

Transformational, Transactional, Democratic Leadership Effects on Employee Performance Mediated Knowledge Sharing at KB Bank Sumatera

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Abstract

Leadership research often assumes that different leadership styles influence employee performance through similar mechanisms. This study examines whether knowledge sharing selectively mediates the relationship between leadership styles and employee performance. Data were collected from 181 employees across nine branches of Korea Banking (KB) Bank Regional Sumatera and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The measurement model showed satisfactory reliability, convergent validity, and discriminant validity. The results indicate that transformational leadership directly affects employee performance ($\beta=.387$, $p<.001$) but neither influences knowledge sharing nor yields indirect performance effects. Transactional leadership has no direct effect on performance ($\beta=-.034$, $p=.702$) but significantly influences knowledge sharing ($\beta=.524$, $p<.001$) and indirectly affects performance ($\beta=.145$, $p<.001$). Democratic leadership significantly affects knowledge sharing ($\beta=.231$, $p=.026$) and performance ($\beta=.341$, $p<.001$), with a significant indirect effect ($\beta=.064$, $p=.036$). The findings confirm that knowledge sharing serves as a selective pathway between leadership styles and performance. This study is limited by its cross-sectional design, single organizational context, and self-reported data. This study contributes to the leadership and knowledge management literature by highlighting the distinct mechanisms through which leadership styles influence performance and the importance of knowledge-sharing systems.

Keywords: Democratic Leadership, Employee Performance, Knowledge Sharing, Transactional Leadership, Transformational Leadership

1. INTRODUCTION

Banks operate in environments where accuracy, speed, compliance, and coordination are essential features. Employees must process regulated information correctly, respond to clients under time pressure, and coordinate across functions and geographically dispersed branches while following the established procedures. In this context, employee performance is influenced not only by individual ability and effort but also by organizational conditions that determine how experience, procedural knowledge, and problem-solving practices are exchanged and reused. Leadership is relevant because managers can shape both employee motivation and the conditions under which knowledge is shared within organizations (Ipe, 2003; Khan et al., 2020). Previous studies also demonstrate that leadership factors contribute significantly to employee performance by influencing motivation, organizational commitment, and work-related behaviors (Makambe & Moeng, 2019; Firaldi et al., 2023).

A substantial body of leadership research has linked leadership to knowledge sharing and employee performance. However, much of this literature tends to treat knowledge sharing as a broadly applicable mechanism through which favorable leadership styles improve performance. This assumption may overlook the differences in the behavioral mechanisms associated with different leadership styles. Transformational leadership emphasizes vision, inspiration, intellectual stimulation, and individualized consideration; transactional leadership relies more on expectations, monitoring, and contingent rewards; and democratic leadership emphasizes participation and employee voice. Because these approaches operate through different behavioral processes, it cannot be assumed that knowledge sharing will function in the same way across all leadership styles. Recent empirical studies further indicate that leadership style influences employee outcomes through different organizational mechanisms, suggesting that leadership effects should be examined within specific behavioral contexts rather than as a uniform process (Alfian et al., 2024; Jumawan et al., 2025).

The evidence regarding these relationships is not uniform. Transformational leadership is frequently associated with employee performance through motivational mechanisms such as intrinsic motivation, self-efficacy, and identification with organizational goals ([Lai et al., 2020](#); [Khan et al., 2020](#); [Rehmani et al., 2023](#)). However, its relationship with knowledge sharing appears to vary across organizational contexts and may depend on conditions such as autonomy, organizational justice, psychological safety, and a learning-oriented culture ([Coun et al., 2019](#); [Phong et al., 2020](#); [Gil et al., 2021](#); [Makumbe, 2024](#)). Transactional leadership, in contrast, may make knowledge-sharing expectations more explicit through monitoring, accountability, and contingent rewards, particularly in regulated and procedure-intensive environments such as banking ([Abdelwahed et al., 2023](#); [Mustaqfirin et al., 2022](#); [Hutama et al., 2024](#)). Democratic leadership may facilitate knowledge sharing by providing employees with opportunities to participate in decisions, exchange local knowledge, and contribute to problem solving, while also being directly associated with performance ([Fattah et al., 2022](#); [Sheikh & Ullah, 2025](#); [Islam et al., 2025](#)). These findings are consistent with previous evidence that leadership style, organizational environment, and employee capabilities jointly influence performance outcomes ([Alfian et al., 2024](#); [Pratikno et al., 2026](#)).

