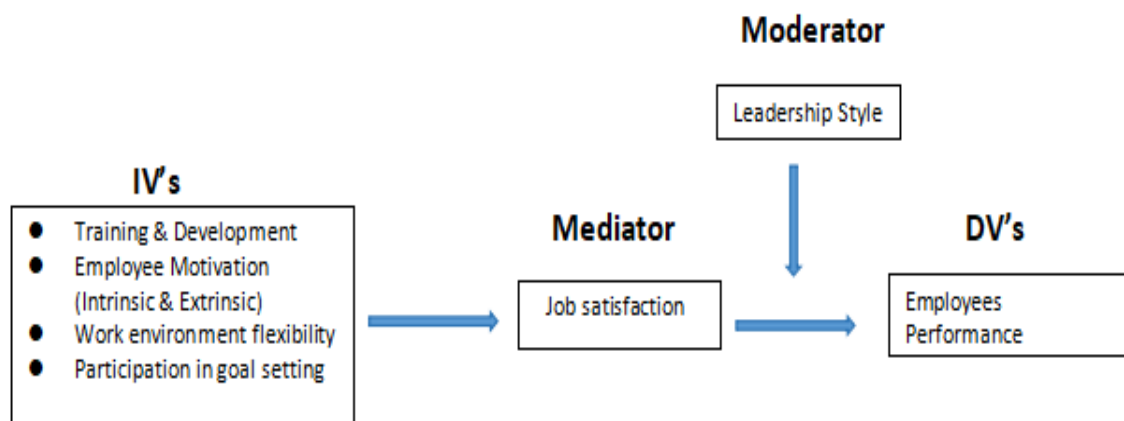
**H6:** Leadership style is positively related to employee performance.

## 2.7 The Moderating Role of Leadership Style

Leadership does not merely affect performance but it also preconditions the relationship between satisfaction and outcomes. Positive results of satisfaction are multiplied by transformational leaders who develop trust, autonomy, and commitment (Podsakoff et al., 1990; Yukl, 2010; Banks et al., 2023). On the contrary, it is the unsupportive leadership that undermines these relationships (Skogstad et al., 2007). Leadership style enhances or suppresses the satisfaction-performance relationship by influencing organizational climate and legitimizing HR practices. Accordingly:

**H7:** Leadership style acts as a moderator in the relationship between job satisfaction and employee performance. Thus, based upon literature, Fig 1 presents the conceptual framework of the study.

### Conceptual Framework



**Fig 1: Conceptual Framework of the study**

## 3. Methodology

The study adopted quantitative and cross-sectional survey research design to investigate the connections between training, motivation, work flexibility, involvement in goal-setting, job satisfaction, leadership style, and performance of the employees. The quantitative design enables objective evaluation of latent constructs (e.g., motivation and job satisfaction) and reduces subjectivity, whereas the cross-sectional design enables data on a heterogeneous population of workers in various sectors and cities of Pakistan to be collected simultaneously. The design fits best testing the proposed model by direct, mediated, and moderated relationships such as the mediating variable of job satisfaction and the moderating variable of leadership style. The research hypotheses are theoretically based on Social Exchange Theory that explains that employees reciprocate the investment of the organization by improving their performance, and Job Demands Resources Theory that conceptualizes work flexibility as essential resource that minimizes job strain and maximises positive outcomes. All constructs were measured with adapted and validated scales measured on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The three-item scale based on the adapted version of the Stephan (2018) and Lee et al. (2023) ones is used to assess training and

development, assessing the availability, relevance, and effectiveness of training programs. The intrinsic (e.g., challenging work) and extrinsic (e.g., monetary incentives) dimensions of employee motivation were assessed with the help of six items (based on Gagné and Deci, 2005 and Dutta et al. 2024) that measured intrinsic and extrinsic dimensions of employee motivation. Work flexibility was evaluated using three items based on Hill et al. (2008) and Chen et al. (2023) that included flexible work hours, remote work options, and work-life balance. The involvement in goal setting was assessed using three questions based on Locke and Latham (1990) and Kumar et al. (2024), which addressed the idea of employee involvement and grouping goal-setting. Three questions based on Weiss et al. (1967) and Nguyen et al. (2023), including satisfaction with roles, feeling of accomplishment, and recognition, were used to measure job satisfaction. To measure leadership style, three adapted items were used based on Bass and Avolio (1994) and Schmidt et al. (2024) and included managerial guidance, motivation, and environment. Employee performance was quantified using three items modified based on Borman and Motowidlo (1993) and Ivanov et al. (2024), and covered three dimensions of task completion, efficiency, and achievement in relation to team goals. Validated scales and standardized Likert responses provided reliability, validity, and appropriateness of data to use in PLS-SEM analysis to validate the hypothesized relationships.

