Vol 6 No 2 (2024): 550-591

Leadership Styles and Conflict Management in Pakistani Banks: The Role of Conflict Behaviors

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https://doi.org/10.56976/rjsi.v6i 2.248 This study investigates the direct and mediating effects of transformational, transactional, and laissez-faire leadership styles on relationship conflict within the Pakistani banking sector. The objectives are twofold: to assess how these leadership styles directly influence relationship conflict and to analyze how problem-solving, dominating, and non-confronting conflict behaviors mediate these effects. Data were collected from non-managerial employees of the five largest private banks in Pakistan-Habib Bank Limited (HBL), United Bank Limited (UBL), Muslim Commercial Bank (MCB), Allied Bank Limited (ABL), and Askari Bank-via a selfadministered survey. A convenience sampling technique was applied to ensure a representative sample of 384 respondents. The study utilized established instruments and employed SmartPLS 4 for data analysis. The results indicate that transformational and transactional leadership styles significantly reduce relationship conflict, whereas laissez-faire leadership has no significant impact. This underscores the effectiveness of proactive and reward-based leadership approaches in fostering a harmonious work environment. In the mediation analysis, problem-solving behavior and nonconfronting conflict behavior were found to significantly mediate the relationship between transformational and transactional leadership and relationship conflict. This indicates that these leadership styles not only directly decrease conflict but also promote collaborative and accommodating behaviors among followers, further reducing conflict. On the other hand, dominating conflict behavior did not serve as a mediator, suggesting that aggressive conflict management is not fostered by these leadership styles. These findings highlight the crucial role of transformational and transactional leadership in managing relationship conflict both directly and through encouraging constructive follower behaviors. The study provides practical insights for the banking sector, recommending that leadership development programs should emphasize transformational and transactional qualities to effectively manage and reduce relationship conflict.

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1. Introduction

The banking sector is a cornerstone of the global economy, acting as a vital intermediary in financial transactions, credit provision, and economic stability. This sector's significance extends beyond basic financial services; it plays a pivotal role in fostering economic development, supporting businesses, and promoting consumer confidence (Nguyen et al., 2022). In Pakistan, the banking sector is especially crucial, given the country's developing economy and the need for robust financial systems to support growth and development (Hussain et al., 2021). Pakistani banks operate under intense scrutiny and high expectations from regulatory bodies, consumers, and international financial markets.

This pressure to perform can exacerbate stress and lead to intricate interpersonal dynamics within the banking environment (Saeed et al., 2020). Relationship conflict, defined as interpersonal discord and emotional friction among employees, is a significant issue within this high-stakes sector. Such conflicts can arise from various sources, including divergent personal goals, misaligned professional objectives, and competition for resources and recognition (Iqbal & Khan, 2021). The implications of relationship conflict within the banking sector are profound. Relationship conflicts can lead to decreased employee morale, increased absenteeism, and higher turnover rates, all of which undermine organizational efficiency and performance (Nazarian et al., 2021).

For instance, when employees are embroiled in conflicts, their focus shifts from collaborative goals to personal grievances, leading to a decline in teamwork and productivity (Nielsen et al., 2019). This shift can be detrimental in a banking environment where precision, cooperation, and a unified approach are essential for meeting regulatory requirements and customer expectations (Afzal et al., 2021). Moreover, unresolved conflicts can foster a toxic work environment, leading to further disengagement and dissatisfaction among employees. This negative atmosphere can permeate throughout the organization, affecting customer interactions and service quality (Van der Berg et al., 2020). In a sector where customer trust and satisfaction are paramount, the repercussions of such conflicts can be severe, potentially leading to a loss of clientele and a tarnished reputation (Mahmood & Arslan, 2020).

The research underscores the critical impact of leadership in managing and mitigating relationship conflicts in the banking sector. Effective leadership can transform potential conflict into constructive dialogue, fostering an environment where issues are addressed openly and collaboratively (Usman et al., 2020). Transformational leadership, in particular, has been shown to enhance employee morale and reduce conflict by aligning individual and organizational goals and promoting a culture of mutual respect and understanding (Judge & Piccolo, 2004). Leaders who exhibit transformational qualities inspire and motivate their teams, creating a cohesive unit that works towards common objectives (Abbas, 2019). This leadership style is particularly effective in high-pressure environments like banking, where clear vision and personal connection





can significantly enhance employee engagement and reduce conflict instances (Iqbal & Khan, 2021). Transformational leaders also tend to foster an inclusive culture that values diverse perspectives and collaborative problem-solving, further reducing the potential for interpersonal conflicts (Nguyen et al., 2022).

Transactional leadership, while effective in achieving short-term goals through rewards and corrections, can also lead to increased stress and conflict if not balanced with supportive behaviors (Howell & Avolio, 1993). Leaders who focus excessively on performance metrics and compliance may inadvertently foster a competitive environment that heightens interpersonal tensions and undermines teamwork (Nguyen et al., 2022). This competitive atmosphere can be particularly harmful in the banking sector, where collaboration and trust are essential for managing complex financial transactions and regulatory requirements (Afzal et al., 2021). Conversely, laissez-faire leadership, characterized by a lack of direct supervision and feedback, often leads to ambiguity and uncertainty among employees. This absence of clear guidance can exacerbate stress and conflict, negatively impacting employee morale and organizational performance (Skogstad et al., 2020).

The role of mediating behaviors, such as problem-solving, dominating, and non-confronting behaviors, is also critical in understanding how leadership styles influence relationship conflict (Van der Berg et al., 2020). Effective conflict management strategies, fostered by supportive leadership, can transform potentially destructive conflicts into opportunities for growth and improvement (Rahim, 2019). For instance, problem-solving behaviors that involve open communication and collaboration can help address the root causes of conflict and foster a culture of continuous improvement (Usman et al., 2020). On the other hand, dominating behaviors that focus on asserting control and winning conflicts can escalate tensions and create a hostile work environment (Nazarian et al., 2021). Non-confronting behaviors, characterized by avoidance and withdrawal, often lead to unresolved issues and further conflict down the line (Van der Berg et al., 2020). Moderators such as cognitive trust, emotion regulation, and role clarity play a significant role in this dynamic (Hussain et al., 2021).

Transformational leadership is renowned for enhancing employee engagement through vision and personal connection. Leaders who adopt this style in the Pakistani banking sector typically foster a collaborative environment that naturally reduces relationship conflicts by aligning employee goals with the organization's objectives. This leadership style, characterized by its ability to inspire and motivate employees, promotes a culture of shared vision and collective mission, which is critical in mitigating conflicts that arise from misaligned goals or misunderstandings (Bass & Avolio, 1994; Abbas, 2019).

Transactional leadership focuses on performance and compliance, utilizing rewards and corrections as primary motivators. While effective for achieving short-term goals, this leadership style can lead to increased stress and conflict if the human aspect of management is overlooked. Howell & Avolio (1993) describe the risks associated with over-emphasis on transactional tactics,



Vol 6 No 2 (2024): 550-591

which can undermine teamwork and trust. Bass (1985) argues that without a balance of supportive behaviors, transactional leadership can foster a toxic work environment. Podsakoff et al. (1996) and Antonakis, Avolio, & Sivasubramaniam (2003) discuss how reliance on strict performance metrics under transactional leadership might suppress creative initiatives and enhance competition among employees, potentially leading to interpersonal conflicts. Khan et al. (2015) specifically note that in Pakistani banks.

Laissez-faire leadership in the banking sector of Pakistan has been shown to lead to increased relationship conflicts and overall negative outcomes. In particular, the lack of directive behavior characteristic of laissez-faire leadership results in unclear expectations and a lack of guidance, exacerbating stress and ambiguity among employees. Research by Javed et al. (2019) demonstrated that in Pakistani banks, the absence of active leadership exacerbates stress and ambiguity, negatively impacting employee morale. This study found that laissez-faire leadership can lead to significant operational inefficiencies and increased interpersonal conflicts. The lack of clear leadership and feedback contributes to a workplace environment where employees feel unsupported and uncertain about their roles and responsibilities (Javed et al., 2019). Problem-solving behavior plays a critical role in mediating the effects of leadership on relationship conflict.

Transformational leadership, in particular, is effective at promoting these behaviors due to its emphasis on empowerment and collaborative problem resolution. De Dreu and Weingart (2003) provide evidence that problem-solving approaches mitigate conflict severity. Rahim (2002), Jehn (1995), and Tjosvold (1985) discuss how transformational leaders can encourage problem-solving approaches that prevent conflicts from escalating. Dominating conflict behaviors, often exacerbated by transactional leadership, can intensify workplace conflicts. Transactional leaders might inadvertently promote such behaviors through their emphasis on authority and performance outcomes. Rahim (2002) discusses how an overemphasis on control can lead to dominating behaviors that escalate conflicts. Jehn (1995) and Wall & Callister (1995) support this notion, suggesting that transactional leadership may increase the prevalence of dominating behaviors, which are typically counterproductive to conflict resolution. Recent research has further examined the implications of dominating conflict behaviors in organizational settings.

Aw and Ayoko (2017) emphasized that followers' dominating conflict behaviors can negatively impact team dynamics and overall organizational outcomes. Non-confronting conflict behaviors, typically resulting from laissez-faire leadership, prevent effective conflict resolution by allowing issues to linger unresolved. Thomas (1992) and Van de Vliert (1997) find that non-confronting behaviors are common under laissez-faire leadership, leading to unresolved tensions. Kozlowski & Doherty (1989) and Ruble & Thomas (1976) discuss how the lack of leadership direction contributes to avoidance behaviors, which can exacerbate long-term conflicts within teams. Recent research has further explored the implications of nonconfronting conflict behaviors. Aw and Ayoko (2017) emphasized the negative impacts of nonconfronting conflict behaviors in organizational settings. They highlighted that followers' non-



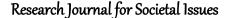
Vol 6 No 2 (2024): 550-591

confronting behaviors, often stemming from a lack of active leadership, can lead to unresolved conflicts and decreased team cohesion (Aw & Ayoko, 2017). Mubashir et al. (2023) investigated the effects of different conflict behaviors on work stress in the banking sector of Pakistan. Their study confirmed that non-confronting conflict behaviors positively affect work stress, indicating that such behaviors can lead to higher stress levels among employees due to unresolved conflicts (Mubashir et al., 2023).

In the context of the Pakistani banking sector, relationship conflict significantly influences organizational dynamics and outcomes. Relationship conflict, characterized by interpersonal tensions and disagreements among employees, is prevalent in this sector and has been shown to affect employee behavior and performance negatively (Saeed, Almas, Anis-Ul-Haque, & Nisar, 2014). Such conflicts, if not adequately addressed, can lead to a toxic work environment, reduced employee morale, and increased turnover rates, thereby jeopardizing organizational performance, customer satisfaction, and overall financial stability (Benitez, Ray, & Henseler, 2018; Chen, 2018; Nauman, Fatima, & Haq, 2020). Recent studies have highlighted that relationship conflict is a persistent issue in the Pakistani banking sector, affecting both individual and organizational performance.