These differences point to a more specific research problem. The key issue is not whether leadership affects employee performance, but whether knowledge sharing represents a consistent or selective pathway through which different leadership styles are associated with performance. Existing studies frequently examine leadership styles separately or assume that knowledge sharing operates as a common mediator. This makes it difficult to determine whether different leadership styles generate performance through the same mechanism or through distinct combinations of direct and indirect pathways. A comparative examination of multiple leadership styles within the same organizational setting can therefore provide a clearer test of this issue. Previous research applying mediation models also suggests that organizational factors frequently act as mechanisms linking leadership practices with employee performance outcomes ([Firdaldi et al., 2023](#); [Jumawan et al., 2025](#)).

This study addresses this gap by simultaneously examining transformational, transactional, and democratic leadership among employees of Korea Banking (KB) Bank Regional Sumatera. Knowledge sharing is positioned as a specific mediator between each leadership style and employee performance, allowing the direct and indirect associations to be assessed within a single structural model. The novelty of this study lies in its selective-mediation perspective, which does not assume that knowledge sharing uniformly transmits the association between leadership and performance. Instead, it examines whether the mediation pathway differs according to the behavioral characteristics of each leadership style. This approach extends previous leadership-performance studies that have examined intervening mechanisms such as motivation, satisfaction, and organizational factors ([Firdaldi et al., 2023](#); [Alfian et al., 2024](#)).

Using survey data from 181 employees across nine KB Bank Regional Sumatera branches and Partial Least Squares Structural Equation Modeling (PLS-SEM), this study evaluates the direct relationships between the three leadership styles and employee performance, their relationships with knowledge sharing, and the specific indirect relationships through knowledge sharing. The application of structural equation modeling is consistent with recent organizational studies that examine complex relationships involving leadership, mediating variables, and employee performance outcomes ([Jumawan et al., 2025](#); [Pratikno et al., 2026](#)). Therefore, this study seeks to determine whether different leadership styles are associated with employee performance through distinct pathways and whether knowledge sharing functions as a selective rather than a universal mechanism in regional banking.

2. LITERATURE REVIEW

2.1 Employee Performance in Regulated Banking Environments

Employee performance in banking refers to the extent to which employees fulfill role expectations related to accuracy, service quality, compliance, and productivity within a defined timeframe ([Hundie & Habtewold, 2024](#)). Because banking activities are procedurally regulated and require coordination across employees and branches, performance is shaped not only by individual

competence but also by organizational conditions that influence how employees apply their knowledge and coordinate their work. Leadership is therefore an important organizational factor because it can shape employee behavior, expectations, participation, and access to resources needed for effective performance ([Adnan et al., 2022](#); [Hundie & Habtewold, 2024](#)).

However, leadership does not operate through a single behavioral mechanism. Different leadership styles emphasize different forms of influence on followers. Transformational leadership emphasizes inspiration, intellectual stimulation, and individualized consideration; transactional leadership emphasizes explicit expectations, monitoring, and contingent exchange; and democratic leadership emphasizes participation and employee voice. These differences provide a theoretical basis for expecting leadership styles to have different relationships with knowledge sharing and employee performance, rather than assuming a uniform leadership effect.

2.2 Knowledge Sharing as an Organizational Mechanism

Knowledge sharing refers to the voluntary exchange of task-related information, procedural knowledge, and experience-based know-how among individuals or organizational units ([Ipe, 2003](#)). Knowledge sharing is particularly relevant in banking because employees frequently encounter similar procedural problems, customer cases, and compliance requirements. Therefore, sharing knowledge can reduce duplicated effort, facilitate problem solving, and allow employees to apply previously developed solutions to new situations. However, knowledge sharing is not automatic. Employees may share knowledge when they perceive that doing so is supported, recognized, reciprocated, or useful, while they may withhold knowledge when sharing incurs personal costs or when there is insufficient opportunity to exchange information ([Park, & Kim, 2018](#); [Islam, Haque, Rahman, Hack-Polay, & Dal, 2025](#); [Nashir, & Pratminingsih, 2023](#)). From this perspective, leadership can be understood as an antecedent that shapes the social and organizational conditions surrounding knowledge exchange ([Baskoro, 2021](#)).

Therefore, the theoretical integration in this study is based on a differentiated leadership-to-knowledge-sharing mechanism. Transformational leadership may influence employees primarily through inspiration and internal motivation; however, these behaviors do not necessarily create explicit opportunities or incentives for knowledge exchange. Transactional leadership provides clearer expectations, monitoring, and contingent recognition, which can make knowledge sharing an observable and instrumentally relevant behavior. Democratic leadership provides employees with a voice and opportunities to participate, creating interpersonal and conversational conditions through which knowledge can be exchanged. Consequently, the same mediator knowledge sharing may be activated differently or not activated at all, depending on the leadership style.

