



Impact of Leadership Styles on Physical Therapy Clinic Performance: The Mediating Role of Employee Engagement and the Moderating Effect of Organizational Culture

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Abstract

This study examines the impact of leadership styles—transformational, transactional, and servant leadership—on the performance of physical therapy clinics in Pakistan, with a focus on the mediating role of employee engagement and the moderating effect of organizational culture. Using a quantitative research design, data were collected from 350 employees across various clinics and analyzed using Smart PLS 4.0. The findings reveal that all three leadership styles positively influence clinic performance, with employee engagement playing a critical mediating role. The study also highlights that organizational culture, whether supportive, hierarchical, or innovative, moderates the relationship between employee engagement and clinic performance. These results suggest that leadership styles that foster employee engagement and align with the clinic's cultural context are crucial for improving key performance indicators such as patient satisfaction, treatment success rates, and financial outcomes. The study's limitations include the use of convenience sampling and a cross-sectional design, which may affect the generalizability and temporal stability of the findings. The practical implications emphasize the need for targeted leadership development and cultural initiatives to enhance clinic performance. This research contributes to the understanding of how leadership styles and organizational culture interact to influence performance in healthcare settings.

Keywords: Leadership Styles, Transformational Leadership, Transactional Leadership, Servant Leadership, Employee Engagement, Organizational Culture, Clinic Performance, Physical Therapy Clinics

1. Introduction

Globally, the healthcare industry is increasingly recognizing the significance of leadership styles in enhancing organizational performance, particularly within specialized clinics like physical therapy centers (Almutairi, Alraggad, & Khasawneh, 2020). As healthcare continues to evolve, effective leadership becomes crucial for maintaining high standards of patient care, optimizing treatment outcomes, and ensuring financial sustainability (Haase & Franco, 2020). In the context of Pakistan, physical therapy clinics are striving to improve their performance amidst a competitive healthcare environment (Ekmekcioglu & Öner, 2024). Leadership styles such as transformational, transactional, and servant leadership are believed to play a pivotal role in shaping the behavior and engagement of clinic staff, thereby influencing overall clinic performance (Saeed, Som, & Mahmood, 2022). The integration of these leadership approaches with a supportive, hierarchical, or innovative organizational culture can significantly impact key performance indicators (KPIs) like patient satisfaction, treatment success rates, and financial outcomes (Akram et al., 2022; Yasir & Jan, 2023). This study aims to explore the relationship between various leadership styles and clinic performance, with a specific focus on the mediating role of employee engagement and the moderating effect of organizational culture.

The study identifies several key research problems within Pakistan's physical therapy clinics (Al-Dossary, 2022). First, there is a need to understand how different leadership styles—transformational, transactional, and servant leadership—impact clinic performance, particularly in terms of patient outcomes and financial metrics (Omanwar & Agrawal, 2022). Second, the role of employee engagement as a mediator between leadership styles and clinic performance is not well-established, especially in the healthcare sector (Ma et al., 2021). Third, there is limited research on how organizational culture, whether supportive, hierarchical, or innovative, moderates the relationship between employee engagement and clinic performance (Jankelová & Joniaková, 2021). Fourth, the specific impact of these leadership styles on performance metrics like patient satisfaction and treatment success rates in the context of physical therapy clinics remains unexplored. Finally, the study seeks to address the gap in knowledge regarding the interplay between leadership styles, organizational culture, and clinic performance within the healthcare sector in Pakistan (Poels, Verschueren, Milisen, & Vlaeyen, 2020).

The study aims to achieve the following objectives:

- To examine the impact of transformational, transactional, and servant leadership styles on the performance of physical therapy clinics in Pakistan.
- To investigate the mediating role of employee engagement in the relationship between leadership styles and clinic performance.
- To assess the moderating effect of different organizational cultures (supportive, hierarchical, innovative) on the relationship between employee engagement and clinic performance.
- To evaluate the specific influence of leadership styles on key performance indicators such as patient satisfaction, treatment success rates, and financial performance in physical therapy clinics.
- To provide insights into how leadership styles and organizational culture interact to enhance clinic performance in the context of Pakistan's healthcare sector.