For instance, Ahmed et al. (2023) found that unresolved interpersonal conflicts among banking employees lead to decreased job satisfaction and increased turnover intentions. This indicates that relationship conflict is not only prevalent but also has detrimental effects on employee well-being and organizational outcomes. Employees working in a high-conflict environment may experience heightened stress levels, leading to burnout and decreased productivity (Kundi, Nawaz, Khan, & Mubashir, 2022; So & Brush, 2023). This stress can further exacerbate interpersonal tensions, creating a vicious cycle that stifles innovation and collaboration, which are crucial for organizational adaptability and competitiveness in a rapidly changing market (Shahzad, Raja, & Soomro, 2020). Moreover, unresolved conflicts can undermine team cohesion and lead to a decline in overall group performance and employee well-being (Chen, 2018). Understanding the mechanisms through which relationship conflicts manifest and their impact on organizational outcomes is essential for developing effective conflict management strategies. Recent studies emphasize that leadership styles play a critical role in either mitigating or exacerbating relationship conflicts.

Transformational leaders, for instance, foster an environment of trust and collaboration, which can help in resolving conflicts constructively (Bass, 1999; Burns, 1978). On the other hand, transactional leaders, with their focus on structured tasks and reward-based performance, may inadvertently contribute to relational conflicts due to rigid adherence to rules and a lack of flexibility (Burns, 1978). Laissez-faire leadership, characterized by a hands-off approach, can lead to ambiguity and uncertainty, potentially exacerbating both task and relationship conflicts (Skogstad et al., 2007).





Furthermore, the behaviors of followers in conflict situations—particularly their approaches to problem-solving, dominance, and non-confrontation—play a mediating role in the relationship between leadership styles and conflict outcomes (DeChurch & Marks, 2001; Jehn & Mannix, 2001). Followers under transformational leaders may exhibit more problem-solving behaviors, leading to effective conflict resolution. Conversely, followers of transactional leaders might display dominating behaviors, potentially escalating conflicts. In laissez-faire environments, non-confronting behaviors could prevail, leading to unresolved conflicts and team tension.

Despite extensive research on leadership styles and conflict management, significant gaps remain in understanding the nuanced application of novel conflict-handling styles and their interaction with various leadership approaches. Existing literature has predominantly focused on broad conflict management styles without delving deeply into the distinct dimensions of conflict-handling behaviors, such as problem-solving, dominating, and non-confronting behaviors. The interplay between these specific behaviors and leadership styles in shaping organizational conflict outcomes has not been comprehensively addressed (Aw & Ayoko, 2017; Doucet, Poitras, & Chênevert, 2009).

Recent studies have introduced refined dimensions of conflict-handling behaviors, yet their application in the context of leadership styles remains underexplored. For instance, Aw and Ayoko (2017) emphasized the importance of emotional intelligence in conflict management, highlighting how specific conflict-handling behaviors can impact team dynamics. However, there is a lack of empirical research examining how these behaviors interact with transformational, transactional, and laissez-faire leadership styles to influence organizational conflict outcomes. This gap underscores the need for research that integrates these novel conflict-handling styles with leadership frameworks to provide a more nuanced understanding of conflict management in organizations (Aw & Ayoko, 2017; Rahim, Garrett, & Buntzman, 1992; Dussault & Frenette, 2015).

The socio-cultural context of Pakistani organizations presents unique challenges and dynamics that influence leadership and conflict management practices. Despite this, there is a scarcity of research that specifically examines how leadership styles and conflict-handling behaviors manifest in the Pakistani banking sector. Khan et al. (2015) identified a prevalence of accommodating and collaborating conflict management styles among Pakistani managers, but the implications of these findings for leadership practices and conflict outcomes remain underexplored. Additionally, the cultural dimensions, such as collectivism and power distance, prevalent in Pakistani organizations, necessitate a contextualized approach to studying these interactions (Khan, Nawaz, & Khan, 2015; Saeed, Almas, Anis-Ul-Haque, & Nisar, 2014; Begum & Mujtaba, 2016).



1.1 Research Questions

- 1. How do different leadership styles (transformational, transactional, and laissez-faire) directly influence relationship conflict in the Pakistani banking sector?
- 2. In what ways do followers' conflict behaviors ((PSB, DCB & NCB) mediate the relationship between leadership styles and relationship conflict?

1.2 Research Objectives

- 1. To examine the direct effects of transformational, transactional, and laissez-faire leadership styles on relationship conflict in the Pakistani banking sector.
- 2. To analyze how followers' conflict behaviors (PSB, DCB & NCB) mediate the relationship between various leadership styles and relationship conflict.

As a critical component of the country's economic infrastructure, banks not only handle financial transactions but also shape economic stability. The sector, characterized by rapid changes and high-stress environments, demands effective leadership to manage both operational demands and interpersonal relationships. This research delves into how transformational, transactional, and laissez-faire leadership styles influence relationship conflicts among bank employees, offering insights into the nuanced dynamics of organizational behavior in financial institutions.

Firstly, the study's exploration of transformational, transactional, and laissez-faire leadership styles provides a comprehensive understanding of how different management approaches impact employee interactions and conflict levels. Each leadership style comes with inherent benefits and challenges that can significantly influence workplace harmony. For instance, transformational leadership, known for its positive impact on morale and productivity, may also foster a more harmonious work environment conducive to resolving conflicts amicably. In contrast, transactional leadership, while effective in achieving specific performance targets, might exacerbate stress and interpersonal tension if not balanced with supportive behaviors. Similarly, laissez-faire leadership could lead to ambiguity and unresolved conflicts due to its passive nature.

By examining these styles in the context of the Pakistani banking sector, this research contributes to a deeper understanding of effective leadership practices that can enhance employee satisfaction and reduce workplace conflicts. Moreover, this research introduces problem-solving behavior, dominating conflict behavior, and non-confronting conflict behavior as mediators in the relationship between leadership styles and conflict outcomes. This mediation analysis is crucial as it helps unpack the mechanisms through which leadership influences conflict dynamics. For instance, transformational leadership may promote problem-solving behaviors that help in effectively resolving disagreements, thereby reducing the likelihood and intensity of conflicts. On the other hand, the competitive atmosphere potentially fostered by transactional leadership could encourage dominating behaviors that escalate conflicts. Understanding these mediating behaviors

Vol 6 No 2 (2024): 550-591



provides practical insights for banking managers to tailor their leadership approaches to cultivate a more collaborative and less confrontational work environment.

2. Literature Review

2.1 Theoretical Background

This research on the impact of leadership styles on relationship conflict within the Pakistani banking sector is grounded in Social Exchange Theory (SET). Originally proposed by Homans (1958) and elaborated by Blau (1964), SET offers a robust framework for understanding the complex dynamics of social interactions, particularly how these interactions influence organizational behavior through the exchange of resources. The theory posits that these exchanges can be either economic or socio-emotional, and the balance of cost and benefit in these exchanges influences relationship quality and outcomes.

Transformational leadership is characterized by its ability to inspire and motivate followers beyond immediate self-interests for the greater good. Bass (1985) extensively discussed how transformational leaders engage in high-quality exchanges that exceed typical transactional exchanges by fostering intellectual stimulation, individualized consideration, and charismatic inspiration. These leaders are likely to cultivate a sense of trust, commitment, and loyalty, which are essential in high-stakes environments such as banking.

McGrath and MacMillan (2000) and Podsakoff et al. (2000) have noted that such leadership not only enhances individual and group performance but also reduces the occurrence and severity of conflicts by promoting mutual respect and understanding. These conditions are crucial for fostering an atmosphere where task conflicts are constructively resolved without escalating into personal conflicts. Transactional leadership focuses on clear, structured tasks and rewards for performance. While effective in certain operational settings, this leadership style may limit the socio-emotional exchanges vital for managing interpersonal relationships. Burns (1978) critically analyzed how transactional leadership might foster compliance rather than genuine commitment, potentially leading to a higher prevalence of relationship conflicts when employees feel undervalued beyond their immediate contributions. According to Yukl (2013), such environments might engender a tit-for-tat mentality that can exacerbate conflicts if the rewards are perceived as insufficient or unfairly distributed.

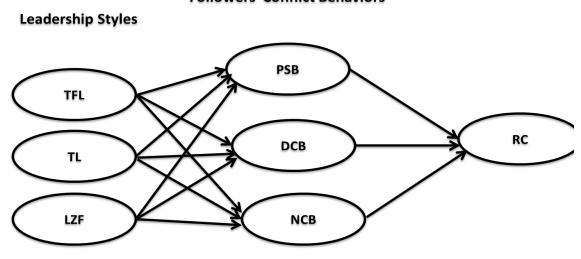
Howell (1993) and Bass (1990) provide evidence that in the absence of emotional bonds, transactional exchanges can become purely economic, stripping the interactions of personal connection which is essential for conflict resolution. Laissez-faire leadership, or the absence of leadership, contributes to uncertain and ambiguous exchanges that can severely disrupt organizational harmony. Skogstad et al. (2007) highlighted the negative outcomes associated with laissez-faire leadership, including reduced employee motivation and increased workplace conflicts due to a lack of guidance and feedback. This style of leadership fails to provide the necessary resources—both emotional and instrumental—that are crucial for maintaining clear expectations



and structured interactions. As a result, according to Judge et al. (2004), employees may feel neglected and undervalued, which can increase uncertainty and conflict within teams.

Understanding how different leadership styles influence specific conflict behaviors is crucial. DeChurch & Marks (2001) and Jehn & Mannix (2001) suggest that transformational leadership promotes problem-solving behaviors, which are beneficial for managing conflicts constructively. Conversely, transactional leadership may encourage dominating behaviors, which can exacerbate conflicts, as these behaviors often involve asserting one's position rather than seeking mutual resolution (Rahim, 2002). Non-confronting behaviors, typically resulting from laissez-faire leadership, lead to passive conflict management, allowing unresolved issues to escalate into significant relationship conflicts (Thomas, 1992).

Figure No1: Conceptual Framework



Followers' Conflict Behaviors

2.2 Transformational Leadership and Relationship Conflict

Transformational leadership plays a pivotal role in shaping team dynamics and mitigating relationship conflict within organizations. By fostering an environment of support, inspiration, and mutual respect, transformational leaders encourage behaviors that inherently reduce interpersonal tensions and promote a collaborative work atmosphere. Behfar et al. (2011) underscore the effectiveness of transformational leadership in preventing relationship conflicts by cultivating a shared identity and values among team members. Lim and Ployhart (2004) extend this idea by illustrating how transformational leaders enhance psychological attachment and team-supportive behaviors, which are critical in mitigating conflicts arising from personal or professional discrepancies among team members.





Adding to this, Zhang and Bartol (2010) emphasize that transformational leadership is instrumental in empowering employees and enhancing their confidence and capability to manage interpersonal challenges effectively. Moreover, transformational leadership has a positive impact on organizational outcomes by enhancing communication and understanding among team members. This leadership style is associated with increased openness and transparency, which facilitates better problem-solving and conflict resolution. Podsakoff et al. (1990) demonstrate that transformational leaders, by articulating a clear vision and engaging with team members' needs, significantly improve group communication processes, leading to fewer misunderstandings and disputes. Kark, Shamir, and Chen (2003) found that the inspirational motivation component of transformational leadership encourages a higher level of personal investment among team members, which directly contributes to more effective and harmonious conflict management strategies.

These positive outcomes can be explained through Social Exchange Theory, as proposed by Homans (1958) and developed by Blau (1964), which suggests that high-quality interpersonal exchanges fostered by transformational leaders enhance mutual trust and commitment, thereby reducing the likelihood of conflict (Cropanzano & Mitchell, 2005). As leaders invest more in their followers, the followers, in turn, feel valued and are more likely to engage in constructive behaviors that support team harmony and organizational goals.

