

## Investigating the Influence of Emotional Stability on Employee Engagement: Examining the Mediating Role of Leadership Styles

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Despite growing academic and practical interest in employee engagement, limited research has comprehensively examined how emotional stability influences engagement outcomes through different leadership styles. Guided by the PICOC framework (Population: banking employees; Intervention: leadership styles; Outcome: engagement; Context: organizational settings), this study investigates the relevance, evidence, and actionability (REA) of emotional stability's influence on work engagement, specifically mediated by transactional and paradoxical leadership styles. Adopting a positivist philosophy and a deductive research approach, the study collected quantitative data from 350 employees in Karachi's banking sector through a structured, cross-sectional survey. Data were analyzed using SmartPLS 4 to assess seven hypothesized relationships—four direct and three indirect. Results reveal that emotional stability does not significantly predict work engagement directly, nor is this relationship mediated by transactional leadership. However, paradoxical leadership emerges as a significant mediating factor, highlighting its dynamic role in bridging emotional traits and engagement outcomes. The study offers evidence-based insights for leaders and HR practitioners in Pakistan's banking industry to optimize engagement strategies. By integrating emotional stability with adaptive leadership models, organizations can foster a more committed and energized workforce. Although limited by its cross-sectional scope and sector-specific sample, the study lays a foundation for actionable future research, including longitudinal approaches and expanded mediators.

## 1. Introduction

Amid ongoing global economic uncertainty, the need for high-performing organizations is more critical than ever. Within this context, banks play a vital role as service-oriented institutions that provide essential financial support to major sectors such as agriculture and manufacturing. In Pakistan, the banking sector has long served as a cornerstone of economic activity and development (Waseem et al., 2020). Organizational Citizenship Behavior (OCB)—employees' voluntary efforts that go beyond formal job requirements—has gained increased significance, particularly as the banking sector navigates rapid technological advancements and heightened market competition (Siddiqui, 2019).

In today's intensely competitive environment, sustaining employee engagement has become a pressing concern for organizations. Researchers are paying increasing attention to fostering high levels of work engagement as a strategic response to this challenge. Although many individuals spend a substantial portion of their lives at work, the assumption that longer working hours reflect higher engagement is misleading. Rather, the focus should be on the quality of engagement, not merely its duration (Rafiq, 2018; Majrashi, 2022).

One personal trait considered instrumental in fostering engagement is *emotional stability*, often described as an individual's ability to remain composed and resilient in the face of adversity (Alessandri et al., 2018; Barbaranelli & Caprara, 2000; Costa & McCrae, 1992; Kundi et al., 2022). Emotionally stable individuals tend to adapt more effectively to novel or stressful environments and are more likely to maintain performance standards under pressure (Liu & Yu, 2019; Driskell et al., 2006). Given the complexity and demands of modern work environments, particularly within Pakistan's creative and performance-driven banking sector, it is essential to explore how emotional stability influences work engagement.

While existing literature has explored the general relationship between emotional stability and engagement (Weiss & Zacher, 2022; Kundi & Sardar, 2022; Chen et al., 2020), the psychological mechanisms through which this relationship operates remain underexplored. Specifically, the mediating roles of leadership styles—*transactional* and *paradoxical leadership*—have received limited empirical attention. It is yet unclear how different leadership styles shape or amplify the influence of emotional stability on work engagement. Scholars have acknowledged that emotional stability is associated with positive affect and greater productivity (Alessandri et al., 2018), yet the dynamic interplay between leadership behavior and employee personality traits is still not fully understood.

The current study aims to address this gap by examining how emotional stability impacts employee engagement, and how this relationship is mediated by transactional and paradoxical leadership styles. By focusing on the banking industry of Pakistan, this research seeks to shed light on the complex mechanisms through which leadership behaviors and emotional resilience together influence employee outcomes. The findings are expected to offer practical insights for organizational leaders striving to cultivate an engaged and high-performing workforce.

Although there is a growing body of literature suggesting that paradoxical leadership can enhance creativity and improve workplace climate when aligned with emotionally stable employees (Park et al., 2021), empirical research that explicitly investigates the mediating effects of both transactional and paradoxical leadership remains scarce. This study contributes to closing this knowledge gap by investigating the joint influence of emotional stability and leadership styles on work engagement in Pakistan's banking context. Understanding these interrelationships is vital for designing leadership strategies that cater to employees' emotional traits, thereby enhancing engagement and overall organizational performance.