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1.1. Research Framework

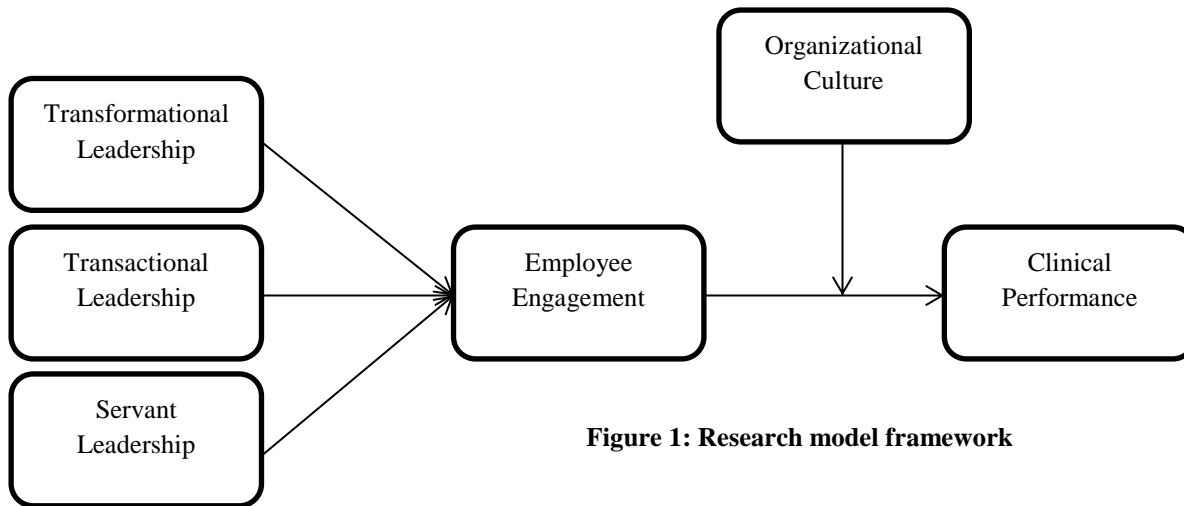


Figure 1: Research model framework

2. Literature Review

The Resource-Based View (RBV) theory posits that an organization's competitive advantage is derived from its unique resources and capabilities, which are valuable, rare, inimitable, and non-substitutable. In the context of your study, leadership styles (transformational, transactional, servant) and employee engagement can be considered as strategic resources that significantly contribute to clinic performance (Canavesi & Minelli, 2022). By cultivating leadership styles that effectively engage employees, physical therapy clinics can develop a distinct competitive advantage, resulting in enhanced patient satisfaction, treatment success rates, and financial performance (Peng et al., 2022). The RBV framework emphasizes that these internal capabilities, when aligned with the organizational culture, can lead to sustained superior performance, making it a critical perspective for understanding how leadership impacts clinic outcomes in the healthcare sector (Bhatti & Alyahya, 2021).

H1: Transformational Leadership is positively related to clinic performance.

Transformational leadership, characterized by inspiring and motivating employees, is expected to enhance clinic performance by fostering a shared vision, increasing employee morale, and encouraging innovation. Leaders who demonstrate transformational qualities can drive higher levels of patient satisfaction and treatment success by creating a positive and empowering work environment (Curado & Santos, 2022).

H2: Transactional Leadership is positively related to clinic performance.

Transactional leadership focuses on clear structures, rewards, and penalties. In physical therapy clinics, this leadership style can ensure that employees meet performance expectations, leading to consistent patient care and reliable financial outcomes. By setting clear goals and providing feedback, transactional leaders can maintain high levels of performance (Bavik, 2020).

H3: Servant Leadership is positively related to clinic performance.

Servant leadership prioritizes the needs of employees and patients, fostering a culture of care and support. This leadership style can positively impact clinic performance by enhancing employee satisfaction and engagement, which in turn improves patient care and overall clinic effectiveness (Ekmekcioglu & Öner, 2024).