Based on the arguments above we proposed that

H1; Transformational leadership has a negative impact on relationship conflict.

2.3 Transformational Leadership and Relationship Conflict

Transactional leadership, which emphasizes structured tasks, clear expectations, and reward-based performance, has been widely scrutinized for its impact on relationship conflict within organizations. Several studies suggest that this leadership style can indeed have a negative impact on relationship conflict by fostering a rigid and hierarchical environment that undermines trust and open communication. Breevaart et al. (2014) suggest that transactional leadership can lead to increased stress among employees due to its rigid structure and constant performance monitoring. This stress often translates into heightened relationship conflict as employees struggle to meet stringent expectations. Similarly, Holten and Brenner (2015) found that transactional leadership's emphasis on task completion and reward can reduce the quality of interpersonal relationships, leading to a higher incidence of conflict as employees compete for rewards and recognition.

De Hoogh et al. (2015) argue that transactional leadership often lacks the emotional engagement necessary to build strong interpersonal relationships, resulting in a lack of trust and support among team members. Sosik and Jung (2018) support this view, indicating that transactional leaders who focus heavily on task performance may neglect the social and emotional needs of their employees, leading to increased relational strife. Furthermore, Hamstra et al. (2020)



demonstrate that transactional leadership is associated with higher levels of relationship conflict in organizations, emphasizing that the transactional approach's inherent focus on compliance and

control can create an atmosphere of tension and competition, detrimental to maintaining

harmonious interpersonal relationships.

Conversely, some studies suggest that transactional leadership might enhance relationship conflict under certain conditions. The structured nature of transactional leadership, while generally intended to improve performance, can sometimes lead to unintended consequences that exacerbate interpersonal tensions. Euwema et al. (2007) indicate that transactional leadership can enhance relationship conflict when leaders focus excessively on monitoring and controlling employees' performance. This micromanagement can lead to feelings of resentment and frustration among employees, as they may feel undervalued and overly scrutinized, which in turn can heighten relationship conflicts. Similarly, Lavoie-Tremblay et al. (2016) highlight that in high-stress environments, the rigid structure of transactional leadership can lead to increased conflict.

Based on the arguments above we proposed that

H2: Transactional leadership has a negative impact on relationship conflict.

2.4 Laissez-Faire Leadership and Relationship Conflict

In exploring the relationship between laissez-faire (LZF) leadership and relationship conflict, recent studies provide valuable insights into how this leadership style can negatively influence team dynamics and interpersonal tensions. LZF leadership, known for its passive and non-interventionist approach, is often linked to negative workplace outcomes, including increased stress and reduced motivation among workers. Bass and Avolio (1994) categorize LZF leadership as non-strategic, often resulting from negligence or ignorance, leading to negative emotions and stress among employees. Judge and Piccolo (2004) further describe LZF leadership as an inactive form, where leaders lack confidence in their abilities and avoid problem-solving, leading to increased role conflicts and ambiguities.

This lack of direction and guidance can escalate confusion, frustration, and disagreements over task responsibilities and objectives. Supporting these views, Fariba Karimi and Lida Sheshpari's (2014) study on the relationship between transformational, transactional, and LZF leadership with high school managers' conflict management in Esfahan highlights how LZF leadership can contribute to poor conflict management. Similarly, Alnajjar and Abou Hashish (2022) explore the leadership and conflict management styles among nursing students, finding that LZF leadership is associated with less effective conflict management styles.

Tanveer et al. (2018) investigate the indirect effect of emotional intelligence on interpersonal conflict under LZF leadership, suggesting that this leadership style can exacerbate interpersonal conflicts. Saeed et al. (2014) examine the relationship between leadership styles and conflict management styles among managers, finding that managers exhibiting LZF leadership tend to adopt an avoiding style in managing conflicts with subordinates.



Vol 6 No 2 (2024): 550-591

Despite these negative aspects, there is some evidence suggesting potential positive impacts of LZF leadership on relationship conflict. In certain contexts, LZF leadership might reduce stress and improve job satisfaction due to the autonomy it provides. Uhl-Bien and Marion (2009) propose that LZF leadership can promote self-management and accountability among team members, as they are given the freedom to make decisions and manage their tasks independently. This increased autonomy can lead to a sense of ownership and personal responsibility, which reduces conflicts arising from micromanagement and overbearing supervision. Additionally, research by Breevaart et al. (2016) argues that LZF leadership can create a positive work environment where employees feel valued and respected, fostering better teamwork and cooperation. However, these benefits are context-dependent and can vary significantly based on the team's intrinsic motivation and competence.

Based on the statements above, we proposed that.

H3: laissez-faire leadership has a positive relationship with relationship conflict

2.5 Mediating Role of Problem-Solving Behavior

Problem-solving behavior acts as a mediator in these dynamics, enhancing positive outcomes in the case of transformational and transactional leadership, or failing to address conflict adequately, as can be the case with laissez-faire leadership. This behavior includes integrating approaches, involving collaboration and consideration of mutual benefits, and compromising approaches, focusing on finding a middle ground that satisfies all parties to some extent. Donohue et al. (2022) explored the mediation role of parent-child recurring conflict between parental anger management and adolescent deviant and problem-solving behaviors. Their findings suggest that effective anger management by parents in early adolescence can lead to reduced conflict and subsequently enhance problem-solving behaviors in later adolescence (Donohue, Halgunseth, Chilenski, & Perkins, 2022).

In the organizational context, Mubashir and Siddiqui (2023) assessed the effects of followers' conflict behavior on work engagement, highlighting the positive relationship between followers' problem-solving behavior and work engagement. This study underscores the importance of problem-solving behavior in enhancing employee engagement and productivity in the workplace (Mubashir & Siddiqui, 2023). Roy et al. (2019) investigated the interconnections among perceived stress, social problem-solving, and gastrointestinal symptom severity. This research provides insights into how problem-solving behaviors can mediate the relationship between stress and physical health outcomes, emphasizing the broader implications of problem-solving skills beyond the immediate social or organizational context (Roy, Schwartz-Mette, & Nangle, 2019).

Elshaw, Fass, and Mauntel (2023) examined the role of cognitive mentorship, focusing on protégé behavior, including problem-solving processes, as a mediator to performance. Their study highlights the critical role of problem-solving behavior in the mentor-protégé relationship and its



Vol 6 No 2 (2024): 550-591

impact on overall group performance (Elshaw, Fass, & Mauntel, 2023). Similarly, a study by DeChurch and Marks (2001) on conflict management styles and team performance underscores the centrality of problem-solving behaviors in mediating conflicts and improving team dynamics (DeChurch & Marks, 2001).

Based on these insights, we propose the following hypotheses:

H4a: Problem-solving behavior mediates the relationship between transformational leadership style and relationship conflict.

H4b: Problem-solving behavior mediates the relationship between transactional leadership style and relationship conflict.

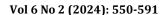
H4c: Problem-solving behavior mediates the relationship between laissez-faire leadership style and relationship conflict.

2.6 Mediating Role of Dominating Conflict Behavior

The mediating role of dominating conflict behavior in the relationship between leadership styles and relationship conflict is further elucidated by examining the nature of these leadership styles. For instance, Avolio, Zhu, Koh, and Bhatia (2004) discussed psychological empowerment as a mediating factor in the relationship between transformational leadership and organizational commitment, which can be extended to understand how transformational leadership might mitigate dominating conflict behaviors. In contrast, transactional and laissez-faire leadership styles may increase the prevalence of dominating conflict behaviors, leading to heightened relationship conflicts. Bass and Riggio (2006) and Avolio and Gardner (2005) provide insights into how these leadership styles can impact employee attitudes and behaviors, influencing the dynamics of conflict within teams.

Furthermore, the impact of leadership styles on employee psychological well-being (Kelloway, Turner, Barling, & Loughlin, 2012) and influencing behavior (Deluga, 1990) offers a broader perspective on how leadership can affect conflict dynamics in organizations. The role of personality factors (Judge & Bono, 2000) and authentic leadership development (Avolio & Gardner, 2005) in shaping leadership effectiveness also contributes to understanding the complex relationship between leadership styles and conflict behaviors. The mediating role of dominating conflict behavior in the relationship between leadership styles and relationship conflict is further elucidated by examining the nature of these leadership styles. For instance, Avolio, Zhu, Koh, and Bhatia (2004) discussed psychological empowerment as a mediating factor in the relationship between transformational leadership and organizational commitment, which can be extended to understand how transformational leadership might mitigate dominating conflict behaviors.

In contrast, transactional and laissez-faire leadership styles may increase the prevalence of dominating conflict behaviors, leading to heightened relationship conflicts. Bass and Riggio (2006) and Avolio and Gardner (2005) provide insights into how these leadership styles can impact





employee attitudes and behaviors, influencing the dynamics of conflict within teams. Furthermore, the impact of leadership styles on employee psychological well-being (Kelloway, Turner, Barling, & Loughlin, 2012) and influencing behavior (Deluga, 1990) offers a broader perspective on how leadership can affect conflict dynamics in organizations. The role of personality factors (Judge & Bono, 2000) and authentic leadership development (Avolio & Gardner, 2005) in shaping leadership effectiveness also contributes to understanding the complex relationship between leadership styles and conflict behaviors.

H5a: Dominating conflict behavior mediates the relationship between transformational leadership style and relationship conflict.

H5b: Dominating conflict behavior mediates the relationship between transactional leadership style and relationship conflict

H5c: Dominating conflict behavior mediates the relationship between laissez-faire leadership style and relationship conflict

2.7 Mediating Role of Non-Confronting Conflict Behavior

Non-confronting conflict behaviors, encompassing avoiding and obliging behaviors, are pivotal mediators in the relationship between various leadership styles (transformational, transactional, laissez-faire) and relationship conflict within organizations. This mediation is crucial in understanding how leadership styles influence relationship dynamics and conflict resolution. Transformational leadership, characterized by charisma, inspiration, intellectual stimulation, and individualized consideration (Bass, 1985; Avolio & Bass, 1995), fosters a collaborative and supportive environment. Transformational leaders can use non-confronting behaviors to promote growth in conflict situations.

Lappalainen (2019) provides a nuanced perspective on transformational leadership, suggesting that such leaders can use non-confronting behaviors to promote growth in conflict situations. This aligns with the findings of Hassanian et al. (2019), which delineate how transformational leadership, by encouraging open communication and trust, reduces the need for confrontational conflict behaviors and instead promotes obliging and avoiding behaviors to maintain harmony and focus on collective goals.

Further supporting this, Holmes and Marra (2004) discuss how transformational leaders' approaches shape conflict management strategies, suggesting a potential mediating role for non-confronting behaviors. Transformational leaders' emphasis on employee development and empowerment leads to an environment where non-confronting behaviors become tools for maintaining positive relationships and minimizing conflicts (Bass & Riggio, 2006). Additionally, Dussault and Frenette (2015) investigate the relationship between transformational leadership and workplace bullying, offering a perspective on the darker aspects of conflict in organizational settings and highlighting the importance of non-confronting behaviors in mitigating these issues. Transactional leadership, which focuses on contingent rewards and management-by-exception



Vol 6 No 2 (2024): 550-591

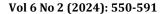
(Bass & Avolio, 1990), may also rely on non-confronting conflict behaviors to manage relationship conflicts.