2.3 Transformational Leadership, Knowledge Sharing, and Performance

Transformational leadership involves articulating an inspiring vision, modeling desired values, stimulating employees intellectually, and providing individualized consideration ([Bass & Riggio, 2006](#)). Previous studies have associated transformational leadership with employee performance through mechanisms such as intrinsic motivation, self-efficacy, work engagement, and identification with organizational goals ([Lai, Tang, Lu, Lee, & Lin, 2020](#); [Khan, Rehmat, Butt, Farooqi, & Asim, 2020](#); [Rehmani, Farheen, Khokhar, Khalid, Dalain, & Irshad, 2023](#); [Zielińska, Bezzina, Tracz-Krupa, & Cassar, 2026](#)).

Transformational leadership may also encourage knowledge sharing by creating supportive interpersonal relationships and a learning-oriented environment. Previous research has reported positive associations between transformational leadership and knowledge sharing, particularly when organizational justice, autonomy, psychological safety, or learning culture provide conditions that enable employees to exchange knowledge ([Coun, Peters, & Blomme, 2019](#); [Phong, Hui, & Son, 2020](#); [Gil, Rodrigo-Moya, & Cegarra-Navarro, 2021](#); [Makumbe, 2024](#)). Nevertheless, this relationship is not necessarily automatic. Inspirational and developmental behaviors can improve employee motivation without directly creating formal expectations or opportunities for knowledge exchange ([Saif, Amelia, Goh, Rubin, Shaheen, & Murtaza, 2024](#)). Thus, transformational leadership may have a stronger direct

relationship with performance than with knowledge sharing in contexts where knowledge exchange requires additional structural support ([Layaman, Harahap, Djastuti, Jaelani, & Djuwita, 2021](#)). Based on the positive relationships reported in prior research, the following hypotheses are proposed.

H₁: Transformational leadership is positively associated with knowledge sharing

H₄: Transformational leadership is positively associated with employee performance

The mediation hypothesis follows a more conditional and theoretical argument. If transformational leadership increases knowledge sharing and knowledge sharing is positively related to performance, knowledge sharing may transmit part of the association between transformational leadership and performance. However, because transformational leadership can also influence performance through motivational mechanisms that do not require knowledge exchange, the mediation pathway should be tested empirically rather than assumed.

H₈: Knowledge sharing mediates the association between transformational leadership and employee performance

2.4 Transactional Leadership, Knowledge Sharing, and Performance

Transactional leadership is characterized by clear expectations, monitoring, contingent rewards and corrective feedback ([Bass & Riggio, 2006](#)). Such characteristics are particularly relevant in regulated banking environments, where employees operate under explicit procedures, performance requirements and accountability mechanisms. Transactional leadership can make desired behaviors more visible and connect employee contributions to recognized organizational expectations ([Abdelwahed, Soomro, & Shah, 2023](#); [Hutama, Noermijati, & Irawanto, 2024](#); [Alshahrani, 2021](#)).

From a knowledge-sharing perspective, transactional leadership may be particularly relevant because it establishes knowledge exchange as a concrete and observable work behavior. When employees understand that sharing accurate procedural information and useful work experiences is expected, monitored, or recognized, the perceived value of sharing may increase. Previous research has reported relationships between transactional leadership, knowledge sharing, and performance-oriented behavior, including evidence that the performance association may operate indirectly through knowledge sharing and related mechanisms ([Abdullah, & Hengky, 2022](#); [Mustaqfirin, Suparnyo, & Sumekar, 2022](#); [Abdelwahed et al., 2023](#)). Accordingly, the following hypotheses are proposed.

H₂: Transactional leadership is positively associated with knowledge sharing

H₅: Transactional leadership is positively associated with employee performance

The mediation relationship is theoretically important because transactional leadership may influence performance by organizing the behaviors through which employees exchange and reuse task-related knowledge. If transactional leadership strengthens knowledge sharing and knowledge sharing contributes to performance, the association between transactional leadership and performance may be transmitted through knowledge sharing. This possibility is particularly relevant in the banking industry, where accurate procedural knowledge and coordinated work practices are central to daily operations.