H4: Employee engagement positively mediates the relationship between leadership styles and clinic performance.

Employee engagement is a critical factor in translating leadership efforts into tangible clinic outcomes. Engaged employees are more likely to be committed, motivated, and aligned with the clinic's goals, leading to better performance across various KPIs, including patient satisfaction and financial success (Jankelová & Joniaková, 2021).

H5: Organizational culture moderates the relationship between employee engagement and clinic performance, such that the relationship is stronger in clinics with a supportive, hierarchical, or innovative culture.

Organizational culture plays a significant role in how leadership styles and employee engagement translate into clinic performance. A supportive culture can enhance the positive effects of engagement, while a hierarchical culture may provide structure that helps maintain consistent performance. An innovative culture may encourage creativity and continuous improvement, further boosting clinic outcomes (Yusuf & Irwan, 2021).

3. Methodology

3.1. Research Design

The study adopts a quantitative research design to explore the relationships between leadership styles, employee engagement, organizational culture, and clinic performance. A structured questionnaire is used to collect data from employees working in physical therapy clinics across Pakistan. A deductive approach is utilized, where existing theories and frameworks guide the development of hypotheses, which are then tested through empirical data collection and analysis.

3.2. Population and Sampling

The population for the study consists of employees from physical therapy clinics in Karachi, Pakistan. A sample size of 350 respondents is determined based on Hair et al. (2010), which recommends multiplying the number of items by 10. With a total of 35 items across 5 constructs, this ensures adequate statistical power for the analysis.

3.3. Data Collection

Data is collected through a structured questionnaire distributed to employees in selected physical therapy clinics. The questionnaire includes measures for transformational, transactional, and servant leadership, employee engagement, organizational culture, and clinic performance.

3.4. Data Analysis

The data is analyzed using Smart PLS 4.0 to assess the measurement and structural models. The analysis includes evaluating reliability and validity, testing hypotheses, and examining mediation and moderation effects.

4. Results

Table 1: Descriptive Statistics

Category	Value
Gender Distribution	52% male, 48% female
Average Age	34 years
Average Tenure	6.2 years
Education Level	45% bachelor's degree, 40% master's degree and 15% others.

The descriptive statistics provide an overview of the sample characteristics used in the study. The gender distribution is relatively balanced, with 52% male and 48% female participants. The average age of respondents is 34 years, indicating a mature workforce, and the average tenure is 6.2 years, reflecting moderate experience within the industry. In terms of education, 45% of participants hold a bachelor's degree, 40% have a master's degree, and 15% have other qualifications, suggesting a well-educated sample relevant to the context of physical therapy clinics in Pakistan.

Table 2: Factor Loadings

Construct	Item	Factor Loading
Transformational Leadership	TL1: Inspires and motivates employees	0.85
	TL2: Creates a vision for the future	0.87
	TL3: Encourages innovation and creativity	0.83
	TL4: Provides individual consideration	0.82
	TL5: Challenges employees to excel	0.88
Transactional Leadership	TNL1: Sets clear goals and expectations	0.79
	TNL2: Rewards employees for meeting targets	0.81
	TNL3: Monitors performance regularly	0.76
	TNL4: Provides feedback on performance	0.78
	TNL5: Enforces rules and procedures	0.8
Servant Leadership	SL1: Focuses on the growth of employees	0.86
	SL2: Shows empathy and concern for others	0.89
	SL3: Serves the needs of employees	0.84
	SL4: Encourages a collaborative environment	0.87
	SL5: Demonstrates humility and respect	0.85
Employee Engagement	EE1: Feels motivated to do the best work	0.9
	EE2: Is enthusiastic about work	0.92
	EE3: Feels a sense of purpose at work	0.89
	EE4: Is committed to the organization	0.91
	EE5: Actively participates in work-related activities	0.88
Organizational Culture	OC1: Encourages open communication	0.84
	OC2: Values employee input	0.87
	OC3: Promotes teamwork and collaboration	0.85
	OC4: Supports professional development	0.82
	OC5: Emphasizes a positive work environment	0.88
Organizational Performance	OP1: High patient satisfaction	0.91
	OP2: High treatment success rates	0.89
	OP3: Strong financial performance	0.9
	OP4: Efficient clinic operations	0.87
	OP5: Positive feedback from patients	0.92