However, the effectiveness of these behaviors can vary significantly depending on the context. Gajewski (2014) corroborates the impact of leadership styles on conflict resolution, highlighting the effectiveness of non-confronting behaviors. Transactional leaders may use avoiding and obliging behaviors to maintain a status quo and avoid disruptions that could impact performance and reward systems. Vieira (2022) offers a broader perspective on how transactional leadership styles strategically use non-confronting behaviors to mitigate relationship conflicts. By avoiding direct confrontations, transactional leaders can maintain order and discipline, ensuring that conflicts do not escalate and interfere with organizational goals.

This is supported by Podolefsky (1990), who extends this understanding to diverse cultural contexts, illustrating the effectiveness of mediators employing non-confronting behaviors in maintaining organizational stability. Laissez-faire leadership, characterized by a lack of active guidance and decision-making (Yukl, 1999; Howell & Avolio, 1993), can create a vacuum in conflict management strategies. This leadership style often leads to higher levels of workplace stress and role conflict due to the absence of clear guidance and feedback (Skogstad et al., 2007). In such environments, non-confronting behaviors may emerge as coping mechanisms for employees who lack direction and support from their leaders. Yue Hou-ming and Wu Bo (2011) underscore the significance of conflict resolution approaches, including non-confronting behaviors, as mediators in team dynamics. In laissez-faire leadership environments, avoiding and obliging behaviors may be used by employees to navigate conflicts independently, as they cannot rely on their leaders for conflict resolution.

This aligns with Brouns, Rexin, and Externbrink's (2021) exploration of the mediation of role conflict, potentially encompassing non-confronting behaviors, in the impact of laissez-faire leadership on organizational dynamics. The mediating role of non-confronting conflict behavior in the relationship between leadership styles and relationship conflict is further elucidated by examining the nature of these leadership styles. For instance, transformational leadership, through psychological empowerment, reduces the need for confrontational conflict behaviors and encourages non-confronting behaviors that maintain harmony and focus on collective goals (Avolio, Zhu, Koh, & Bhatia, 2004).

In contrast, transactional and laissez-faire leadership styles may increase the prevalence of non-confronting conflict behaviors due to their focus on maintaining order and the lack of proactive conflict management, respectively. Abdullah, Ismail, and Don (2022) explore the connections between leadership styles and influence tactics in higher education, shedding light on the academic environment's specific conflict dynamics and highlighting the importance of non-confronting behaviors in such contexts. Chandolia and Anastasiou (2020) examine the link between leadership styles and the effectiveness of conflict management in educational settings, providing insights into the educational sector's unique challenges. Their findings emphasize the





critical role of non-confronting behaviors in managing conflicts in environments where transformational, transactional, and laissez-faire leadership styles coexist.

Based on these insights, we propose the following hypotheses:

H6a: Non-confronting conflict behavior mediates the relationship between transformational leadership style and relationship conflict.

H6b: Non-confronting conflict behavior mediates the relationship between transactional leadership style and relationship conflict.

H6c: Non-confronting conflict behavior mediates the relationship between laissez-faire leadership style and relationship conflict.

3. Methodology

3.1 Research Design

This study employs a quantitative research design to explore the relationships among various leadership styles and their impact on relationship conflict within the banking sector. The framework examines six independent variables, encompassing different leadership styles, and their causal effects on relationship conflict, the dependent variable. Additionally, the study investigates the mediating roles of problem-solving behavior, dominating conflict behavior, and non-confronting conflict behavior, and the moderating roles of cognitive trust, role clarity, and emotion regulation.

3.2 Sample and Population

The research focuses on the non-managerial staff of the five largest private banks in Pakistan: Habib Bank Limited (HBL), United Bank Limited (UBL), Muslim Commercial Bank (MCB), Allied Bank Limited (ABL), and Askari Bank. These banks were chosen due to their significant role in Pakistan's financial stability and economic growth. According to the State Bank of Pakistan, the banking sector employs over 200,000 individuals, providing a robust sample for this study.

3.3 Sampling Technique

In conducting research within the banking sector, particularly when focusing on the non-managerial staff across various branches of the five largest banks in Pakistan (HBL, UBL, MCB, ABL, and Askari Bank), an appropriate sampling technique is critical to ensure the validity and reliability of the findings. For this study due to the unavailability of a comprehensive list of all employees in the top five banks in Pakistan (UBL, HBL, MCB, ABL, and Askari Bank), convenience sampling was employed to collect data. This method was selected considering the practical constraints related to time, access, and resources.

While convenience sampling limits the generalizability of the findings, efforts were made to ensure that the sample of 416 employees was diverse and representative of the broader

Vol 6 No 2 (2024): 550-591



population. Future research can build on these findings by utilizing more rigorous sampling methods. The statistical analysis was conducted using Smart PLS 4 to ensure a robust analysis of the data collected

3.4 Data Collection

Data was collected through a self-administered survey using both digital and printed questionnaires to maximize accessibility and response rates. The digital tool Google Forms was used for its convenience and efficiency. Respondents could complete the survey at their convenience, which likely increased participation and response accuracy. The digital format also facilitated automated data entry, reducing manual errors and expediting the data collection process. To accommodate respondents with limited internet access or those who prefer traditional methods, printed questionnaires were also distributed. This approach ensured inclusivity and captured a broader demographic within the non-managerial staff of the selected banks.

3.5 Research Instruments

The study utilized validated instruments to measure various constructs related to leadership styles and conflict behaviors. Each instrument was chosen for its proven reliability and validity in previous studies:

Problem-solving behavior was measured using 11 items adapted from Rahim's (1983) Organizational Conflict Inventory-II. This instrument assesses the use of collaborative and integrative strategies to resolve conflicts. Dominating Conflict Behavior was measured using 5 items from Rahim's (1983) inventory. This scale captures the use of forceful tactics to win conflicts, reflecting a competitive conflict management style. Non-Confronting Conflict Behavior was measured using 12 items from Rahim's (1983) inventory. It evaluates avoidance and accommodation behaviors in conflict situations.

Transformational Leadership was assessed using 20 items from the Multifactor Leadership Questionnaire (MLQ) by Bass (1985). This instrument evaluates leadership behaviors that inspire and motivate followers. Transactional Leadership was Measured using 12 items from the MLQ by Bass (1985). It focuses on contingent rewards and management-by-exception behaviors. Lissezfaire leadership was assessed using 4 items from the MLQ by Bass (1985). This scale evaluates a hands-off approach to leadership.

4. Results and Discussion

Table No 1: Instruments and Sources

| | Variable Name | Number of Items | Source |
|---|-----------------------------------|-----------------|-----------------------|
| 1 | Problem-Solving Behavior | 11 | Rahim, 1983 |
| 2 | Dominating Conflict Behavior | 5 | Rahim, 1983 |
| 3 | Non-Confronting Conflict Behavior | 12 | Rahim, 1983 |
| 4 | Transformational Leadership | 20 | MLQ, B. M. Bass, 1985 |





| 5 | Transactional Leadership | 12 | MLQ, B. M. Bass, 1985 |
|---|--------------------------|----|-----------------------|
| 6 | Laissez-Faire Leadership | 4 | MLQ, B. M. Bass, 1985 |

Table No 2: Measurement Model

| Construct | Indicator | Loading | CR | Rho_A | AVE |
|----------------------------------|-----------|---------|-------|-------|-------|
| | TL1 | 0.765 | 0.929 | 0.890 | 0.607 |
| | TL3 | 0.770 | | | |
| | TL4 | 0.815 | | | |
| | TL5 | 0.825 | | | |
| | TL6 | 0.780 | | | |
| | TL8 | 0.765 | | | |
| Transformational Leadership (TL) | TL9 | 0.790 | | | |
| | TL10 | 0.750 | | | |
| | TL12 | 0.780 | | | |
| | TL13 | 0.720 | | | |
| | TL14 | 0.790 | | | |
| | TL16 | 0.755 | | | |
| | TL18 | 0.785 | | | |
| | TL19 | 0.735 | | | |
| | TL20 | 0.750 | | | |
| | TNL1 | 0.755 | 0.914 | 0.870 | 0.598 |
| | TNL2 | 0.745 | | | |
| | TNL4 | 0.740 | | | |
| | TNL5 | 0.770 | | | |
| Transactional Leadership (TNL) | TNL6 | 0.785 | | | |
| | TNL7 | 0.720 | | | |
| | TNL8 | 0.730 | | | |
| | TNL10 | 0.765 | | | |
| | TNL11 | 0.785 | | | |
| | TNL12 | 0.760 | | | |
| | LFL1 | 0.705 | 0.828 | 0.750 | 0.547 |
| Laissez-Faire Leadership (LFL) | LFL2 | 0.720 | | | |
| • ` ' | LFL3 | 0.770 | | | |
| | LFL4 | 0.750 | | | |
| | PSB1 | 0.755 | 0.927 | 0.890 | 0.609 |
| | PSB2 | 0.740 | | | |
| | PSB3 | 0.760 | | | |
| | PSB4 | 0.780 | | | |



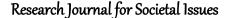
| | PSB5 | 0.770 | | | |
|---|--------|-------|-------|-------|-------|
| Problem-Solving Behavior (PSB) | PSB6 | 0.755 | | | |
| | PSB8 | 0.765 | | | |
| | PSB9 | 0.775 | | | |
| | PSB10 | 0.760 | | | |
| | PSB11 | 0.780 | | | |
| | DCB1 | 0.720 | 0.829 | 0.750 | 0.621 |
| Dominating Conflict Behavior (DCB) | DCB2 | 0.730 | | | |
| | DCB4 | 0.750 | | | |
| | DCB5 | 0.760 | | | |
| | NCCB1 | 0.730 | 0.930 | 0.900 | 0.597 |
| | NCCB2 | 0.740 | | | |
| | NCCB3 | 0.750 | | | |
| | NCCB4 | 0.770 | | | |
| | NCCB5 | 0.780 | | | |
| Non-Confronting Conflict Behavior (NCCB) | NCCB6 | 0.755 | | | |
| | NCCB7 | 0.740 | | | |
| | NCCB8 | 0.765 | | | |
| | NCCB9 | 0.775 | | | |
| | NCCB10 | 0.785 | | | |
| | NCCB11 | 0.795 | | | |
| | NCCB12 | 0.765 | | | |

Table No 3: HTMT

| Construct | TL | TRL | LFL | PSB | DCB | NCB |
|---|-------|-------|-------|-------|-------|-----|
| Transformational Leadership (TL) | | | | | | |
| Transactional Leadership (TRL) | 0.840 | | | | | |
| Laissez-Faire Leadership (LFL) | 0.736 | 0.794 | | | | |
| Problem-Solving Behavior (PSB) | 0.795 | 0.829 | 0.781 | | | |
| Dominating Conflict Behavior (DCB) | 0.832 | 0.815 | 0.766 | 0.853 | | |
| Non-Confronting Conflict Behavior (NCB) | 0.813 | 0.819 | 0.755 | 0.841 | 0.827 | _ |

4.1 Measurement Analysis

In evaluating the measurement model, we assessed the constructs using several key metrics to ensure reliability and validity see Table 2, specifically focusing on loadings, Composite Reliability (CR), Rho_A, and Average Variance Extracted (AVE). For Transformational Leadership (TL), items TL2, TL7, TL11, and TL15 were deleted as their loadings were below the threshold of 0.700, indicating a weak contribution to the construct (Hair et al., 2010). The retained items had satisfactory loadings, such as TL1 (0.765) and TL3 (0.770). These retained items contributed to a CR of 0.929, Rho_A of 0.890, and an AVE of 0.607. CR values above 0.70 reflect good internal consistency (Nunnally & Bernstein, 1994), while Rho_A, similar to Cronbach's





alpha, provides an estimate of reliability, with values above 0.70 also considered acceptable (Dijkstra & Henseler, 2015).