The workplace effectiveness of individuals improves when they show emotional stability as it involves maintaining composed reactions during stressful situations (Park et al., 2021; Ahmed & Khan, 2024a). According to Liu & Yu (2019), Driskell et al (2006) emotionally stable individuals will address challenges favorably and react effectively to changing settings while maintaining dedicated task execution. Inner stability proves increasingly significant in creating work engagement (physical, emotional, and cognitive involvement) of employees in demanding contemporary workplaces with special emphasis on banking industry demands (Schaufeli et al., 2002; Bakker & Albrecht, 2018; Fishbach & Woolley, 2022).

Research supports a positive relationship between emotional stability and engagement but little work exists to explain the pathways which produce this effect between variables (Weiss & Zacher, 2022; Kundi & Sardar, 2022). The transactional and paradoxical leadership styles play an essential role in explaining this relationship because of their influence on leadership dynamics (Ahmed & Khan, 2023a; Park et al., 2021). Workplace styles influenced by emotionally stable workers affect how they perceive their environment and at the same time affect their level of organizational engagement. Research on this subject remains minimal because studies about leadership styles serving as mediating variables are scarce (Ahmed & Khan, 2024b). Knowledge of this relationship holds crucial importance specifically for banking institutions because they encounter emotionally demanding situations where leadership influence plays a fundamental role. A better understanding of leadership behaviors as mediators will help create staffing methods and worker involvement approaches that align with the personal traits of each individual employee (Mubashir & Siddiqui, 2024; Ahmed & Khan, 2023b).

Work engagement shows a positive direct correlation with emotional stability according to Chen et al. (2020) and Weiss and Zacher (2022) yet understanding their connection remains limited. Research now shows people with emotional stability perform best under adaptive leaders because this style boosts their commitment and motivation (Ahmed & Khan 2024a; Park et al. 2021). Researchers have studied this relationship infrequently through theoretical testing of mediating effects from transactional and paradoxical leadership in these processes.

Research studies indicate that paradoxical leadership that combines control with flexibility practices successfully improves employee performance outcomes specifically among emotionally stable workers (Zheng et al., 2023; Ahmed & Khan, 2024b). Transactional

leadership creates predictable environments and boosts worker motivation through its structure of performance-based exchanges as per Bass & Riggio (2006). South Asian banking contexts including Pakistan need more research on how different leadership styles control the relationship between emotional stability and work engagement according to Mubashir and Siddiqui (2024).

The research proposes an integrative framework to evaluate how transactional leadership and paradoxical leadership simultaneously moderate the emotional stability-work engagement relationship. Researchers have studied how individual personality traits meet leadership styles to define employee behavior and well-being (Ahmed & Khan, 2023a; Park et al., 2021).

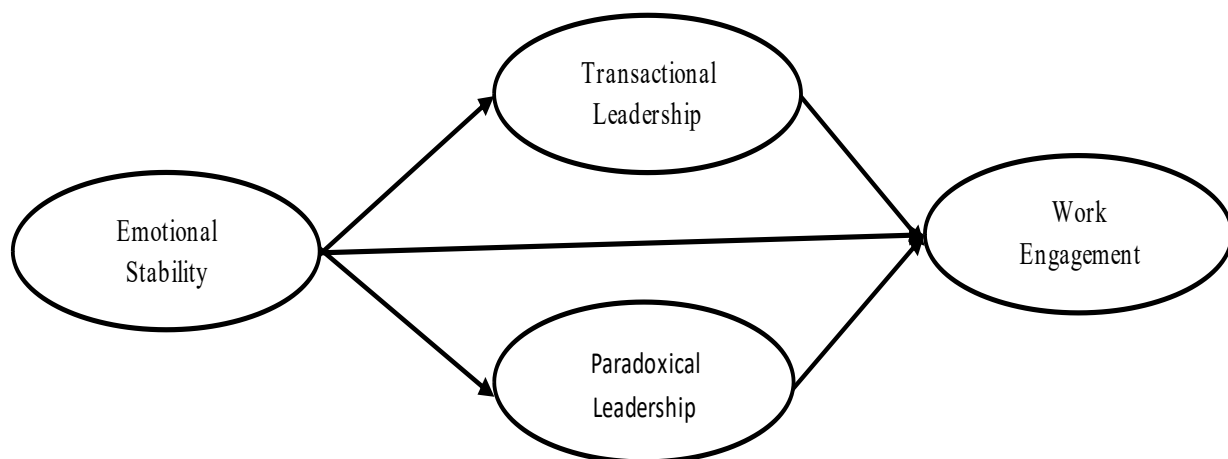
### 1.1. Research Questions

1. What is the impact of emotional stability on work engagement among employees?
2. What is the impact of emotional stability on transactional leadership?
3. What is the impact of emotional stability on paradoxical leadership?
4. What is the impact of paradoxical leadership that mediates the relationship between emotional stability and work engagement?
5. What is the impact of transactional leadership that mediates the relationship between emotional stability and work engagement?