H₉: Knowledge sharing mediates the association between transactional leadership and employee performance

2.5 Democratic Leadership, Knowledge Sharing, and Performance

Democratic leadership, also described as participative leadership, emphasizes the employee's voice and participation in decisions affecting their work. Participation can strengthen employees' sense of ownership and perceived support while providing opportunities to contribute local knowledge and learn from colleagues ([Fattah et al., 2022](#); [Sheikh & Ullah, 2025](#)). The relationship between democratic leadership and knowledge sharing can be understood through the opportunities created for such interactions. When employees are invited to express their opinions, question procedures, and

participate in problem-solving, knowledge exchange becomes embedded in the decision-making process rather than occurring only through formal instructions. Recent research has similarly indicated that participative leadership and organizational conditions can support knowledge-sharing behavior and performance-related outcomes ([Islam et al., 2025](#)).

Democratic leadership may therefore be associated with employee performance through two theoretically distinct but potentially complementary routes. First, participation may directly support performance by strengthening ownership and employee involvement. Second, participation may facilitate knowledge sharing, which can improve problem-solving and the application of experience-based knowledge. Thus, unlike a model that assumes that mediation must replace the direct leadership-performance relationship, democratic leadership may exhibit both direct and indirect associations. The following hypotheses are proposed.

H₃: Democratic leadership is positively associated with knowledge sharing

H₆: Democratic leadership is positively associated with employee performance

Because democratic leadership may simultaneously create conditions for participation and knowledge exchange, knowledge sharing may transmit part of its association with employee performance, while a direct association remains. This provides a theoretical basis for testing the complementary mediation.

H₁₀: Knowledge sharing mediates the association between democratic leadership and employee performance

2.6 Knowledge Sharing and Employee Performance

Knowledge sharing is expected to contribute directly to employee performance regardless of the leadership style. Employees who have access to colleagues' experience, procedural knowledge, and problem-solving practices can potentially resolve problems more efficiently, avoid repeated errors, and apply established solutions to similar cases. Prior studies in banking and service-oriented settings have reported positive relationships between knowledge sharing and employee or organizational performance ([Winingsih, 2022](#); [Shahzad et al., 2022](#); [Hundie & Habtewold, 2024](#)).

H₇: Knowledge sharing is positively associated with employee performance

2.7 Theoretical Integration and Conceptual Model

The preceding arguments integrate the three leadership styles through a common knowledge-sharing mechanism while recognizing that the behavioral route to this mechanism differs across styles. Transformational leadership primarily emphasizes inspiration and employee development, transactional leadership emphasizes explicit exchange, monitoring, and recognition, and democratic leadership emphasizes participation and employee voice. These differences provide a theoretical rationale for testing knowledge sharing as a selective mediator rather than assuming a uniform mediation process.

The model distinguishes three possible configurations. First, transformational leadership may be associated with performance directly, while knowledge sharing does not significantly transmit the relationship. Second, transactional leadership may be associated with performance primarily through knowledge sharing when explicit expectations and exchange structures make knowledge sharing behaviorally salient. Third, democratic leadership may be associated with performance both directly and indirectly because participation can simultaneously support employee involvement and create opportunities for knowledge exchange. Consequently, knowledge sharing is positioned as a common mediator, whereas the three leadership styles represent distinct antecedent mechanisms. The model tests whether these mechanisms converge on the same behavioral outcome or produce different direct and indirect pathways within the same organizational context.