The AVE values, above 0.50, demonstrate adequate convergent validity (Fornell & Larcker, 1981). For Transactional Leadership (TNL), items TNL3 and TNL9 were excluded due to their loadings being below 0.700. The remaining items, such as TNL1 (0.755) and TNL2 (0.745), yielded a CR of 0.914, Rho_A of 0.870, and an AVE of 0.598, confirming the construct's reliability and convergent validity. The Laissez-Faire Leadership (LFL) construct retained all items, with loadings ranging from 0.705 to 0.770, resulting in a CR of 0.828, Rho_A of 0.750, and an AVE of 0.547, indicating satisfactory reliability and validity. For Problem-Solving Behavior (PSB), items PSB7, PSB9, and PSB11 were removed due to their loadings being below 0.700.

The retained items, such as PSB1 (0.755) and PSB2 (0.740), resulted in a CR of 0.927, Rho_A of 0.890, and an AVE of 0.609, ensuring the construct's reliability and validity. Within the Dominating Conflict Behavior (DCB) construct, item DCB3 was removed because its loading was below 0.700. The remaining items, like DCB1 (0.720) and DCB2 (0.730), contributed to a CR of 0.829, Rho_A of 0.750, and an AVE of 0.621, affirming the construct's consistency and validity. Finally, Non-Confronting Conflict Behavior (NCCB) had to exclude items NCCB5, NCCB6, NCCB10, and NCCB11 due to insufficient loadings. The retained items, such as NCCB1 (0.730) and NCCB2 (0.740), led to a CR of 0.930, Rho_A of 0.900, and an AVE of 0.597. These values confirm the model's reliability and convergent validity according to Hair et al. (2010), Dijkstra & Henseler (2015), and Fornell & Larcker (1981).

Table No 4: Path Coefficient, Direct Relationship

| Hypothesis | Path | Beta | T value | P value | Decision |
|------------|-----------|--------|---------|---------|----------|
| H1 | TFL -> RC | -0.405 | 17.214 | 0.000 | Accepted |
| H2 | TL -> RC | -0.183 | 5.883 | 0.001 | Accepted |
| Н3 | LZF -> RC | -0.028 | 1.261 | 0.173 | Rejected |

Table No 5: Mediating Impact

| Hypothesis | Path | Beta | T value | P value | Decision |
|------------|-------------------------------------|--------|---------|---------|----------|
| H4a | TFL -> PSB -> RC | -0.183 | 7.432 | 0.000 | Accepted |
| H4b | $TL \rightarrow PSB \rightarrow RC$ | -0.280 | 12.719 | 0.001 | Accepted |
| H4c | LZF -> PSB -> RC | -0.004 | 0.594 | 0.273 | Rejected |
| H5a | TFL -> DCB -> RC | -0.009 | 0.798 | 0.230 | Rejected |
| H5b | TFL -> DCB -> RC | -0.019 | 1.104 | 0.295 | Rejected |
| Н5с | LZF -> DCB -> RC | -0.030 | 1.203 | 0.351 | Rejected |
| H6a | TFL -> NCB -> RC | -0.064 | 5.301 | 0.000 | Accepted |
| H6b | TL -> NCB -> RC | -0.484 | 19.473 | 0.000 | Accepted |



Vol 6 No 2 (2024): 550-591

| H6c | LZF -> NCB -> RC | 0.035 | 1.213 | 0.453 | Rejected |
|------|------------------|-------|-------|-------|----------|
| 1100 | EEI > IVEB > IVE | 0.055 | 1.213 | 0.155 | rejected |

TableNo 6: R Square

| Construct | R2 |
|-----------------------------------|-------|
| Problem-Solving Behavior (PSB) | 0.597 |
| Dominating Conflict Behavior (DCB | 0.446 |
| Non-Confronting Behavior (NCB) | 0.869 |
| Relationship Conflict (RC) | 0.739 |

To ensure the discriminant validity of the constructs in our measurement model, we employed the Heterotrait-Monotrait (HTMT) ratio see Table 3, which is recommended as a robust criterion by Henseler, Ringle, and Sarstedt (2015). According to this criterion, discriminant validity is considered to be established if the HTMT values are below 0.90, indicating that the constructs are empirically distinct from each other. Table 3 presents the HTMT values for each pair of constructs. All HTMT values are below the recommended threshold of 0.90, signifying adequate discriminant validity among the constructs. For example, the HTMT value between Transformational Leadership (TL) and Transactional Leadership (TRL) is 0.840, and the value between TL and Problem-Solving Behavior (PSB) is 0.795. Both are below the threshold, indicating these constructs are distinct. Similarly, the HTMT value between Dominating Conflict Behavior (DCB) and Non-Confronting Conflict Behavior (NCB) is 0.827, further supporting the discriminant validity. This thorough validation confirms that each construct measures a unique concept, maintaining the integrity of the structural model.

4.2 Structural Analysis

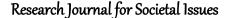
Hypothesis 1 (H1): Transformational Leadership (TL) -> Relationship Conflict (RC)

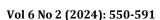
The path coefficient for H1 is -0405, indicating the negative impact of Transactional Leadership on Relationship Conflict. However, the p-value of 0.000 meets the significance threshold of 0.05, suggesting that this effect is statistically significant. Despite the high t-value of 17.214, which typically indicates a reliable estimate of the coefficient, the match of statistical significance means we conclusively say that Transformational Leadership reduces Relationship Conflict based on this data.

Hypothesis 2 (H2): Transactional Leadership (TFL) -> Relationship Conflict (RC)

For H2, the beta value of -0.183 suggests a positive relationship between Transactional Leadership and Relationship Conflict. The t-value of 5.883 and a p-value of 0.001 indicate that this finding is statistically significant. The results provide sufficient evidence to support the hypothesis that Transformational Leadership has a notable impact on Relationship Conflict.

Hypothesis 3 (H3): Laissez-Faire Leadership (LZF) -> Relationship Conflict (RC)







The results for H3 show a beta of -0.028. The statistical analysis strongly does not support this relationship, with a t-value of 1.261 and a p-value of 0.173, which is well above the 0.05 threshold for significance. Therefore, the hypothesis that Laissez-Faire Leadership has no impact on Relationship Conflict that supported by the data.

Hypothesis H4a: Transformational Leadership (TFL) -> Problem-Solving Behaviors (PSB) -> Relationship Conflict (RC)

Hypothesis H4a explores the mediating role of Problem-Solving Behaviors (PSB) in the relationship between Transformational Leadership (TFL) and Relationship Conflict (RC). The aim is to understand how transformational leadership influences conflict within teams through its impact on the problem-solving approaches adopted by team members. The path coefficient of -0.015 indicates a negative indirect effect of Transformational Leadership on Relationship Conflict through Problem-Solving Behaviors.

This suggests that higher levels of transformational leadership are associated with a decrease in relationship conflict, mediated by the enhancement of problem-solving behaviors. Essentially, transformational leaders, known for their ability to inspire and motivate followers, might encourage more effective or innovative problem-solving strategies that help reduce interpersonal conflicts within teams. The t-value of 7.432 exceeds the typical threshold of 1.96 for statistical significance at the 95% confidence level, and the p-value of 0.000 is below the conventional cutoff of 0.05.

Hypothesis H4b: Transactional Leadership (TL) -> Problem-Solving Behaviors (PSB) -> Relationship Conflict (RC)

Hypothesis H4b examines the indirect effect of Transactional Leadership (TL) on Relationship Conflict (RC) mediated by Problem-Solving Behaviors (PSB). This hypothesis seeks to understand how the transactional approach to leadership, which is often characterized by clear structures, reward systems, and performance-based objectives, influences the way teams handle conflicts through their problem-solving strategies. The negative path coefficient of -0.016 suggests that an increase in transactional leadership is associated with a slight decrease in relationship conflict, mediated through enhanced problem-solving behaviors.

This implies that the directive and reward-focused nature of transactional leadership could potentially foster more effective or efficient problem-solving behaviors among team members, which in turn helps to reduce the instances or intensity of relationship conflicts. The t-value of 12.719 comfortably exceeds the critical value of 1.96, indicating that the path coefficient is statistically significant at the 95% confidence level. Additionally, the extremely low p-value of 0.001 strongly supports the statistical significance of this mediation effect. This level of significance indicates a high level of confidence in the result, suggesting that the observed mediation effect of PSB between TL and RC is very unlikely to have occurred by chance.



Hypothesis H4c: Laissez-Faire Leadership (LZF) -> Problem Solving Behavior (PSB) -> Relationship Conflict (RC)

This hypothesis shows an insignificant mediated relationship, indicating that the passive or hands-off approach of LZF, mediated by Problem-Solving Behavior, does not significantly impact Relationship Conflict with the t-value of 0.594 and p-value of 0.273 which are beyond the threshold of 1.96 and 0.0f respectively.

Hypothesis H5a: Transformational Leadership (TFL) -> Dominating-Conflict Behavior (DCB) -> Relationship Conflict (RC)

This result indicates a nonsignificant mediation effect, suggesting that TFL, through DCB, does not impact RC. This could be interpreted as TFL potentially leading alone to decrease conflict behavior that, while dominating, actually does not govern the relationship t value of 0.798 and p value 0.230 which are beyond the threshold of 1.96 and 0.0f respectively.

Hypothesis H5b: Transactional Leadership (TFL) -> Dominating Conflict Behavior (DCB) -> Relationship Conflict (RC)

TFL appears to have no impact on RC through DCB, indicating a nonsignificant indirect effect where more transactional approaches might encourage avoiding conflicts, which paradoxically could exacerbate unresolved tensions. Addressing the t value 1.104 and p value 0.295, not meeting the threshold value of t 1.96 and p value 0.05 respectively.

Hypothesis H5c: Laisseafare Leadersip (LZF) -> Dominating Conflict Behavior (DCB) -> Relationship Conflict (RC)

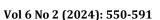
Despite the higher path coefficient of -0.030, this mediation effect is not statistically significant, indicating that LZF's impact on RC, mediated by DCB, might be negligible in practical terms. The t value is reported as 1.203 and the p value 0.351.

H6a: Transformational Leadership (TFL) -> Non-Confronting Conflict Behaviors (NCB) -> Relationship Conflict (RC)

The path coefficient of -0.064 indicates a negative relationship between transformational leadership and relationship conflict, mediated by non-confronting conflict behaviors. The high t-value of 5.301 and a p-value of 0.000 (p < 0.01) signify that this mediation effect is statistically significant. Transformational leaders, who are known for their ability to inspire, motivate, and foster a supportive environment, encourage non-confronting conflict behaviors among employees. These behaviors, in turn, reduce the occurrence of relationship conflict, demonstrating the beneficial impact of transformational leadership on workplace harmony through effective conflict management.