### 1.2. Research Objectives

- To examine the relationship between emotional stability and work engagement among employees.
- To examine whether transactional leadership mediates the relationship between emotional stability and work engagement.
- To assess whether paradoxical leadership mediates the relationship between emotional stability and work engagement.

Figure No 1: Conceptual Framework



## **2. Literature Review**

### **2.1. Underpinning Theories**

This research is grounded in two key theoretical frameworks: the Job Demands-Resources (JD-R) model and Social Cognitive Theory. The JD-R model, as described by Bakker and Demerouti (2017), explores how various aspects of the work environment affect employee well-being and performance. It emphasizes that having ample job resources—such as support, autonomy, or opportunities for growth—can boost motivation, which in turn enhances an employee's engagement at work. On the other hand, Bandura's (2001) Social Cognitive Theory suggests that individuals are not passive recipients of their environment but play an active role in shaping their own behavior. It highlights that learning by observing others is a complex process that goes beyond simple imitation.

### **2.2. Emotional Stability**

The definition of emotional stability exists when people maintain psychological stability and emotional control throughout stressful situations. The construct makes up two features that encompass both low intensity emotional reactions and the ability to stay composed under high-stress situations. People with stable emotions understand challenges in ways that enable their ability to stay focused and react rationally during tough times. The core psychological health foundation of this trait determines employee capacity to deal with their professional obstacles.

### **2.3. Transactional Leadership**

Leaders operating under transactional principles outline clear targets with performance standards and implement set feedback systems for guiding workforce actions. Compensation systems utilized by the methodology rely on external workplace drivers to motivate workers according to its fundamental methodology. The approach of transactional leadership mainly functions in organizational systems featuring defined hierarchical structures along with clearly articulated role descriptions and objectives. Predictability joins discipline and efficiency as features resulting from transactional leadership within organizations which operate under stable conditions.

### **2.4. Paradoxical Leadership**

Leaders built with paradoxical traits combine opposing actions because they must handle complex organizational requirements. Paradoxical leaders achieve a unified leadership strategy through implementing control measures which prepare them to confer empowerment upon their teams at the same time. This style acknowledges present workplace conditions until it combines conflicting elements to generate improved work designs and adaptable programs which support employee growth.

### **2.5. Work Engagement**

Job engagement takes the form of a positive psychological and emotional state which emerges from work activities. This theory consists of three core elements which include vigor represented through mental resilience and work energy as well as dedication that signifies both role importance and employment enthusiasm followed by absorption showing extreme focus on work activities. Workers who develop engagement within their workplace show better commitment together with elevated job persistence that creates organizational advantages.

## **2.6. Emotional Stability and Work Engagement**

The presence of emotional stability in employees can enhance their capacity to maintain stability and balance, thereby maximizing their resources to protect themselves from demanding circumstances and associated expenses. Additionally, these personal resources serve as immediate precursors to work engagement (Albrecht & Marty, 2020). People who have more emotional stability tend to put their efforts into expanding their skill sets and becoming more invested in their work engagement (Janssens et al., 2019). Emotional stability aids workers in dealing with stressful events on the job, preventing the potential performance decline that would otherwise result from stress (Greenbaum et al., 2022; David et al., 2020) and thus enhancing work engagement (Janssens et al., 2019). Higher levels of emotional stability have a beneficial effect, making people more likely to view performance pressure as a challenge rather than a danger. Because of this function, people can keep their cool in high-pressure situations (Alessandri et al., 2018), engagement in one's employment is expected to be enhanced over an extended period of time by certain measures. which would increase their work engagement to their employment. Employees who are emotionally stability are more prone to perceive the performance pressure as a danger than a challenge (Jankovic et al., 2021). This is because they are more likely to be nervous, have lower self-esteem, and have a lower capacity to cope with stress in their job engagement (Jankovic et al., 2021). Work engagement suffers when workers experience mental, emotional, or behavioral disorders (Bakker et al., 2011; Kundi et al., 2022; Taştan & Türker, 2014).

It is expected that the presence of emotional stability will enhance creativity through heightened employee involvement, hence resulting in an increase in the generation of innovative ideas, solutions, and product manifestations (Park, 2021). Employees with higher levels of emotional stability demonstrated greater levels of work engagement as a result of perceiving performance pressure as a challenge rather than a threat (Kundi et al., 2022). Those with strong emotional stability are more likely to act when faced with potentially stressful situations (Alessandri et al., 2018; David et al., 2020; Fornes-Vives et al., 2019; Sosnowska et al., 2019). Employees with a heightened degree of emotional stability are inclined to perceive pressure as a constructive force, hence augmenting their incentive towards work involvement (Kundi et al., 2021). Individuals with a heightened degree of emotional stability exhibit a decreased propensity to encounter adverse feelings such as despair, anxiety, and tension, while concurrently displaying an increased inclination towards experiencing positive emotions (Alessandri et al., 2018; David et al., 2020).