### 3.1 Target Population and Sample

The population of interest was comprised of full-time workers in six Pakistani cities Lahore, Islamabad, Karachi, Multan, Faisalabad, and Sahiwal in five industries: Marketing, Finance, HR, IT, and Healthcare. This stratification provided a guarantee of both geographic as well as industrial variety.

The convenience sampling method was used because of accessibility limitations, the necessity to recruit people as quickly as possible, and precedence in other similar PLS-SEM studies (Kumar et al., 2024). The initial target sample size was 200, which is larger than the PLS-SEM recommendation of 10 times the maximum number of structural paths (Hair et al., 2021).

The end result was 180 valid responses (90 percent response rate) after eliminating incomplete surveys (Kline, 2015). The sample distribution consisted of IT (28%), Healthcare (22%), Finance (18%), Marketing (17%), and HR (15%). In terms of geography, the respondents were majorly Karachi (30%), Lahore (25%), and Islamabad (20%). Most of them had 1-5 years (65 percent), 6-10 (25 percent) and more than 10 (10 percent) years of work experience.

### 3.2 Instrument Design

All constructs were quantified on the basis of adapted and validated scales measured on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The availability of training programs, their relevance, and effectiveness were evaluated using a three-item scale based on Stephan (2018) and Lee et al. (2023) and determined the extent of training and development. Employee motivation was assessed based on six items that were adapted according to Gagné and Deci (2005) and Dutta et al. (2024), including intrinsic (e.g., challenging work) and extrinsic (e.g., monetary incentives) facets of employee motivation. Flexibility of work was measured using three items modified to fit Hill et al. (2008) and Chen et al. (2023), which included flexible hours, the possibility of working remotely, and balance in the work. Goal setting participation was also measured through three questions based on the Locke and Latham (1990) and Kumar et al. (2024) instruments, with regards to the employee involvement and shared goal-setting. Three of the items used to measure job satisfaction were modified versions of Weiss et al. (1967) and Nguyen et al. (2023) that included the satisfaction with the roles, sense of accomplishment, and recognition. Three items based on Bass and Avolio (1994) and Schmidt et al. (2024) were modified to measure leadership style by evaluating three aspects, such as managerial guidance, motivation, and environment. Three items were used to gauge employee performance and were based on Borman and Motowidlo (1993) and Ivanov et al. (2024), which included task completion, efficiency and achievement compared to team targets. Validated scale and

standardized Likert responses provided reliability, validity, and suitability of the data to be used in a PLS-SEM analysis to test the hypothesized relationship.

### 3.3 Data Analysis Techniques

PLS-SEM: Measurement Model: The analysis was conducted using Smart PLS 4.0, and all the scores were above 0.80, which represents composite reliability (Fornell and Larcker, 1981). AVE of over 0.50 was used to verify convergent validity and HTMT ratio of below 0.85 was used to verify discriminant validity (Henseler et al., 2015). Structural Model: Bootstrapping (5,000 subsamples) was used to estimate paths coefficients and effect sizes ( $f^2$ ). Moderated mediation was also put to test using Hayes PROCESS Macro (Model 14) to identify conditional effects of training on performance using job satisfaction which were mediated by leadership style. **Results**

## 4. Results

### 4.1 Normality Assessment

The normality of the data was assessed through skewness and kurtosis values. According to Tabachnick and Fidell (2007), values within the range of -2 to +2 are considered acceptable for normality. Thus, the normality of data has been established for the current study (see table 4-14).