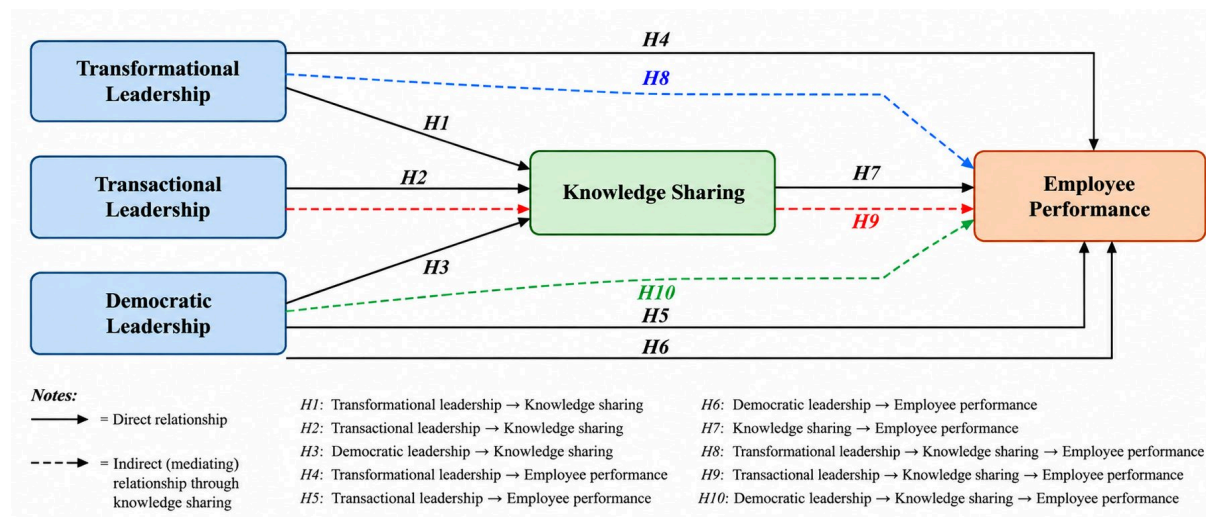


Figure 1. Conceptual model

Figure 1 shows the conceptual model contains seven direct relationships (H_1 – H_7) and three indirect relationships (H_8 – H_{10}). The purpose is not to assume that all leadership styles operate through knowledge sharing in the same way but to empirically determine whether the mediation pathway is absent, indirect only, or complementary for each leadership style.

3. RESEARCH METHODOLOGY

3.1 Design, Population, and Participants

A cross-sectional quantitative survey was conducted among employees of KB Bank Regional Sumatera. The target population comprised 265 employees across nine branches. The sampling process began by establishing an eligible employee population across the nine branches. Based on the source study, a minimum sample of 160 respondents was determined using the Slovin formula with a 5% margin. Data collection subsequently yielded 181 fully completed and valid responses, exceeding the calculated minimum sample size by approximately 13%. The available study records do not document a formal stratified, proportional, or probability-based allocation of respondents across the branches. Therefore, the sampling procedure is described conservatively as a population-based survey in which employees across the nine branches constituted the target respondent pool rather than being characterized as stratified or cluster sampling. Only fully completed questionnaires were retained for the final analysis. Respondents were informed of the academic purpose of the study, and participation was voluntary.

The final sample consisted of 93 men and 88 women participants. Most respondents were aged 31–40 years ($n = 125$), followed by those aged 41–50 years ($n = 26$), 20–30 years ($n = 24$), and 51 years or older ($n = 6$). The number of respondents differed across branches, ranging from six employees in Lampung to 51 in Palembang. This uneven distribution reflects differences in branch size rather than an intentionally balanced allocation of respondents. Because employees were drawn from multiple branches with potentially different organizational conditions, branch-level variation represents a potential source of heterogeneity. The present study did not apply branch-level weighting, multilevel modeling, or formal cluster adjustment. Consequently, the analysis treats individual employees as the unit of analysis and does not claim that branch-specific effects have been statistically eliminated. Instead, the issue is addressed through transparent reporting of branch representation and by interpreting the structural relationships as associations observed across the regional banking network rather than as branch-invariant causal effects. This approach is consistent with the cross-sectional design and the study's primary objective, which is to examine the direct and indirect associations among leadership styles, knowledge sharing, and employee performance within a regional banking organization. The unequal branch distribution and absence of branch-level adjustment are therefore treated as methodological limitations and are considered when interpreting the generalizability of the findings.

3.2 Measures

All constructs were measured using five-point Likert-type items ranging from 1 (strongly disagree) to 5 (strongly agree). This response format is widely used in leadership and knowledge management survey research because it balances respondent burden with the ability to capture meaningful variation in perceptions ([Hair et al., 2022](#)). The final measurement model comprised six transformational leadership items capturing idealized influence, inspirational motivation, and individualized consideration; four transactional leadership items capturing contingent reward and active monitoring; five democratic leadership items capturing participation in decisions and openness to employee input; nine knowledge-sharing items capturing willingness to share explicit procedural information and experience-based tacit know-how; and four employee performance items capturing accuracy, timeliness, and quality of work as perceived by respondents. The same measurement instrument and response scale were applied across respondents from all nine branches to maintain consistency in measurement. Full item wording and the complete diagnostic output, including individual loadings, cross-loadings, and bootstrap confidence intervals, are provided in the accompanying data compendium to support transparency and reproducibility, consistent with the recommendations for reporting PLS-SEM studies ([Hair et al., 2022](#)).

3.3 Common Method Considerations

Because all variables were collected from the same respondents at one point in time using a single instrument, common-method variance and causal ambiguity remain plausible threats to inference ([Podsakoff et al., 2003](#)). Several design features were used to reduce, although not eliminate, this risk. The item order was varied across construct blocks, response anchors were kept consistent to avoid introducing method-specific variance from scale switching, and respondents were assured of confidentiality to reduce social-desirability pressure. The use of a common instrument across all branches also provided a consistent measurement procedure, although it cannot eliminate differences in branch context. Therefore, statistical significance in the results indicates associations within the specified model rather than evidence that leadership interventions cause changes in performance.