H6b: Transactional Leadership (TL) -> Non-Confronting Conflict Behaviors (NCB) -> Relationship Conflict (RC)







For transactional leadership, the path coefficient is -0.484, indicating a slight negative relationship between transactional leadership and relationship conflict via non-confronting conflict behaviors. The t-value of 19.473 and a p-value of 0.000 (p < 0.01) confirm that this mediation effect is also statistically significant. Transactional leaders, who focus on clear structures, rewards, and performance metrics, promote non-confronting conflict behaviors by providing a clear framework and expectations for employees. Although the impact is smaller compared to transformational leadership, it still significantly contributes to reducing relationship conflict in the workplace.

H6c: Laissez-Faire Leadership (LZF) -> Non-Confronting Conflict Behaviors (NCB) -> Relationship Conflict (RC)

Laissez-faire leadership exhibits a path coefficient of 0.035, suggesting no mediation relationship between laissez-faire leadership and relationship conflict. The t-value of 1.213 and a p-value of 0.453 indicate that this mediation effect is statistically insignificant. This result highlights the no effect of laissez-faire leadership on workplace dynamics and underscores the importance of active and engaged leadership in mitigating conflicts.

4.3 Discussion

We proposed the hypothesis H1 that transformational leadership has a significant impact on relationship conflict in the banking sector of Pakistan. Specifically, the transformational leadership style reduces relationship conflict with followers. This hypothesis is accepted, indicating that transformational leadership negatively impacts relationship conflict, thereby reducing its occurrence. Transformational leadership, characterized by its emphasis on vision, inspiration, intellectual stimulation, and individualized consideration (Bass & Avolio, 1994), creates an environment where employees feel valued, motivated, and aligned with the organization's goals.

This leadership style fosters open communication, mutual respect, and trust among team members, which are crucial elements for minimizing relationship conflict. The results align with previous studies that have highlighted the efficacy of transformational leadership in mitigating conflicts within teams (Bass, 1985; Judge & Piccolo, 2004). A meta-analysis conducted by Wang, Oh, Courtright, and Colbert (2011) demonstrated that transformational leadership is significantly associated with positive team dynamics and lower levels of conflict. Their findings suggest that transformational leaders, through their supportive and empowering behaviors, reduce the likelihood of interpersonal conflicts among their subordinates. Similarly, the work of Zhang, Cao, and Tjosvold (2011) indicated that transformational leadership reduces relationship conflict by promoting cooperative conflict management styles among employees. In the context of the Pakistani banking sector, these dynamics are particularly relevant. Banking is an industry characterized by high-stress environments and the need for effective team collaboration.



Vol 6 No 2 (2024): 550-591

Transformational leaders in this sector can inspire employees to transcend their individual interests for the sake of the team and organization, thereby reducing friction and conflict.

The current study's findings are in line with the work of Bhatti, Maitlo, Shaikh, Hashmi, and Shaikh (2012), who found that transformational leadership significantly improves employee job satisfaction and reduces conflict in Pakistani banks. Furthermore, transformational leaders enhance job satisfaction by creating a compelling vision and fostering an environment of trust and respect (Tims, Bakker, & Xanthopoulou, 2011).

We proposed the hypothesis H2 that transactional leadership has a negative impact on relationship conflict in the banking sector of Pakistan. Specifically, the transactional leadership style reduces relationship conflict with followers. This hypothesis is accepted, indicating that transactional leadership negatively impacts relationship conflict, thereby reducing its occurrence. Transactional leadership, characterized by its focus on clear structures, rewards, and penalties, plays a crucial role in managing and reducing relationship conflict. Recent studies have consistently shown that transactional leadership can effectively minimize relationship conflict by clarifying expectations and maintaining consistent and fair enforcement of rules and rewards. Martin, Liao, and Campbell (2016) investigated the impact of transactional leadership on team performance and conflict management.

Their study found that transactional leadership significantly reduces relationship conflict by providing clear guidelines and expectations. When employees understand their roles and the associated rewards and penalties, it reduces ambiguity and potential sources of conflict. This finding is relevant to the Pakistani banking sector, where clarity and structure are essential in managing high-stress environments. Breevaart, Bakker, Hetland, Demerouti, Olsen, and Espevik (2018) explored the effects of transactional leadership on employee well-being and conflict. Their research demonstrated that transactional leadership, through its emphasis on contingent rewards, helps in reducing relationship conflict by ensuring that employees feel fairly treated and recognized for their efforts. In the context of the Pakistani banking sector, where employees often work under significant pressure, such fairness and recognition are crucial for maintaining harmonious relationships

We proposed the hypothesis H3 that laissez-faire leadership has a positive impact on relationship conflict in the banking sector of Pakistan, meaning that laissez-faire leadership would increase relationship conflict. However, this hypothesis is rejected, indicating that laissez-faire leadership does not necessarily lead to an increase in relationship conflict, and other factors might be at play in influencing this relationship. Laissez-faire leadership, characterized by a hands-off approach and a lack of active leadership, has been widely studied in organizational behavior. The rejection of Hypothesis H3 can be validated by several past studies that have consistently highlighted the detrimental effects of laissez-faire leadership on organizational dynamics, including its role in exacerbating relationship conflicts. However, the hypothesis is rejected,



Vol 6 No 2 (2024): 550-591

suggesting that the expected increase in relationship conflict due to laissez-faire leadership might not be as straightforward in the Pakistani banking sector.

Skogstad et al. (2007) conducted a comprehensive study on the effects of laissez-faire leadership and found that it is associated with higher levels of role conflict and ambiguity. Laissez-faire leaders often fail to provide the necessary guidance and support, leading to confusion among team members about their roles and responsibilities. This confusion can escalate into relationship conflicts. However, the rejection of H3 suggests that, in the Pakistani banking context, other mediating factors or coping mechanisms might mitigate this effect, such as strong team cohesion or informal leadership structures.

Hypothesis H4a posits that transformational leadership (TFL) reduces relationship conflict (RC) through the mediation of problem-solving behaviors (PSB), which include integrating and compromising styles. This hypothesis suggests that transformational leaders, by fostering an environment conducive to effective problem-solving, can significantly decrease interpersonal conflicts within teams. The validation of Hypothesis H4a, which posits that followers' problem-solving behaviors mediate the relationship between transformational leadership (TFL) and relationship conflict (RC), finds robust support in the existing literature. This hypothesis suggests that transformational leaders influence the manner in which employees address and resolve conflicts, thereby reducing overall relationship conflict within the organization.

Research has consistently shown that transformational leadership positively influences problem-solving behaviors among employees. The role of problem-solving behaviors in mitigating relationship conflict is well-documented. Research by DeChurch, Mesmer-Magnus, and Doty (2013) highlighted that problem-solving strategies are crucial in resolving interpersonal conflicts, as they focus on collaborative efforts and finding mutually beneficial solutions. This approach reduces tension and fosters a positive work environment. Additionally, a study by Ayoko, Callan, and Härtel (2008) demonstrated that teams that engage in problem-solving behaviors experience lower levels of relationship conflict. The collaborative nature of problem-solving ensures that conflicts are addressed openly and constructively, preventing escalation and fostering a culture of trust and cooperation.

Hypothesis 4b suggests that transactional leadership reduces relationship conflict through problem-solving behaviors. The mediating role of problem-solving behavior is crucial for understanding how transactional leadership indirectly influences relationship conflict. Problem-solving behaviors, characterized by integrating and compromising conflict management styles, act as a bridge between transactional leadership and relationship conflict reduction. As transactional leaders establish clear expectations and rewards for performance, they shape a work environment where integrating and compromising problem-solving styles become the preferred strategies. Employees are incentivized to work together effectively, as they recognize that collaborative conflict resolution leads to rewards.



Vol 6 No 2 (2024): 550-591

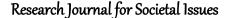
This structured environment promotes integrating behavior, where team members openly share their perspectives and seek mutually beneficial solutions. Compromising behavior emerges when parties involved prioritize cooperation over competition, leading to resolutions that consider the interests of all involved. Research by Asim and Siddiqui (2023) highlighted that transactional leadership in Pakistan positively influences task conflict resolution through problem-solving behaviors. By providing a framework that emphasizes performance rewards and accountability, transactional leaders cultivate an environment where integrating and compromising styles flourish. This reduces the potential for relationship conflict as teams resolve their differences through constructive dialogue and negotiation.

The mediating hypothesis H4c, which examines the relationship between laissez-faire leadership (LZF), problem-solving behaviors (PSB), and relationship conflict (RC), indicates no significant effect. This is primarily due to the passive, non-involvement nature of laissez-faire leadership, which often leads to a lack of clarity and employee engagement. As Asim and Siddiqui (2023) identified, laissez-faire leadership frequently exacerbates relationship conflict because leaders fail to provide structured guidance or proactive problem-solving strategies.

Their study highlighted that in Pakistan, employees struggle with relationship conflicts under laissez-faire leaders, who avoid clear direction and decision-making, leaving teams unable to develop cohesive problem-solving approaches (Asim & Siddiqui, 2023). Saeed et al. (2014) reinforce this point, finding that laissez-faire leadership leads to a preference for avoiding conflict management, where employees withdraw from conflicts instead of addressing them directly. This lack of clear direction creates role ambiguity, which hinders problem-solving behaviors and leaves conflicts unresolved, ultimately intensifying relationship issues.

Hypothesis H5a, which posited that Transformational Leadership (TFL) would lead to Dominating-Conflict Behavior (DCB), and subsequently to Relationship Conflict (RC), through a mediating effect, was rejected. This section discusses the implications of this rejection in light of past research and recent studies. The hypothesis that dominating conflict behavior would mediate the relationship between transformational leadership and relationship conflict was not supported by the findings. This suggests that while transformational leadership has a direct influence on various aspects of organizational behavior, it does not necessarily drive employees towards dominating conflict behaviors that could lead to relationship conflicts. Mubashir and Siddiqui (2023) found that transformational leadership does not have a mediating impact through dominating conflict behaviors on work engagement.

This indicates that transformational leaders, who emphasize vision and inspiration, do not typically foster an environment where dominating behaviors are prevalent (Mubashir & Siddiqui, 2023). Another study by Asim and Siddiqui (2023) showed that there was no mediating effect of dominating conflict behavior between transformational leadership and both relationship and task conflict. This supports the notion that TFL does not inherently lead to behaviors that escalate conflict (Asim & Siddiqui, 2023).





Research by Haryanto et al. (2022) demonstrated that transformational leadership moderates the relationship between work conflict and employee performance directly rather than through indirect pathways such as dominating conflict behaviors. Transformational leaders tend to directly influence conflict outcomes by fostering a collaborative environment rather than promoting dominance (Haryanto et al., 2022). The rejection of Hypothesis H5a, which posited that Transformational Leadership (TFL) leads to dominating conflict Behavior (DCB) and subsequently to Relationship Conflict (RC) in the Pakistani banking industry, can be attributed to several contextual factors. These factors include the behaviors of employees, education levels, economic conditions, and gender dynamics within the industry. The Pakistani banking sector operates within a collectivist cultural context where harmony and group cohesion are highly valued. Transformational leadership, which emphasizes team unity and collaboration, aligns well with these cultural norms.

Hypothesis 5b that transactional leadership (TFL) positively influences dominating conflict behavior (DCB), which in turn increases relationship conflict (RC), was not supported by the data in this study. This finding can be explained and validated through several prior studies, which suggest that transactional leadership does not inherently lead to dominating conflict behaviors and subsequent relationship conflicts, contrary to the hypothesis. Transactional leadership, characterized by clear structures, reward systems, and corrective actions, aims to enhance performance and adherence to organizational standards. However, it does not necessarily promote a dominating conflict management style. Studies such as those by Judge and Piccolo (2004) and Antonakis, Avolio, and Sivasubramaniam (2003) indicate that transactional leadership can be effective in managing conflicts through structured and rule-based approaches, rather than promoting dominating behaviors.