**Table 4.1: Descriptive Statistics**

Variables	Mean	Standard Deviation	Skewness	Kurtosis
Employees Motivation (EM)	4.12	0.72	-0.45	-0.31
Employees Performance (EP)	4.25	0.69	-0.53	-0.28
Job Satisfaction (JS)	4.10	0.74	-0.41	-0.15
Leadership Style (LS)	4.00	0.77	-0.38	-0.22
Participation in Goal Setting (PGS)	4.18	0.70	-0.46	-0.25
Training & Development (TD)	4.22	0.71	-0.49	-0.19
Work Environment Flexibility (WEF)	4.05	0.75	-0.42	-0.30

### 4.2 Outer Loadings and Indicator Reliability

Outer loading of all indicators was above 0.70 which indicated the reliability of indicators. No items were dropped. As pointed out by Hulland (1999), the best value of 0.7 or above of reliability of the indicators is preferred and the best value of 0.4 and above is said to be acceptable in studies that are exploratory in nature. Since the current study is exploratory, the threshold of 0.4 and above is sufficient to gauge the trustworthiness of indicator: the minimal value of the indicator reliability is 0.513 with the variable of employee motivation (EM) (see table 4.2).

In a study proposed by Bagozzi and Yi, (1988) the value of composite reliability of 0.7 or more is substantial and 0.6 or more is generally acceptable. Table 4.2 shows the values of composite

reliability of each variable is more than 0.8. In addition, AVE can be used to test convergent validity (K. K.-K. Wong, 2013). Table 4.2 shows the value of average variance extracted (AVE) of all the variables in the model, which are utilized in establishing the convergent validity. Bagozzi and Yi (1988) say that the 0.5 or more value is satisfactory. Table 4.2 indicates that the AVE of all the variables is above 0.5, (between 0.557 and 0.777). Therefore, convergent validity is verified (see fig 2).

**Table 4.2: Reliability and Validity Results for Outer Models**

Latent Variable	Indicator	Outer Loading	Indicator Reliability	Composite Reliability	AVE
Employees Motivation (EM)	EM1	0.773	0.597	0.883	0.557
	EM2	0.753	0.567		
	EM3	0.716	0.513		
	EM4	0.753	0.567		
	EM5	0.766	0.587		
	EM6	0.716	0.513		
Employees Performance (EP)	EP1	0.857	0.734	0.865	0.681
	EP2	0.769	0.591		
	EP3	0.847	0.717		
Job Satisfaction (JS)	JS1	0.821	0.674	0.849	0.653
	JS2	0.773	0.598		
	JS3	0.830	0.689		
Leadership Style (LS)	LS1	0.836	0.699	0.912	0.776

	LS2	0.913	0.834		
	LS3	0.891	0.794		
Participation in Goal Setting (PGS)	PGS1	0.934	0.873	0.913	0.777
	PGS2	0.851	0.724		
	PGS3	0.858	0.736		
Training & Development (TD)	TD1	0.853	0.728	0.898	0.746
	TD2	0.863	0.745		
	TD3	0.874	0.764		
Work Environment Flexibility (WEF)	WEF1	0.813	0.661	0.861	0.674
	WEF2	0.862	0.743		
	WEF3	0.786	0.618		