3.4 Analytical Strategy

The hypotheses were evaluated using partial least squares structural equation modeling (PLS-SEM), a variance-based approach suitable for a model that includes multiple predictors, a mediator, and specific indirect effects ([Hair et al., 2022](#)). Internal consistency was assessed using Cronbach's alpha, rho A, and composite reliability. Convergent validity was evaluated through indicator loadings and Average Variance Extracted (AVE), while discriminant validity was examined using the Fornell–Larcker criterion and Heterotrait–Monotrait ratios (HTMT). Path estimates were assessed using bootstrapped standard errors, t-statistics, and p-values. The specific indirect effects for each leadership style were estimated within the same bootstrap procedure used for the direct paths, allowing the direct and indirect components of the three leadership-performance relationships to be evaluated on a common statistical basis. Because the data were collected from employees nested within nine branches, branch-level differences were considered when interpreting the results of the study. However, the available study records did not report a formal multilevel analysis, intraclass correlation assessment, or cluster-robust adjustment. Therefore, the resulting coefficients should be interpreted as individual-level associations across the regional sample, with branch heterogeneity recognized as a limitation rather than assumed to have been statistically controlled.

4. RESULTS AND DISCUSSION

4.1 Results

4.1.1 Measurement Model

The structural results revealed that the three leadership styles did not operate through a common pathway. Instead, each style exhibits a different relationship with knowledge sharing and employee performance. This pattern provides an empirical basis for the selective mediation argument of this study. Transformational leadership was positively associated with employee performance but was not significantly associated with knowledge sharing. The important theoretical implication is that transformational leadership does not necessarily translate inspirational and developmental behaviors

into observable knowledge exchange. Transformational leadership may strengthen performance through motivational processes such as self-efficacy, identification with organizational goals, or work engagement, whereas knowledge sharing may require additional organizational structures and opportunities for exchange ([Khan et al., 2020](#); [Lai et al., 2020](#); [Rehmani et al., 2023](#)). This finding therefore qualifies rather than contradicts previous research reporting positive relationships between transformational leadership and knowledge sharing. Such relationships may depend on contextual conditions such as organizational justice, autonomy, psychological safety, or learning culture ([Coun et al., 2019](#); [Phong et al., 2020](#); [Gil et al., 2021](#); [Makumbe, 2024](#)).

Transactional leadership produced different patterns. It was strongly associated with knowledge sharing but did not show a significant direct association with employee performance. Theoretically, this suggests that transactional leadership may be more closely connected to performance-relevant knowledge exchange than to performance. In a regulated banking environment, explicit expectations, monitoring, and recognition can make knowledge sharing a more visible and instrumentally relevant work behavior. Employees may therefore respond to transactional leadership by exchanging procedural knowledge and work-related experience, with performance benefits emerging through this behavioral mechanism rather than through a detectable direct relationship ([Abdullah & Hengky, 2022](#); [Mustaqfirin et al., 2022](#); [Abdelwahed et al., 2023](#)).

Democratic leadership showed significant relationships with both knowledge sharing and employee performance. This configuration is theoretically consistent with the dual nature of participative leadership. Employee voice can directly support performance by strengthening involvement and ownership, while the opportunity to participate in discussions and decisions can also facilitate the exchange of local knowledge and problem-solving experience ([Fattah et al., 2022](#); [Sheikh & Ullah, 2025](#); [Islam et al., 2025](#)). Therefore, democratic leadership appears to operate through both participation-related and knowledge-sharing mechanisms in the observed setting. Knowledge sharing is positively associated with employee performance. This finding reinforces its role as a performance-relevant organizational behavior rather than merely a mechanism attached to leadership. Employees who exchange procedural knowledge and experience can potentially reduce duplicated effort, solve work problems more efficiently, and reuse effective practices across similar cases. This result is consistent with prior research linking knowledge sharing to employee and organizational performance in banking and service-oriented contexts ([Winingsih, 2022](#); [Shahzad et al., 2022](#); [Hundie & Habtewold, 2024](#)).

4.1.2 Mediation Analysis

The mediation results provide the clearest evidence for the study's selective-mediation proposition. The three leadership styles did not exhibit the same indirect pathway through knowledge sharing. For transformational leadership, the indirect relationship through knowledge sharing was not significant. Combined with the significant direct relationship between transformational leadership and employee performance, this indicates that the observed association between transformational leadership and performance was not transmitted through the measured knowledge-sharing mechanism. Theoretically, this supports a distinction between motivational influence and knowledge-exchange influence. Transformational leaders may improve employee performance without necessarily increasing the extent to which employees exchange knowledge with colleagues. However, because motivational mechanisms were not directly measured, they should be regarded as plausible explanations rather than demonstrated mediators.