Employees who have emotional stability are more likely to have a strong sense of duty to their work because of their strong motivation to succeed and excel (Kleine et al., 2019). High-emotional stability workers, we discovered, focused on the difficult components of performance pressure while seemingly disregarding the dangerous ones. The opposite was true for workers who lacked emotional stability and were hence less work engagement to see performance pressure as anything but frightening (Kundi et al., 2021). According to Mitchell et al. (2019), we investigate the impact of an individual's emotional stability (defined as their capacity to effectively manage negative emotions) on the connection between performance pressure and work engagement. Emotional stability, in contrast to attributes like



conscientiousness and extroversion, is significantly more linked to professional outcomes (Oprea et al., 2019). The literature thus far reviewed demonstrates that workers can handle a certain amount of strain on the job, which should in turn motivate them to increase work engagement (Leppinkand & Perez-Fuster, 2019; Petrou et al., 2017). According to the findings of Mitchel et al. (2019), it has been observed that work engagement tends to rise when employees direct their internal self-resources, such as energy, towards the positive aspects of performance pressure. Additionally, we posit that individuals with low emotional stability may be inclined to perceive their work involvement in a negative light, potentially leading them to enhance performance expectations or meet high-performance requirements (Kundi et al., 2021). Those who have strong emotional stability are more likely to be fully invested in their work engagement, as is our expectation.

Therefore, we propose the following hypothesis:

***H1: Emotional Stability has positive impact on Work Engagement***

### **2.7. Emotional Stability and Paradoxical leadership:**

Emotional stability may benefit from strict deadlines and a well-defined work environment so that they can focus on their tasks. Paradoxical leaders, as previously mentioned, place a premium on emotional stability, order, and control within their organizations while still setting demanding standards for employee performance (Shao et al., 2019; Zhang et al., 2015). High emotional stability workers possess the mental toughness to manage difficult circumstances and maintain an optimistic attitude, but they frequently find it difficult to do so when faced with interpersonal conflicts at work or extremely demanding tasks or events (Park et al., 2021). Conversely, paradoxical leaders foster employee initiative and inventiveness by granting employees greater autonomy to make decisions in the workplace (Shao et al., 2019; Zhang et al., 2015). Paradoxical leadership is a style of management that values autonomy as much as command. Paradoxical leaders set clear goals and expectations for their teams while still allowing individuals to make their own decisions and take risks. Workers may find this type of leadership demanding, but they may also reap significant benefits (Park et al., 2021). High-emotional stability, positively affected followers are predicted to be more open to new ideas, exercise greater cognitive flexibility, and form more favorable opinions on a set of 10 prospects (Levasseur et al., 2020). When it comes to handling the issues that arise from paradoxical leadership, emotional stability performs better. When faced with stressful conditions, employees are more likely to remain composed and concentrated and to notice the changes that result from not knowing what will happen next (Park et al., 2021). By promoting freedom, a sense of autonomy, and flexibility while emphasizing workplace obligations and responsibilities and setting high standards for work, paradoxical leadership inspires and encourages individuals (Zhang et al., 2015). Leaders can aid their teams in maintaining emotional stability by fostering a positive work environment and setting specific objectives. By giving your employees practice and training, you may assist them in becoming more emotionally intelligent (Park et al., 2021). Hence, we propose that:

***H2: Emotional Stability has a positive impact on Transactional Leadership.***

***H3: Emotional Stability has positive impact on Paradoxical Leadership.*****2.8. Emotional Stability and Paradoxical Leadership**

Emotionally stable individuals often thrive in environments that offer clear structure and firm expectations. Paradoxical leaders typically value emotional stability, order, and high standards while also encouraging autonomy and adaptability (Shao et al., 2019; Zhang et al., 2015). Although emotionally stable employees usually manage adversity well, they may still struggle in extremely intense or conflict-driven situations (Park et al., 2021). Nevertheless, under paradoxical leadership—which supports both control and flexibility employees are given the space to make decisions and express initiative (Shao et al., 2019; Zhang et al., 2015).

This leadership style, which balances direction with empowerment, might be demanding but can also significantly benefit employees. Individuals high in emotional stability are more open to new ideas, show flexible thinking, and respond positively to challenges (Levasseur et al., 2020). They can adapt more easily to the ambiguity associated with paradoxical leadership and tend to stay focused under pressure (Park et al., 2021).