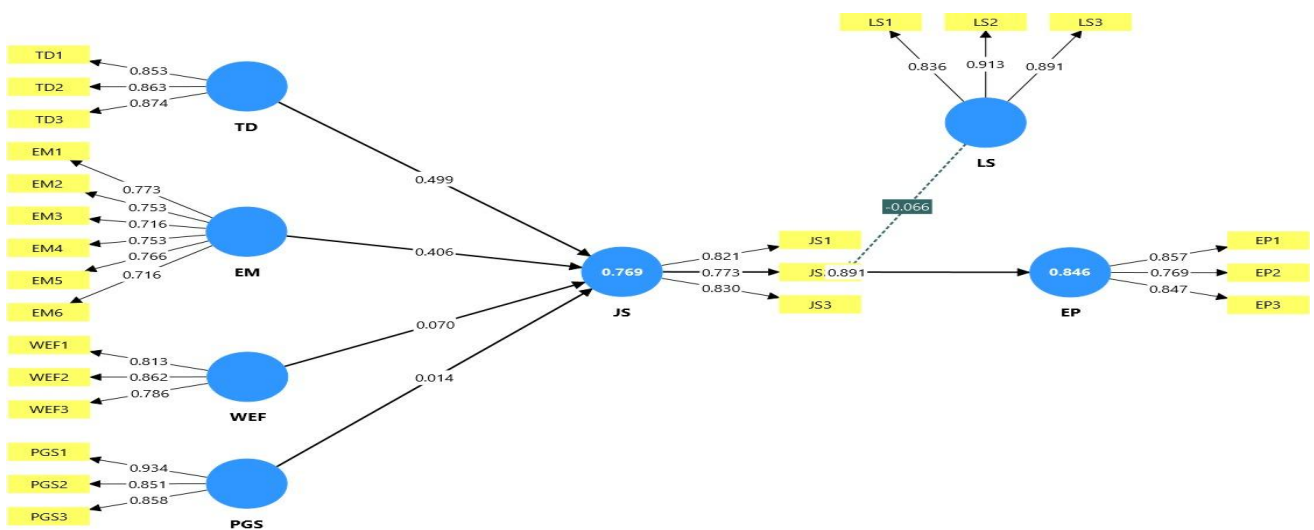


Fig 2: Measurement Model

### 4.3 Discriminant Validity

The discriminant validity can be examined by contrasting square root of each variable average variance extracted (AVE) to the correlations between variables. According to Fornell and Larcker (1981) the square root of every AVE must be bigger than the other correlation values of all variables. Table 4.3 presents all of these values, it is established that every value of AVE square root is greater than the other correlations of latent variable. Hence, discriminant validity has been established. Table 4.4 presents HTMT for validity measure, all values are below 0.90, confirming discriminant validity.

**Table 4.3: Discriminant Validity of Variables– Fornell-Larcker Criterion**

	<b>EM</b>	<b>EP</b>	<b>JS</b>	<b>LS</b>	<b>PGS</b>	<b>TD</b>	<b>WEF</b>
Employees Motivation (EM)	<b>0.746</b>						
Employees Performance (EP)	0.645	<b>0.825</b>					
Job Satisfaction (JS)	0.699	0.723	<b>0.808</b>				
Leadership Style (LS)	0.672	0.688	0.702	<b>0.881</b>			
Participation in Goal Setting (PGS)	0.603	0.627	0.639	0.610	<b>0.882</b>		
Training & Development (TD)	0.582	0.665	0.678	0.590	0.651	<b>0.864</b>	
Work Environment Flexibility (WEF)	0.489	0.503	0.533	0.498	0.509	0.491	<b>0.821</b>

**Table 4.4: Validity Measures – HTMT Ratio**

<b>Constructs</b>	<b>EM</b>	<b>EP</b>	<b>JS</b>	<b>LS</b>	<b>PGS</b>	<b>TD</b>	<b>WEF</b>
Employees Motivation (EM)							
Employees Performance (EP)	0.741						
Job Satisfaction (JS)	0.752	0.798					
Leadership Style (LS)	0.688	0.712	0.845				

Participation in Goal Setting	0.659	0.671	0.703	0.652			
Training & Development (TD)	0.622	0.781	0.799	0.666	0.684		
Work Environment Flexibility	0.598	0.689	0.709	0.621	0.640	0.672	

#### 4.4 Structural Model

##### 4.4.1 Coefficient of Determination (R<sup>2</sup>)

The values of the R<sup>2</sup> illustrate that the model is able to explain 84.6 percent of the variance in Employee Performance and 76.9 percent of the variance in Job Satisfaction. These findings indicate high predictive ability of the independent variables implying that the two outcomes are strongly explained by their effects.

**Table 4.5: R<sup>2</sup> Values**

Endogenous Construct	R <sup>2</sup>
Employees Performance (EP)	0.846
Job Satisfaction (JS)	0.769

##### 4.4.2 Path Coefficients

By applying the method of bootstrapping with 5000 subsamples in SmartPLS, t-statistics and p-values were obtained to examine the significance of the inner model. Since PLS-SEM does not assume data normality, traditional parametric significance testing is not applicable. Instead, non-parametric bootstrapping (Davison & Hinkley, 1997; Efron & Tibshirani, 1986) is used to assess path coefficient significance.

At a 5% significance level (two-tailed), the critical value of t-statistics must be  $\geq 1.69$ . Table 4.22 presents the path coefficients, their t-values, p-values, and decision regarding the hypothesis.