For transactional leadership, the indirect relationship through knowledge sharing was significant, while the direct relationship with performance was not. This configuration is consistent with an indirect-only mediation pattern. The theoretical significance lies in the role of knowledge sharing as the behavioral mechanism connecting exchange-oriented leadership with performance. In this setting, transactional leadership appears to be relevant to performance when its expectations and accountability structures encourage employees to share and reuse work-related knowledge. Therefore, the finding supports the proposition that leadership based on explicit exchange can produce performance-related

outcomes through specific employee behaviors rather than necessarily through a direct leadership effect.

Democratic leadership displayed significant direct and indirect relationships with employee performance. The indirect pathway through knowledge sharing, combined with the significant direct pathway, represents a complementary mediation pattern. Theoretically, this suggests that participation can contribute to performance in multiple ways. Employee involvement may have a direct relationship with performance, while the interaction and information exchange created through participation provide additional knowledge-sharing channels. Thus, knowledge sharing complements rather than replaces the direct association between democratic leadership and performance.

4.1.3 Theoretical Interpretation of Selective Mediation

Taken together, the findings support a differentiated rather than uniform view of leadership-performance relationships. The key theoretical contribution is not the magnitude of any individual path but the different configuration of pathways associated with each leadership style. Transformational leadership displayed a direct-only pattern, transactional leadership an indirect-only pattern through knowledge sharing, and democratic leadership a complementary pattern involving both direct and indirect associations. These configurations suggest that the same organizational outcome, employee performance, can be associated with different leadership mechanisms depending on the behavioral characteristics of the leadership style. This finding helps explain why previous studies have produced inconsistent conclusions regarding knowledge sharing as a mediator. When leadership styles are examined separately, a significant or nonsignificant mediation effect may appear to represent a general property of leadership. The present model indicates that mediation may depend on the specific form of leadership being considered. Knowledge sharing is therefore better understood as a selective organizational mechanism rather than a universal transmission channel between leadership and performance.

The finding concerning transformational leadership is particularly relevant to this theoretical distinction. Previous studies have identified circumstances in which transformational leadership supports knowledge sharing, including supportive cultures, organizational justice, autonomy, and communities of practice ([Coun et al., 2019](#); [Phong et al., 2020](#); [Matsuo, 2025](#); [Makumbe, 2024](#)). The absence of a significant transformational leadership-to-knowledge-sharing relationship in the present study does not invalidate those findings. Rather, it suggests that inspirational leadership may not be sufficient to generate knowledge exchange when the organizational structures that facilitate such exchange are not sufficiently present or measured. The transactional results provide a contrasting theoretical framework. Transactional leadership makes expectations and exchanges explicit, which may be particularly compatible with banking's procedural nature. Knowledge sharing becomes relevant when employees perceive it as a behavior that fulfills organizational expectations. This interpretation is consistent with prior evidence that transactional leadership is associated with performance through knowledge sharing and other behavioral mechanisms ([Abdullah & Hengky, 2022](#); [Abdelwahed et al., 2023](#); [Hutama et al., 2024](#)). Nevertheless, because the present study did not directly measure reward contingencies or monitoring processes as mediators, the proposed incentive mechanism remains an interpretation rather than a tested causal process.

The democratic leadership finding further extends the selective-mediation argument. Participation creates opportunities for employees to contribute information and expertise while simultaneously strengthening their involvement in organizational decisions. Consequently, democratic leadership can plausibly operate through both direct participation-related mechanisms and indirect knowledge-sharing mechanisms. The coexistence of these pathways supports the theoretical proposition that mediation does not necessarily eliminate a direct leadership-performance relationship.

4.2 Discussions

The central finding of this study is that the three leadership styles were associated with employee performance through different configurations of direct and knowledge-sharing pathways. Rather than indicating a common leadership mechanism, the findings suggest that the behavioral logic

of each leadership style matters for whether knowledge sharing becomes an important pathway to performance. This pattern supports the study's selective-mediation perspective and helps explain why previous studies have reported different mediation results across leadership contexts.