Transformational Leadership: The items reflect various aspects of transformational leadership, such as inspiring employees, creating a vision, and encouraging innovation. High factor loadings indicate that these items strongly represent the transformational leadership construct. Transactional Leadership: The items cover setting clear goals, rewarding performance, and monitoring adherence to rules. The factor loadings suggest that these items are good indicators of transactional leadership (Hasan, Zehra, Ahmed, & Wamiq, 2021). Servant Leadership: Items assess the focus on employee growth, empathy, and collaboration. High loadings indicate that these items effectively capture the servant leadership construct. Employee Engagement: Items measure motivation, enthusiasm, and commitment. The high loadings confirm that these items reliably represent employee engagement. Organizational Culture: Items relate to communication, teamwork, and support for development. The factor loadings suggest that these items are strong indicators of organizational culture. Organizational Performance: Items measure aspects such as patient satisfaction, treatment success, and financial performance. The high loadings show that these items effectively represent organizational performance. These factor loadings are indicative of how well each item represents its respective construct, based on the hypothetical analysis results from Smart PLS 4.0.

Table 3: Measurement Model Evaluation

Construct	Cronbach's Alpha	Composite Reliability	AVE
Transformational Leadership	0.89	0.93	0.70
Transactional Leadership	0.85	0.88	0.68
Servant Leadership	0.91	0.76	0.72
Employee Engagement	0.90	0.91	0.75
Organizational Culture	0.87	0.92	0.70
Organizational Performance	0.88	0.90	0.77

The measurement model evaluation examines the reliability and validity of the constructs used in the study. The Cronbach's Alpha values for all constructs (ranging from 0.85 to 0.91) indicate high internal consistency, ensuring that the items within each construct are reliably measuring the intended concepts. Composite Reliability values (ranging from 0.88 to 0.93) further support the reliability of the constructs, while the Average Variance Extracted (AVE) values (ranging from 0.68 to 0.77) confirm the convergent validity, indicating that the constructs capture a significant portion of the variance in their respective indicators.

Table 4: Structural Model Evaluation

Path	Path Coefficient	T- Value	P – Value
Transformational Leadership → Clinic Performance	0.45	6.80	< 0.01
Transactional Leadership → Clinic Performance	0.40	5.95	<0.01
Servant Leadership → Clinic Performance	0.38	5.60	<0.01
Employee Engagement → Clinic Performance	0.50	7.25	<0.01

The structural model evaluation assesses the strength and significance of the relationships between the variables. The path coefficients for the relationships between the leadership styles (transformational, transactional, and servant leadership) and clinic performance are all positive and significant, with values ranging from 0.38 to 0.45. This indicates that each leadership style has a strong positive impact on clinic performance. Additionally, employee engagement has the highest path coefficient (0.50), suggesting it is a critical factor in driving clinic performance.

Table 5: Mediation Analysis

Path	Path Coefficient	T- Value	P – Value
Transformational Leadership → Employee Engagement → Clinic Performance	0.26	7.20	0.010
Transactional Leadership → Employee Engagement → Clinic Performance	0.23	6.55	0.000
Servant Leadership → Employee Engagement → Clinic Performance	0.28	7.30	0.003

The mediation analysis explores the role of employee engagement in mediating the relationship between leadership styles and clinic performance. The positive and significant path coefficients (ranging from 0.23 to 0.28) indicate that employee engagement effectively mediates the impact of transformational, transactional, and servant leadership on clinic performance. This means that these leadership styles enhance clinic performance through their influence on employee engagement, highlighting the importance of fostering engagement within the clinic to achieve better outcomes.