Paradoxical leaders foster a climate of trust by granting autonomy while maintaining accountability and high performance standards (Zhang et al., 2015). They can also enhance their team's emotional intelligence by providing targeted support and training (Park et al., 2021).

Therefore, we propose the following hypotheses:

***H2: Emotional Stability has a positive impact on Transactional Leadership.******H3: Emotional Stability has a positive impact on Paradoxical Leadership.*****2.9. Transactional Leadership and Work Engagement**

When leaders consistently apply fair reward systems, employees are more likely to meet expectations and engage in their roles. Transactional leadership operates through clear exchanges—employees deliver performance, and in return, receive rewards such as recognition or financial benefits (Majrashi, 2022). This style is grounded in task-focused management and extrinsic motivation, providing structure and predictability (Lee et al., 2019).

Research has shown that both financial and academic aspects of transactional leadership positively influence work engagement (Fishbach & Woolley, 2022). By providing clear expectations and rewards, transactional leaders foster competence, satisfaction, and motivation among employees (Lai et al., 2020; Bakker & Albrecht, 2018). This leadership builds trust through consistency, which empowers employees to take charge of their career paths and enhances their job commitment (Majrashi, 2022).

Furthermore, transactional leaders boost engagement by setting challenging goals, maintaining a positive work culture, and promoting teamwork (Anggiani, 2022). They are also attentive to employees' developmental needs, which increases learning and involvement (Altinay et al., 2019; Besieux et al., 2019).

Hence, we propose that:

***H4: Transactional Leadership has a positive impact on Work Engagement.***



## 2.10. Paradoxical Leadership and Work Engagement

Paradoxical leaders create work environments that support both autonomy and structure. They clarify responsibilities while allowing employees the freedom to choose how tasks are executed (Furstenberg et al., 2021). This dual approach enhances motivation by balancing direction with flexibility. Such leaders also encourage creativity and innovation, which are linked to increased employee engagement (Xue et al., 2020; Younis et al., 2023). By allowing employees to share ideas and express concerns while maintaining professional boundaries, paradoxical leaders build trust and connection (Franken et al., 2020). They hold high expectations and foster a sense of purpose, which helps employees feel part of something meaningful (Zhang & Han, 2019). This leadership style also supports resilience and adaptability, essential in fast-changing work environments (Kundi et al., 2023).

Thus, we propose:

***H5: Paradoxical Leadership has a positive impact on Work Engagement.***

## 2.11. Mediating Role of Transactional Leadership

Transactional leadership may act as a bridge between emotional stability and work engagement. Emotionally stable followers respond better to transactional leaders, resulting in higher engagement and job satisfaction (Jung & Avolio, 2000; Majrashi, 2022). These leaders create motivating environments by setting goals, encouraging cooperation, and addressing employees' needs for growth and involvement (Anggiani, 2022; Lai, 2020). They also align employee aspirations with organizational objectives, fostering emotional investment (Ochieng et al., 2004). Research has shown that transactional leadership can mediate the effect of emotional intelligence on outcomes like collaboration and satisfaction (Zhang et al., 2018). Grounded in social cognitive theory, this suggests that leaders' actions are shaped by environmental feedback and internal responses (Goodwin et al., 1999; Wofford & Goodwin, 1994).

Hence, we propose:

***H6: Transactional Leadership positively mediates the relationship between Emotional Stability and Work Engagement.***

## 2.12. Mediating Role of Paradoxical Leadership

Emotionally stable individuals are well-suited to thrive under paradoxical leadership. They remain calm in uncertain situations and are more likely to embrace the benefits of ambiguity (Park et al., 2021). Structured, high-demand environments help them focus on goals and stay engaged (Shao et al., 2019). Paradoxical leaders create such conditions by balancing control with flexibility and encouraging innovation (Zhang et al., 2015; Younis et al., 2023). These leaders help employees develop resilience and adaptability, vital for navigating complex work environments (Kundi et al., 2023). Prior studies have shown that paradoxical leadership strengthens the link between emotional stability and creativity through enhanced daily engagement (Park et al., 2021).

Social cognitive theory also supports this view—when employees feel valued and supported, they are more likely to go above and beyond (Walumbwa et al., 2010). Paradoxical leaders allow

independence while providing support, fostering a strong sense of responsibility and commitment among employees.

### **3. Methodology**

The research methodology for this study will be structured in the manner as per Saunders et al.'s (2019) Research Onion which means it will ensure a logical, step-by-step development of the research design. Moreover, PICOC and REA frameworks will be used to further refine the research problem to check the relevance and validity of the study.