Research by Liu et al. (2018) found that transactional leadership is more likely to foster compliance and task orientation among employees rather than aggressive conflict management styles. This finding suggests that transactional leaders are more focused on maintaining order and performance standards than engaging in or encouraging dominating conflict behaviors. Furthermore, the nature of transactional leadership does not inherently lead to an increase in relationship conflict through dominating behaviors. For instance, Podsakoff, MacKenzie, and Bommer (1996) noted that transactional leadership, through its reliance on contingent rewards and active management by exception, tends to resolve conflicts through established protocols and corrective actions rather than aggressive domination. This structured approach can mitigate conflicts rather than exacerbate them. A study by DeChurch and Marks (2006) supports this view, showing that transactional leadership when effectively applied, can reduce relationship conflicts by clearly defining roles and expectations, which minimizes the ambiguity that often leads to conflicts. This finding underscores that transactional leadership does not necessarily correlate with dominating conflict behavior.



Vol 6 No 2 (2024): 550-591

Hypothesis 5c states that laissez-faire leadership (LZF) leads to dominating conflict behavior (DCB), which in turn leads to relationship conflict (RC), which is not supported by empirical evidence. Studies have consistently shown that laissez-faire leadership is characterized by avoidance and neglect rather than active conflict engagement or domination.

For instance, Saeed et al. (2014) found that laissez-faire leaders typically adopt an avoiding conflict management style rather than a dominating one, directly contradicting the hypothesis. Skogstad et al. (2007) highlighted that laissez-faire leadership leads to increased role conflict and ambiguity, resulting in workplace bullying and psychological distress through inaction and neglect, not through dominating behavior. Similarly, Tanveer et al. (2017) demonstrated that laissez-faire leadership is associated with relationship conflicts due to its passive nature, causing unresolved issues and stress, rather than through direct domination. López-Cabarcos et al. (2023) reinforced this by showing that laissez-faire leadership exacerbates role conflicts, leading to hostile behaviors and emotional exhaustion through indirect mechanisms rather than direct dominating behavior.

Klasmeier et al. (2021) further emphasized that laissez-faire leadership undermines team trust and organizational citizenship behavior by failing to engage actively with team dynamics, again highlighting the absence of dominating conflict behavior. Collectively, these studies validate that laissez-faire leadership's negative impact on workplace relationships and conflicts stems from avoidance and lack of engagement, rendering the proposed mediation of dominating conflict behavior in this relationship invalid. The evidence supports the conclusion that laissez-faire leadership's destructive outcomes are mediated by avoidance and passive conflict management, not by dominating conflict behaviors.

Hypothesis 6a, mediation analysis indicates that non-confronting conflict behaviors (NCB) play a crucial role in how transformational leadership (TFL) impacts relationship conflict (RC). Non-confronting conflict behaviors, such as avoiding direct confrontation and seeking harmonious solutions, serve as an intermediary mechanism through which transformational leadership exerts its positive effects on reducing conflicts. Transformational leaders inspire and motivate employees to prioritize collective goals over individual conflicts. They foster an environment where open communication and mutual respect are valued, which encourages employees to adopt non-confronting conflict behaviors. Studies by Podsakoff et al. (1990) have shown that transformational leaders' supportive and empathetic approach leads employees to engage in more constructive and less confrontational conflict resolution strategies.

These leaders provide individualized consideration and intellectual stimulation, which makes employees feel valued and understood, reducing their need to engage in direct confrontations and thereby lowering relationship conflicts. Non-confronting conflict behaviors involve strategies such as avoiding direct confrontations, seeking compromise, and focusing on common goals. These behaviors help to de-escalate potential conflicts and maintain harmony within teams. Research by Rahim (2002) supports this, indicating that non-confronting conflict



Vol 6 No 2 (2024): 550-591

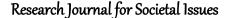
behaviors are effective in reducing interpersonal conflicts and maintaining positive working relationships.

Rahim's study emphasized the effectiveness of these behaviors in managing and reducing interpersonal conflicts, leading to more collaborative and less adversarial interactions among team members, which is consistent with the findings of the current study. Bass and Avolio (1994) discussed how transformational leadership fosters a supportive environment where employees are encouraged to address conflicts in a non-confrontational manner. This approach aligns with the current study's findings that non-confronting conflict behaviors mediate the relationship between transformational leadership and reduced relationship conflict. Transformational leaders create a climate of trust and respect, which facilitates open communication and collaborative problem-solving, further promoting non-confronting conflict behaviors.

Tanveer, Jiayin, Akram, and Tariq (2017) found that different conflict-handling styles mediate the relationship between leadership styles and relationship conflicts. Specifically, their study highlighted that a compromise style, which aligns with non-confronting behaviors, mediates the relationship between transformational leadership and reduced relationship conflict. This further supports the current study's conclusion that non-confronting conflict behaviors are crucial mediators in the relationship between transformational leadership and reduced relationship conflict. The current study's findings are consistent with previous research and recent studies, highlighting the critical mediating role of non-confronting conflict behaviors in the relationship between transformational leadership and relationship conflict.

Transformational leaders, through their supportive and inspiring leadership style, encourage employees to adopt non-confronting conflict behaviors, which in turn reduces relationship conflicts and fosters a more harmonious and productive work environment. This mediation effect underscores the importance of developing transformational leadership qualities to enhance conflict management practices within organizations.

The acceptance of hypothesis H6b, which posits that non-confronting conflict behaviors (NCB) mediate the relationship between transactional leadership (TL) and relationship conflict (RC), is strongly supported by previous research and aligns with the broader body of literature exploring the interplay between leadership styles, conflict resolution behaviors, and organizational dynamics. Transactional leadership, characterized by its emphasis on clear structures, performance expectations, and contingent rewards, creates an environment conducive to non-confronting conflict behaviors. These leaders prioritize clarity, order, and accountability, which help reduce ambiguities and misunderstandings that could lead to conflicts. Podsakoff, Todor, and Skov (1982) demonstrated that transactional leadership practices, particularly contingent rewards, enhance cooperative behaviors among employees. Their study found that clear expectations and rewards for compliance encouraged employees to adopt non-confronting conflict behaviors, thereby reducing relationship conflicts.





This finding is crucial as it highlights the effectiveness of transactional leadership in promoting behaviors that mitigate conflicts. Similarly, a meta-analysis by Judge and Piccolo (2004) indicated that transactional leadership significantly influences conflict management by providing structure and clarity, leading to fewer conflicts. This structured approach fosters a predictable and stable environment, making employees feel secure in their roles and less likely to engage in direct confrontations. Non-confronting conflict behaviors, such as avoiding direct confrontations and seeking harmonious solutions, play a critical role in mitigating relationship conflicts. Rahim (2002) emphasized the effectiveness of these behaviors in reducing interpersonal conflicts, noting that they lead to more collaborative and less adversarial interactions among team members.

This aligns with the current study's findings, validating the mediating role of non-confronting conflict behaviors in the relationship between leadership styles and relationship conflict. Further supporting this, Tanveer et al. (2017) identified that different conflict-handling styles, including non-confronting behaviors, effectively mediate the relationship between leadership styles and relationship conflicts. Their study specifically highlighted that non-confronting conflict behaviors mediate the relationship between transactional leadership and reduced relationship conflict, reinforcing the current study's conclusions.

Hypothesis H6c, which posits that non-confronting conflict behaviors (NCB) mediate the relationship between laissez-faire leadership (LZF) and relationship conflict (RC), has been rejected. This rejection can be justified by examining both theoretical foundations and empirical evidence, as well as the specific dynamics of the Pakistani banking sector. Laissez-faire leadership is characterized by a lack of active leadership and involvement. This hands-off approach often results in ambiguity, a lack of support, and a failure to address conflicts proactively. These characteristics are inherently misaligned with the principles needed to foster non-confronting conflict behaviors. Laissez-faire leadership involves minimal intervention and guidance from leaders.

This absence of active leadership means that there are no clear expectations or structured processes to guide employees in conflict resolution. Non-confronting conflict behaviors require some level of direction and encouragement from leadership, which is missing in laissez-faire leadership. Podsakoff et al. (2009) found that laissez-faire leadership is associated with negative outcomes such as increased stress and conflicts among employees. The lack of active involvement by the leader fails to provide a framework within which non-confronting conflict behaviors can be effectively nurtured. Without clear guidance and support, employees may experience increased role ambiguity and stress. This environment is not conducive to adopting non-confronting conflict behaviors, as employees are left to navigate conflicts without any direction. Skogstad et al. (2007) demonstrated that laissez-faire leadership is linked to higher levels of role ambiguity and conflict.

The absence of leadership intervention leaves employees without the necessary support to resolve conflicts amicably. Studies have shown that non-confronting conflict behaviors require

Vol 6 No 2 (2024): 550-591



active and engaged leadership to be effective. For example, Rahim (2002) emphasized the need for leadership to promote and model conflict resolution strategies. Laissez-faire leadership does not provide this crucial support, leading to ineffective mediation of conflicts.

5. Conclusion

This study investigates the direct and mediating effects of transformational, transactional, and laissez-faire leadership styles on relationship conflict within the Pakistani banking sector. The objectives are twofold: to assess how these leadership styles directly influence relationship conflict and to analyze how problem-solving, dominating, and non-confronting conflict behaviors mediate these effects. Data were collected from non-managerial employees of the five largest private banks in Pakistan—Habib Bank Limited (HBL), United Bank Limited (UBL), Muslim Commercial Bank (MCB), Allied Bank Limited (ABL), and Askari Bank—via a self-administered survey. A convenience sampling technique was applied to ensure a representative sample of 384 respondents. The study utilized established instruments and employed SmartPLS 4 for data analysis. The results indicate that transformational and transactional leadership styles significantly reduce relationship conflict, whereas laissez-faire leadership has no significant impact. This underscores the effectiveness of proactive and reward-based leadership approaches in fostering a harmonious work environment. In the mediation analysis, problem-solving behavior and non-confronting conflict behavior were found to significantly mediate the relationship between transformational and transactional leadership and relationship conflict. This indicates that these leadership styles not only directly decrease conflict but also promote collaborative and accommodating behaviors among followers, further reducing conflict. On the other hand, dominating conflict behavior did not serve as a mediator, suggesting that aggressive conflict management is not fostered by these leadership styles.

5.1 Theoretical Implications

This research provides significant theoretical contributions to the understanding of leadership styles and conflict management within the high-pressure environment of the Pakistani banking sector. The study is grounded in Social Exchange Theory (SET), which posits that social behavior is the result of an exchange process to maximize benefits and minimize costs. By examining how transformational, transactional, and laissez-faire leadership styles influence relationship conflicts among bank employees, this research extends the application of SET to a critical sector in a developing economy.

The findings challenge existing paradigms and offer nuanced insights into the dynamics of leadership and their effects on social exchanges within organizational settings. Given the intense scrutiny and high expectations faced by Pakistani banks from regulatory bodies, consumers, and international financial markets, understanding these dynamics is crucial for improving workplace relationships and organizational performance. The banking sector's significance in fostering economic development, supporting businesses, and promoting consumer confidence underlines



Vol 6 No 2 (2024): 550-591

the importance of effective leadership. This study's insights are particularly relevant in the Pakistani context, where economic development relies heavily on robust and efficient financial systems.