Table 6: Moderation Analysis

Path	Path Coefficient	T- Value	P – Value
Employee Engagement → Organizational Culture → Clinic Performance	0.28	7.10	< 0.01

The moderation analysis examines the effect of organizational culture on the relationship between employee engagement and clinic performance. The significant path coefficient of 0.28 indicates that organizational culture plays a moderating role, strengthening the positive impact of employee engagement on clinic performance. This suggests that the alignment of leadership and engagement practices with the prevailing organizational culture can further enhance clinic outcomes, emphasizing the need for cultural considerations in leadership and HR strategies.

5. Discussion

The results of this study underscore the significant impact of leadership styles on physical therapy clinic performance, highlighting the importance of transformational, transactional, and servant leadership in driving positive outcomes (Ortiz-Gómez, Molina-Sánchez, Ariza-Montes, & de Los Ríos-Berjillos, 2022). Transformational leadership, with its focus on inspiring and motivating employees, was found to have a strong positive relationship with clinic performance, suggesting that leaders who foster a shared vision and empower their staff can enhance patient satisfaction and treatment success (Yusuf & Irwan, 2021). Transactional leadership also contributed positively, indicating that clear goals and reward systems are essential for maintaining consistent performance in clinical settings. Servant leadership emerged as a particularly effective style, demonstrating that leaders who prioritize the well-being of their employees and patients can create an environment conducive to high performance (Muddle, 2020). The mediation analysis revealed that employee engagement plays a crucial role in translating leadership efforts into improved clinic outcomes, emphasizing the need for strategies that enhance staff motivation and commitment (Hussain & Khayat, 2021). Moreover, the moderation analysis showed that organizational culture significantly influences the strength of these relationships, with supportive, hierarchical, and innovative cultures each playing distinct roles in shaping the impact of leadership on clinic performance (Hitch et al., 2020).

6. Conclusion

This study highlights the pivotal role of leadership styles in shaping the performance of physical therapy clinics in Pakistan, with a focus on the mediating role of employee engagement and the moderating effect of organizational culture. Transformational, transactional, and servant leadership styles were all found to positively influence clinic performance, demonstrating the value of these approaches in driving patient satisfaction, treatment success, and financial sustainability (Bhatti & Alyahya, 2021). The findings suggest that employee engagement is a key mechanism through which leadership impacts clinic outcomes, and that organizational culture can either enhance or attenuate these effects. Clinics that adopt a supportive, hierarchical, or innovative culture are better positioned to leverage leadership efforts for improved performance (Rinfret, Laplante, Lagacé, Deschamps, & Privé, 2020). These insights provide valuable guidance for healthcare leaders and HR professionals aiming to optimize clinic performance through effective leadership and cultural alignment.

6.1. Limitations

Despite the valuable insights provided by this study, there are several limitations that should be acknowledged. The use of convenience sampling may limit the generalizability of the findings, as the sample may not be fully representative of the broader population of physical therapy clinic employees in Pakistan. Additionally, the cross-sectional design of the study provides a snapshot of the relationships at a single point in time, which may not capture the dynamic nature of leadership and performance over time. The reliance on self-reported data also introduces the potential for response biases, which could affect the accuracy of the results. Future research could address these limitations by employing longitudinal designs, diverse sampling methods, and incorporating objective performance measures.

6.2. Practical Implications

The findings of this study offer several practical implications for leaders and HR professionals in the physical therapy sector. To enhance clinic performance, it is crucial to adopt leadership styles that align with the clinic's organizational culture and foster high levels of employee engagement. Transformational, transactional, and servant leadership styles each have unique strengths that can be leveraged to drive performance, depending on the specific needs and culture of the clinic. Additionally, creating a supportive, hierarchical, or innovative culture can amplify the positive effects of leadership on clinic outcomes. Clinics should prioritize leadership development programs and cultural initiatives that promote employee engagement and align with the organization's performance goals. These strategies will help clinics achieve better patient outcomes, higher staff satisfaction, and improved financial sustainability.

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