**Table 4.6: Inner Model Path Coefficients, t-statistics, and P-values**

No.	Hypothesized Path	$\beta$	t-value	p-value	Decision
H1	TD $\rightarrow$ Job Satisfaction	0.499	5.969	0.000	Supported
H2	Employees Motivation $\rightarrow$ Job Satisfaction	0.406	5.222	0.000	Supported
H3	PGS $\rightarrow$ Job Satisfaction	0.214	2.512	0.000	Supported

H4	WEF → Job Satisfaction	0.270	3.214	0.000	Supported
H5	Job Satisfaction → Employees Performance	0.891	18.531	0.000	Supported
H6	Leadership Style → Employees Performance	-0.062	2.118	0.000	Supported
H7	Leadership Style × Job Satisfaction → EP	-0.066	3.848	0.000	Supported

#### 4.4.3 Interpretation of Path Coefficients

As shown in Table 4.7 the majority of hypothesized relationships are statistically significant. Employee training and development, employees motivation, employee participation in goal setting and work environment flexibility are positively and significantly influences Job Satisfaction (see table 4-7), supporting the hypothesis H1, H2, H3, H4.

Job Satisfaction strongly impacts Employees Performance ( $\beta = 0.891$ ,  $p < 0.001$ ), supporting the hypothesis H5.

Leadership Style has a significant effect on Employee Performance ( $\beta = -0.062$ ,  $p = 0.264$ ), so H6 hypothesis is supported.

H1-d, H1-e, and H1-f confirmed that PGS, TD, and WEF all significantly influence Job Satisfaction.

Finally, H1-g verified that Leadership Style moderates the relationship between Job Satisfaction and Employee Performance, confirming a significant interaction effect (see fig 3).