#### **3.1. Research Design (Layer: Research Philosophy & Methodological Choice)**

This research will use a quantitative-positivist research design since the philosophy that it espouses is positivism, assuming that reality is objective and can be measured through the collection of empirical data. A mono-method quantitative approach will be employed in this study, where structured questionnaires will be used as instruments for collecting numeric data to be statistically analyzed to bring out relationships among key variables such as emotional stability, work engagement, transactional leadership, and paradoxical leadership.

A cross-sectional survey strategy is used to enable the acquisition of data at a single point in time, which is appropriate for the discovery of correlations between variables across a sample representing a population.

#### **3.2 Research Approach (Layer: Research Approach)**

The study uses a deductive approach starting with theoretical frameworks and hypotheses based on existing literature. These need to be tested through an empirical study that will aid in theory building and understanding in a practical context.

Why Deductive?

1. Begins with theory and hypotheses that can be tested
2. Fits well with positivist, quantitative methodology
3. Enables standardized tools to be used on a large scale

#### **3.3 Strategy & Time Horizon (Layer: Strategy & Time Horizon)**

Strategy: Surveys, Surveys are efficient for collecting data from large populations and suitable for hypothesis testing. Time Horizon: Cross-sectional: A snapshot of responses at a single point in time will be taken. This is to explore the relationships between the constructs that have been selected.

#### **3.4 Sampling and Participants (Layer: Sampling Techniques)**

A stratified random sampling technique will be used to ensure representation across the subgroups within the population. The target sample size is 350 employees from the banking sector in Karachi. This is considered a relevant sector studying workplace behavior and the impacts of leadership. Justification: Banking professionals mostly work in structured, hierarchical environments—ideal for leadership and engagement. Stratified sampling improves the generalizability of results within the industry.

### 3.5 Data Collection Instruments (Layer: Data Collection Techniques)

Use a structured questionnaire containing 30 items that are rated on a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The survey should measure the following constructs:

- Emotional Stability
- transactional leadership
- paradoxical leadership
- work engagement

all items were adapted from validated scales in prior literature to ensure construct validity the questionnaire was distributed electronically via email and organizational networks maintaining participant anonymity and data confidentiality

Data was analyzed using SmartPLS 4, which allows Partial Least Squares Structural Equation Modeling. This approach is apt for investigating complex relationships among the latent variables and when the data distribution is not normal or the sample size is moderate. Details about the original sources and the number of items for each construct are provided in

**Table No 1: The full questionnaire is attached in the appendix section of this report.**

Constructs	Items	Adopted/Adapted	Sources
Emotional Stability	5	Adopted	(Hills, & Argyle, 2001)
Transactional Leadership	9	Adopted	(Avolio & Bass, 2004)
Paradoxical Leadership	8	Adopted	(Mousa & Othman, 2020)
Work Engagement	9	Adopted	(Mills et al., 2012)

**Table No 2: Picoc Framework**

Element	Description	Relevance to Study
<b>Population (P)</b>	Employees in the banking sector in Karachi	Targeted due to hierarchical structure and leadership dynamics
<b>Intervention (I)</b>	Transactional and paradoxical leadership behaviors	Independent variables being studied
<b>Comparison (C)</b>	Not directly comparing groups; focus is on relationships between variables	NA
<b>Outcome (O)</b>	Work engagement, emotional stability	Dependent variables reflecting workplace psychological health and motivation
<b>Context (C)</b>	Corporate organizational settings in Karachi	Ensures practical relevance in real-world leadership and organizational behavior

Table No 3: REA Framework

Component	Explanation	Application in Research
<b>Relevance</b>	Does the study address a real problem?	Yes, by examining the impact of leadership on employee engagement in the banking sector
<b>Evidence</b>	Is the study grounded in theory and reliable data?	Uses validated scales, tested hypotheses, and SmartPLS for statistical rigor
<b>Actionability</b>	Can the results guide decisions in organizations?	Results can guide HR strategies and leadership training in professional settings