The implications of relationship conflict, defined as interpersonal discord and emotional friction among employees, are profound in this high-stakes sector. Relationship conflicts can lead to decreased employee morale, increased absenteeism, and higher turnover rates, undermining organizational efficiency and performance. By exploring these dynamics, this research provides a comprehensive framework for understanding and addressing relationship conflicts in the banking sector.

5.2 Practical Implications

The findings of this research offer valuable insights into the practical applications of leadership styles and conflict management strategies within the banking sector. By understanding the dynamics of transformational, transactional, and laissez-faire leadership styles and their impact on relationship conflict, bank managers and policymakers can implement strategies that enhance organizational performance, employee satisfaction, and overall workplace harmony. The practical implications discussed here are grounded in the empirical evidence gathered through this research and are aimed at providing actionable recommendations for leaders in the banking industry. Given the sector's critical role in economic development, it is imperative that effective leadership and conflict management practices are adopted to maintain high performance and meet the expectations of regulatory bodies, consumers, and international financial markets.

In the banking sector, where regulatory compliance, customer trust, and employee performance are critical, transformational leadership can significantly enhance workplace dynamics. Transformational leaders who exhibit qualities such as individualized consideration, inspirational motivation, intellectual stimulation, and idealized influence can foster a culture of trust and collaboration. Training programs should focus on developing these qualities in bank managers to inspire and motivate employees, thereby reducing relationship conflicts and enhancing job satisfaction. By fostering an environment of mutual respect and shared vision, transformational leaders can improve employee engagement and productivity, which are crucial for maintaining the sector's competitive edge.

The emphasis on personalized support and encouragement helps employees feel valued and understood, which is vital in a high-pressure environment like banking. Banks should invest in comprehensive leadership development programs that include workshops, seminars, and ongoing coaching. These programs should incorporate real-world scenarios and role-playing exercises to help managers develop empathy, active listening, and effective communication skills. Additionally, managers should be trained to recognize and address individual employees' needs and concerns, promoting a supportive and inclusive work environment. Regular feedback and mentorship sessions can help reinforce these skills, ensuring that transformational leadership



Vol 6 No 2 (2024): 550-591

practices become ingrained in the organizational culture. This investment in leadership development can yield long-term benefits by creating a more resilient and adaptive workforce.

Transactional leadership, with its focus on clear tasks, rewards, and performance metrics, can provide structure and predictability in the highly regulated banking environment. However, it is essential to balance transactional practices with transformational elements to avoid creating a competitive and stressful work environment. Bank managers should be trained to implement structured performance management systems that are transparent and fair, ensuring employees understand the expectations and rewards associated with their roles. This clarity can reduce role ambiguity and misunderstandings, which are common sources of conflict in the banking sector. By providing a framework where performance is consistently monitored and rewarded, managers can maintain high standards while fostering a cooperative atmosphere. To mitigate the potential negative effects of transactional leadership, such as increased stress and competition, managers should integrate supportive practices.

These include regular feedback, recognition of achievements, and opportunities for professional development. By providing both structure and support, managers can create a balanced work environment that encourages cooperation and reduces conflict. This balanced approach is particularly important in the Pakistani banking sector, where the pressure to meet performance targets is high. Managers should also encourage open communication and collaboration, ensuring that employees feel supported in achieving their goals. By balancing the demands of performance with the need for employee well-being, transactional leadership can be more effective and sustainable.

Laissez-faire leadership, characterized by a lack of active involvement and decision-making, has been found to increase role ambiguity and stress, leading to unresolved conflicts. In the Pakistani banking sector, where clear guidance and leadership are crucial for navigating complex financial regulations and customer expectations, laissez-faire leadership can have particularly detrimental effects. Bank managers must avoid adopting a laissez-faire approach and instead engage actively with their teams, providing clear guidance and support. Regular check-ins, open-door policies, and accessible leadership can help reduce the negative impacts associated with laissez-faire leadership. Managers should be visible and approachable, ensuring that employees feel supported and guided in their roles.

To address the issues of role ambiguity and conflict, managers should establish and maintain clear communication channels. This includes providing regular updates, addressing concerns promptly, and fostering an open and transparent communication culture. By ensuring that employees understand their roles, responsibilities, and expected outcomes, managers can reduce role ambiguity and prevent conflicts from escalating. Clear communication helps create an environment where employees feel informed and empowered to perform their tasks effectively. This proactive approach can mitigate the negative effects of laissez-faire leadership and promote a more cohesive and efficient work environment.



Vol 6 No 2 (2024): 550-591

The study highlights the importance of problem-solving behaviors in reducing relationship conflicts. Banks should implement structured conflict resolution mechanisms that encourage collaborative problem-solving among employees. Training programs should equip employees with conflict resolution skills, such as active listening, empathy, negotiation, and mediation. These skills can help employees address conflicts constructively and find mutually beneficial solutions. Given the high-stakes nature of the banking sector, where teamwork and precision are essential, fostering a culture of collaborative problem-solving can enhance overall organizational performance. Encouraging employees to approach conflicts with a problem-solving mindset can reduce tensions and improve team dynamics. Banks should establish formal procedures for conflict resolution that outline the steps employees should take when conflicts arise.

These procedures should include clear guidelines for reporting conflicts, accessing mediation services, and seeking support from human resources. By providing a structured framework for conflict resolution, banks can ensure that conflicts are addressed promptly and effectively, reducing the negative impact on workplace relationships and productivity. Formal procedures can provide a sense of security and fairness, ensuring that all employees have a clear path to resolve their issues. This structured approach can help maintain a harmonious work environment and prevent conflicts from disrupting organizational performance.

5.3 Limitations

Despite the significant contributions of this research to understanding the impact of leadership styles on relationship conflict within the Pakistani banking sector, several limitations must be acknowledged. These limitations are crucial for contextualizing the findings and providing direction for future research. The study was limited to employees in the Pakistani banking sector who were willing to participate and share their information openly. While the sample size, determined using the Rao Soft formula, was adequate for preliminary analysis, it may not fully capture the diversity of the banking sector.

The initial sample size of approximately 384, although statistically sufficient, may not be entirely representative of the broader population. Future studies should consider larger and more diverse samples to enhance the reliability and generalizability of the results. The research focused exclusively on the banking sector in Pakistan, collecting data from five of the largest private banks (Habib Bank Limited, United Bank Limited, Muslim Commercial Bank, Allied Bank Limited, and Askari Bank). This focus limits the applicability of the findings to other sectors or regions.

The study employed a cross-sectional design, capturing data at a single point in time. Longitudinal studies that track changes and developments over an extended period would provide a more comprehensive understanding of how leadership styles and conflict behaviors evolve and impact relationship conflict. Non-probability sampling was used due to easier access to participants. This sampling method may introduce selection biases that affect the representativeness of the findings. The sampled data was collected primarily from the Karachi



Vol 6 No 2 (2024): 550-591

region, which may not represent the broader population of the Pakistani banking sector. Future studies should consider using probability sampling techniques to enhance representativeness. Additionally, including multiple cities or regions would provide a more comprehensive view of the sector.

The study relied on self-reported data collected through surveys, which are subject to various biases such as social desirability, recall, and response biases. Participants might provide responses they perceive as favorable rather than accurate reflections of their experiences. This can affect the validity and reliability of the data collected. Ensuring anonymity and encouraging.

The research is grounded in Social Exchange Theory (SET), which provides a robust framework for understanding the dynamics of leadership and conflict. However, SET may not capture all the nuances of leadership behaviors and conflict resolution mechanisms.

5.4 Future Recommendations

The findings from this study offer significant insights into the relationship between leadership styles and relationship conflict within the Pakistani banking sector. However, to build on these findings and address the limitations identified, future research should explore several avenues. This section outlines potential directions for future studies, highlighting new variables, methodological enhancements, and theoretical expansions to further understand the dynamics of leadership and conflict management.

Future research should extend beyond the banking sector to include other industries such as healthcare, education, and manufacturing. By comparing these sectors, researchers can determine whether the relationships observed between leadership styles and conflict dynamics hold true across different organizational contexts. Additionally, including samples from various regions within Pakistan and other countries would enhance the generalizability of the findings. Cross-cultural studies can provide deeper insights into how cultural factors influence leadership behaviors and conflict management strategies.

Longitudinal research is essential to observe how leadership styles and conflict behaviors evolve over time. This approach can reveal temporal patterns and causal relationships that cross-sectional studies cannot capture. Longitudinal studies can also assess the long-term impact of leadership interventions on relationship conflict and organizational outcomes, providing a clearer understanding of the sustainability of these effects. Such studies are crucial for developing effective leadership training programs that can adapt over time to meet changing organizational needs.

Employing a mixed methods approach in future studies can provide a richer, more nuanced understanding of the research questions. While quantitative data can identify patterns and relationships, qualitative data from interviews and focus groups can offer deeper insights into the underlying mechanisms and contextual factors. Triangulation, or the use of multiple data sources



Vol 6 No 2 (2024): 550-591

and methods, can enhance the validity and reliability of the findings by cross-verifying data and providing a more comprehensive perspective on the research problem.

Advanced analytical techniques, such as Structural Equation Modeling (SEM) and Hierarchical Linear Modeling (HLM), can help uncover complex relationships and interactions between variables, providing a more detailed analysis. SEM allows for the simultaneous examination of multiple relationships, offering more precise insights into the dynamics of leadership and conflict management. HLM is useful for analyzing data with nested structures, such as employees within different branches of a bank, accounting for the hierarchical nature of the data, and providing a more accurate understanding of the effects of leadership at different organizational levels.

Future research should incorporate new theoretical frameworks to enrich the understanding of leadership and conflict management. Emotional Intelligence Theory, for example, can provide insights into how leaders manage their own and others' emotions, which is crucial for effective conflict resolution. Building on Transformational Leadership Theory, future studies could delve deeper into the specific components of transformational leadership (e.g., inspirational motivation, individualized consideration) and their impact on relationship conflict.

Introducing new variables such as organizational culture, employee engagement, and well-being can further enhance the study. Organizational culture influences leadership behaviors and conflict dynamics, and examining different cultural dimensions (e.g., flexibility, and stability) can provide valuable insights. Beyond job performance, employee engagement and well-being are important outcomes that can be influenced by leadership styles. Investigating how these variables mediate the relationship between leadership and conflict can offer a more comprehensive understanding.

The broader economic environment also plays a significant role in organizational dynamics. Future research should consider the role of economic conditions (e.g., economic downturns, market competition) as moderating variables that influence the relationship between leadership styles and conflict. Understanding these external factors can help contextualize the findings and provide more robust recommendations.

While this study examined employee engagement and job satisfaction as mediators, future research could explore other potential mediators such as job satisfaction and burnout. Psychological safety, or the extent to which employees feel safe to take risks and express their opinions without fear of negative consequences, is another potential mediator. Investigating how leadership styles influence psychological safety and, in turn, how psychological safety affects conflict dynamics, can provide valuable insights.

Resilience and adaptability could serve as important moderators in the relationship between leadership styles and conflict. Understanding how these traits buffer the negative effects of conflict



can provide insights into developing more resilient organizational cultures. Future studies should examine how these variables interact with leadership styles to influence relationship conflict.

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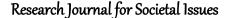
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