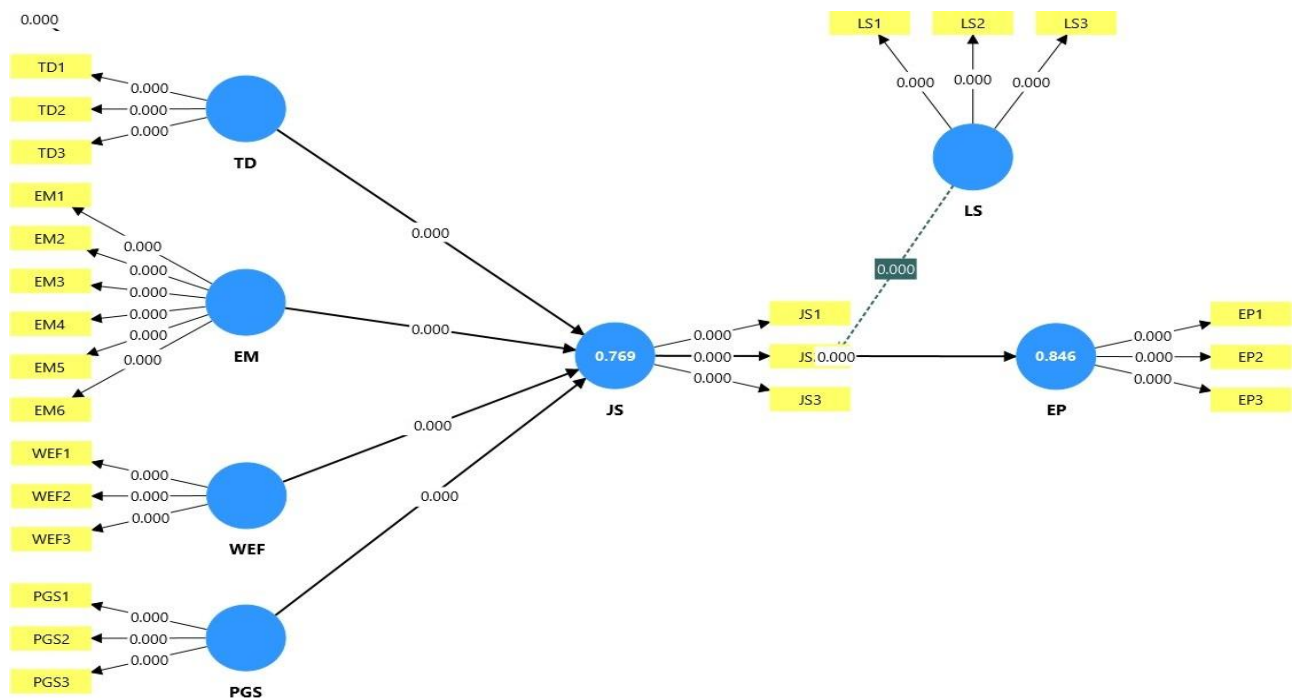


Fig 3: Structural Model Assessment

#### 4.8 Mediation Analysis

According to the mediation analysis outcomes, all four HR practices have significant relationships with the employee performance (EP) in the SME sector of Pakistan mediated by job satisfaction (JS). In particular, job satisfaction has an important indirect impact on employee performance because the indirect effect of employee motivation (EM) and training and development (TD) is significant ( $\beta = 0.362$  and  $\beta = 0.444$ , respectively), with VAF values of 69% and 72%, indicating partial mediation. This implies that even though EM and TD have a direct effect on performance, a significant percentage of their effect is through enhancing job satisfaction.

In their turn, participation in goal setting (PGS) and flexibility of the work environment (WEF) have a strongly indirect effect ( $\beta = 0.190$  and  $\beta = 0.242$ ) with high VAF values of 83% and 89%, indicating full mediation. This implies that these practices increase the performance of employees not through direct influences but mainly as a result of job satisfaction. In general, all hypotheses (H1-a to H4-a) are accepted, as job satisfaction is an important process of correlating HR practices with employee performance in Pakistani SMEs.

**Table 4.7: Mediation Analysis – Indirect Effects, VAF and Significance**

No.	Hypothesis	Indirect $\beta$	t-value	p-value	VAF	Mediation Type	Decision
H1-a	EM $\rightarrow$ JS $\rightarrow$ EP	0.362	4.649	0.000	69%	Partial mediation	Supported
H2-a	TD $\rightarrow$ JS $\rightarrow$ EP	0.444	5.523	0.000	72%	Partial mediation	Supported
H3-a	PGS $\rightarrow$ JS $\rightarrow$ EP	0.190	2.881	0.004	83%	Full mediation	Supported
H4-a	WEF $\rightarrow$ JS $\rightarrow$ EP	0.242	3.412	0.001	89%	Full mediation	Supported

#### 4.5 Moderation Analysis

The interaction term LS  $\times$  JS significantly affects Employee Performance ( $\beta = -0.066$ ,  $t = 3.848$ ,  $p = 0.000$ ). This confirms that Leadership Style moderates the relationship between Job Satisfaction and Employee Performance.

#### 4.8: Moderation of Leadership Style

Moderator	Independent Variable	Dependent Variable	Interaction Term	$\beta$	t-value	p-value
Leadership Style (LS)	Job Satisfaction (JS)	Employee Performance	LS $\times$ JS	-0.066	3.848	0.000