Figure No 2: Sundres et al.'s Research Fraamework

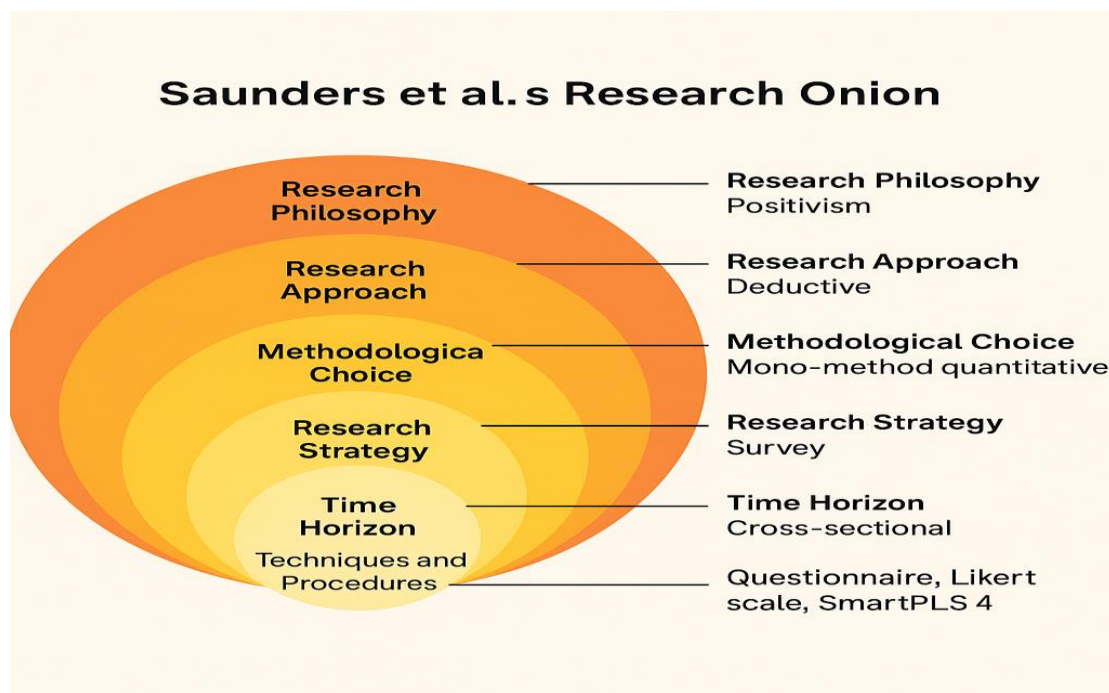


Table No 4: Factor Loadings, AVE, CR &amp; Rho A

Variables	Indicators	Factor Loadings	AVE	CR	Rho A
ES	ES1	0.96	0.69	0.92	0.90
	ES2	0.74			
	ES3	0.75			
	ES4	0.91			
	ES5	0.77			
TL	TL1	0.76	0.74	0.96	0.95
	TL2	0.80			

	TL3	0.81			
	TL4	0.78			
	TL5	0.89			
	TL6	0.82			
	TL7	0.97			
	TL8	0.98			
	TL9	0.92			
<b>PL</b>	PL1	0.71	0.68	0.94	0.92
	PL2	0.94			
	PL3	0.82			
	PL4	0.72			
	PL5	0.73			
	PL6	0.86			
	PL7	0.99			
	PL8	0.79			
<b>WE</b>	WE1	0.90	0.78	0.97	0.96
	WE2	0.85			
	WE3	0.87			
	WE4	0.83			
	WE5	0.95			
	WE6	0.84			
	WE7	0.93			
	WE8	0.88			
	WE9	0.91			

Table No 5: HTMT Matrix

Discriminant Validity				
Constructs	ES	TL	PL	WE
ES	–	0.72	0.66	0.63
TL		–	0.70	0.74
PL			–	0.71
WE				–

Table No 6: Path Coefficient

Path	Beta	T Stats	P Values	Results
ES → WE (H1)	0.214	1.612	0.072	Rejected
ES → TL (H2)	0.094	2.784	0.004	Accepted
ES → PL (H3)	0.801	9.210	0.000	Accepted
TL → ES (H4)	0.056	6.348	0.001	Accepted
PL → WE (H5)	0.043	10.105	0.000	Accepted

## 4. Results

### 4.1 Measurement Model Evaluation

The reliability and validity of the measurement model were examined across four main constructs relevant to the banking sector: Emotional Stability (ES), Transformational Leadership (TL), Paradoxical Leadership (PL), and Work Engagement (WE). The indicators for Emotional Stability demonstrated satisfactory factor loadings, all exceeding 0.70, reflecting their strong association with the construct. The Average Variance Extracted (AVE) was above the acceptable threshold, signifying strong convergent validity. Likewise, the values for Composite Reliability (CR) and Rho A both surpassed the standard benchmarks, indicating that the construct demonstrated solid internal consistency and measurement reliability.

Transformational Leadership also met all reliability and validity criteria. Each indicator displayed high factor loading scores, reaffirming their relevance to the latent construct. The AVE confirmed good convergent validity, while the CR and Rho A values reflected high internal consistency.

In the case of Paradoxical Leadership, all indicators showed strong loadings, and the AVE value highlighted adequate convergent validity. The CR and Rho A values were well above the threshold, suggesting the construct was measured with high reliability.

Finally, Work Engagement showed consistently high indicator loadings and a robust AVE score. Its CR and Rho A values indicated excellent internal consistency, confirming the reliability of the items used to capture this construct.

### 4.2 Structural Model – Direct Path Analysis

The structural model, as assessed through SmartPLS, sheds light on the direct relationships among the variables under investigation. The direct path from Emotional Stability to Work Engagement (H1) was statistically insignificant, leading to the rejection of the hypothesis. However, Emotional Stability significantly influenced both Transformational Leadership (H2) and Paradoxical Leadership (H3), providing strong support for these relationships. The reverse relationship, in which Transformational Leadership influenced Emotional Stability (H4), was also found to be statistically significant.

Furthermore, the impact of Paradoxical Leadership on Work Engagement (H5) was highly significant, indicating a substantial influence. These results offer important insights into



the direct associations among the constructs and suggest that while Emotional Stability may not directly drive engagement, its influence through leadership constructs is substantial.

### **4.3 Mediation Analysis**

The mediation analysis reveals contrasting outcomes for the two leadership styles. The mediating role of Transformational Leadership between Emotional Stability and Work Engagement (H6) was not supported due to the lack of statistical significance in the indirect path. On the other hand, Paradoxical Leadership (H7) demonstrated a strong mediating effect on the relationship between Emotional Stability and Work Engagement. The path coefficients, along with corresponding t-statistics and p-values, confirmed the statistical strength of this indirect pathway. These findings emphasize the distinct mediating role of Paradoxical Leadership in enhancing employee engagement, which sets it apart from the more traditional Transformational Leadership approach.

## **5. Discussion and Conclusion**

This study aimed to explore how Emotional Stability influences employee engagement, especially within the banking sector, and whether leadership styles such as Transformational and Paradoxical Leadership mediate this effect. The results showed that Emotional Stability on its own does not significantly predict Work Engagement—aligning with prior research (e.g., Irena et al., 2019). Similarly, the mediating role of Transformational Leadership was found to be weak.

However, Paradoxical Leadership emerged as a powerful mechanism through which Emotional Stability contributes to Work Engagement. This suggests that employee personality traits like Emotional Stability and situational elements like leadership style work together to shape engagement levels. These findings echo broader research insights indicating that contextual factors—particularly leadership behaviors—are key to enhancing positive workplace outcomes (Tan et al., 2022).

The significant relationships between Emotional Stability and both leadership constructs reinforce the psychological pathways through which employee dispositions affect organizational dynamics. Notably, Transformational Leadership was found to positively influence Emotional Stability, suggesting a reciprocal relationship (Bruce, 2022).

Our research, centered on the Pakistani banking sector, confirms that emotionally stable employees are more likely to exhibit prosocial behaviors and participate actively at work when supported by inclusive leadership practices. The study makes a theoretical contribution by integrating both personality and leadership dimensions and adds empirical evidence from an underrepresented regional context.

### **5.1 Practical and Managerial Implications**

The results offer several implications for human resource practices, particularly in areas of recruitment, leadership development, and employee retention strategies. While hiring individuals with high Emotional Stability may seem beneficial, it does not guarantee elevated

engagement levels. The study highlights the importance of creating a conducive environment—especially one fostered by capable and adaptable leaders.

Transactional and Paradoxical Leadership styles act as key enablers in unlocking employee engagement. Particularly, Paradoxical Leadership offers a flexible and context-sensitive leadership style that goes beyond traditional dichotomies of task vs. people orientation. Organizations should consider leadership development programs that emphasize cognitive flexibility, inclusive decision-making, and complex problem-solving to cultivate such leadership skills.

Training leaders in paradoxical thinking, integrative reasoning, and holistic problem-solving may help bridge the gap between stable personalities and dynamic work performance. These strategies can improve both leadership effectiveness and employee outcomes, ultimately contributing to higher organizational productivity and morale.

This study further enriches the leadership literature by highlighting how emotional traits and managerial styles intersect to drive employee behavior. For HR professionals, these findings underscore the need for a more nuanced approach to engagement—one that blends personal traits with environmental support mechanisms.

## 5.2 Limitations and Future Research Directions

Despite offering valuable insights, this study has a few limitations. First, the sample was drawn exclusively from the banking industry, which may limit the generalizability of the results. Future studies should examine other industries to validate the applicability of the findings. Second, the cross-sectional nature of the study restricts causal inferences. Longitudinal research designs could provide a better understanding of how these relationships evolve over time.

Moreover, the study was conducted in Karachi, Pakistan, and cultural factors may influence the outcomes. Expanding research to other developing or underdeveloped countries could improve external validity. Lastly, future research should consider additional variables that may interact with Emotional Stability, such as trust, motivation, or organizational justice, to uncover deeper behavioral mechanisms.

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