## 5. Discussion

This research attempted to examine how Training and Development, Employee Motivation, Work Environment Flexibility, and involvement in Goal setting influence Employee Performance and also the mediating factor of Job Satisfaction and moderating factor of Leadership Style. Previous studies indicate that HRM practices have a significant positive effect on the performance of employees due to the psychological processes of job satisfaction and commitment (Jiang et al., 2022; Boon et al., 2022). The research used a sample size of 200 employees in different sector organizations i.e. banking, marketing, HR, education, and multinationals in Pakistan and these were located at major cities such as Multan, Lahore, Islamabad, Faisalabad, and Karachi. Combined with the PLS-SEM analysis results, it can be stated that the four independent variables play a significant role in Job Satisfaction, which in turn positively impacts the Employee Performance, which is in line with previous empirical research (Salanova et al., 2021; Schleicher et al., 2021). Moreover, Leadership Style was also identified to mediate the correlation between Job Satisfaction and Employee Performance, which upholds previous literature on leadership focusing on contextual and interaction influences (Lee et al., 2022; Ur Rehman et al., 2023). Out of the independent variables, Employee Motivation and Training and Development were the strongest predictors of Job Satisfaction, which points to the fact that the properly supported and motivated employees are highly satisfied and therefore have better levels of performance (Ali et al., 2022; Ahmad and Raja, 2021). Job Satisfaction served as one of the critical mechanisms, mediating the influence of organizational practices on employee performance, as it is in line with mediation-based models of HRM (Khan et al., 2019; Abbas, 2025). These results align with the Two-Factor Theory created by Herzberg that focuses on motivation and working conditions as the guiding factors towards job satisfaction and productivity (Herzberg et al., 1959). Furthermore, the moderating effect of Leadership Style shows that the nature of interactions between leaders and employees may reinforce or defuse the level of Job Satisfaction on performance outcomes, adding to the literature of empowering and responsible leadership (Banks et al., 2021; Lee et al., 2022). These findings are further contextualized by comparing them with the past studies. The mediating position of Job Satisfaction supports findings of Khan et al. (2019) and Abbas (2025), who emphasized centrality in translating the organizational practices into performance benefits. The beneficial outcomes of Employee Motivation and Training and Development are also in line with Ahmad and Raja (2021) and Ali et al. (2022), proving that HR interventions are essential to increase the productivity. It is interesting to note that contrary to previous researches which usually stated the positive direct impact of Leadership Style on performance, there was no significant direct relationship in this study. Rather, the Leadership Style is acting as a moderator, determining the intensity of the Job Satisfaction-Performance connection, just as recent leadership studies suggest (Iqbal et al., 2020; Ur Rehman et al., 2023). This contradiction can be due to cultural, sectoral, or generational beliefs in leadership expectations and perception in the Pakistani context. On the whole, the results support the significance of a holistic HRM strategy that incorporates employee development and motivation, flexible work practices, and participatory goal setting to get the most out of them (Paauwe and Farndale, 2021; Saks, 2022). The interventions by leadership should be aimed at improving performance that is driven by satisfaction and, as an alternative, coaching, empowerment, and supportive managerial practices should be engaged as opposed to directive or transactional intervention (Lee et al., 2022). The research makes a contribution to the body of knowledge by representing an empirically supported model, which not only explains the effects of mediation, but also those of moderation at the same time, providing practical information to managers in the Pakistani private sector.

## 6. Contributions of the Study

This research provides a number of meaningful contributions both to the theory and practice of Human Resource Management and organizational behavior. First, it presents empirical evidence about the combined effect of Training and Development, Employee Motivation, Flexibility of the Work Environment, and Participation in Goal Setting on Employee Performance with Job Satisfaction being one of the key mediating processes. The study adds to the current literature on employee

performance by both incorporating the mediation and moderation effects in a unified framework and also by exploring employee performance in the context of private-sector organizations in Pakistan. Second, the study highlights the importance of Leadership Style in determining the success of the Job Satisfaction to performance. This study differs with previous research that has focused mainly on the direct leadership effects but the authors have shown that leadership can determine whether employee satisfaction has a direct translation into real performance performances to provide a more sophisticated understanding of the issue of leadership in organizational business environment. Third, the research has practical implications to HR professionals and policymakers. The results indicate that training programs should be made stronger, specific motivation approaches should be created, flexible working conditions should be encouraged, and employees should be actively engaged in the goal-setting processes to improve job satisfaction and, accordingly, employee performance significantly. These findings can be used by organizations, multinational corporations, universities, startups, and other entities in the private sector to come up with more engaged, satisfied, and high-performing teams. Lastly, the study offers some context-specific knowledge to the HRM research in the emerging economies and provides a basis to draw comparison across cultures and sectors in Pakistan in the future. On the whole, this research will contribute to the gap between theory and practice by showing that strategic HR interventions that are mediated by employee satisfaction and moderated by leadership lead to organizational effectiveness.

## 7. Limitations and Future Directions

This study has certain limitations. The 200 participants sample might not be representative of all sectors and provinces in Pakistan. There may be bias in responses reported by the respondents through the use of Google Forms. The cross-sectional design only takes a snapshot at a given point in time, which restricts causal conclusions and other variables including the size of a company, job descriptions and company culture were not manipulated. The future studies may employ bigger and more representative samples, employ longitudinal design to evaluate cause and effect relationships, and consider sector-specific models. Some extra mediators or moderators, including employee engagement or organizational commitment, may help to have a better understanding of HR practices and their connection to performance.

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