4.2.1 Transformational Leadership: A Direct Path Without Detectable Mediation

Transformational leadership was significantly associated with employee performance, but its relationship with knowledge sharing and its indirect relationship with performance through knowledge sharing were not significant. The theoretical implication is that transformational leadership and knowledge sharing should not necessarily be treated as sequential processes. Transformational leadership emphasizes vision, inspiration, intellectual stimulation, and individualized consideration, which may influence employees primarily through motivational and psychological mechanisms rather than through explicit knowledge exchange. This interpretation is consistent with previous research linking transformational leadership to performance through mechanisms such as work engagement, self-efficacy, intrinsic motivation, and identification with organizational objectives ([Khan et al., 2020](#); [Lai et al., 2020](#); [Rehmani et al., 2023](#)). In this sense, a leader may strengthen employees' willingness and confidence to perform without necessarily increasing the extent to which employees share procedural information or experience-based knowledge with colleagues.

This finding also provides an important qualification to studies that have identified positive relationships between transformational leadership and knowledge sharing. Previous research suggests that transformational leadership may support knowledge sharing when organizational conditions, such as justice, autonomy, psychological safety, learning culture, or communities of practice, facilitate knowledge exchange ([Coun et al., 2019](#); [Phong et al., 2020](#); [Gil et al., 2021](#); [Matsuo, 2025](#); [Makumbe, 2024](#)). The absence of a significant pathway in the present study therefore does not contradict this literature. Rather, it suggests that inspirational leadership alone may not be sufficient to activate knowledge-sharing behavior when explicit opportunities, structures, or expectations for knowledge exchange are not incorporated into the organizational environment. This distinction is theoretically important because it separates leadership that motivates performance from leadership that organizes knowledge exchange. The present study does not measure the motivational mechanisms directly; therefore, intrinsic motivation, self-efficacy, or identification should be understood as plausible explanations rather than demonstrated mediators. Nevertheless, the finding indicates that knowledge sharing should not automatically be positioned as the universal mechanism through which transformational leadership relates to employee performance.

4.2.2 Transactional Leadership: An Indirect-Only Pattern Centered on Knowledge Sharing

Transactional leadership demonstrated a contrasting configuration in this study. Its relationship with knowledge sharing was significant, whereas its direct relationship with employee performance was not. More importantly, knowledge sharing significantly transmitted its association with performance. This pattern is consistent with an indirect-only mediation configuration and provides the clearest evidence that the role of knowledge sharing depends on the behavioral characteristics of the leadership style. Theoretically, transactional leadership may be particularly compatible with knowledge sharing in regulated banking environments because it makes expectations, accountability, monitoring, and exchange relationships explicit. Knowledge sharing can become an observable work behavior when employees understand that exchanging accurate procedural information and useful experiences is relevant to organizational expectations. This interpretation is consistent with research suggesting that transactional leadership can influence performance-related behaviors through knowledge sharing and other behavioral mechanisms ([Abdullah & Hengky, 2022](#); [Mustaqfirin et al., 2022](#); [Abdelwahed et al., 2023](#)).

This finding also challenges the assumption that transactional leadership is primarily relevant to short-term compliance or output control. In a procedure-intensive organization, exchange-oriented leadership may contribute to organizational functioning by structuring the behaviors through which employees access and reuse knowledge. Therefore, the important mechanism is not the leadership style in isolation but the way its explicit expectations make knowledge exchange behaviorally salient. At the same time, the present study does not directly measure contingent rewards, monitoring

intensity, or employees' perceptions of reward fairness as mechanisms. Therefore, the proposed explanation should not be interpreted as evidence that rewards or monitoring caused knowledge sharing. The narrower conclusion supported by the data is that transactional leadership was associated with performance through knowledge sharing within the specified structural model.

4.2.3 Democratic Leadership: Complementary Direct and Indirect Associations

Democratic leadership displayed both direct and indirect associations with employee performance, with knowledge sharing providing a significant indirect pathway. This configuration is theoretically consistent with the dual behavioral nature of participative leadership. Democratic leadership provides employees with opportunities to express opinions, contribute information, participate in decisions, and engage in collective problem solving. These activities can simultaneously support employee involvement and facilitate knowledge exchange. The direct pathway can be understood through participation-related mechanisms. When employees are given meaningful opportunities to contribute to decisions affecting their work, they may experience greater ownership and perceived organizational support, which can be associated with stronger performance ([Fattah et al., 2022](#); [Sheikh & Ullah, 2025](#)). Meanwhile, the indirect pathway reflects the informational function of participation. Discussions and shared decision-making create opportunities for employees to surface local knowledge, explain work experiences, and learn from colleagues. Knowledge sharing can therefore become part of the participative process rather than a separate organizational activity.

This finding distinguishes democratic leadership from the other two leadership configurations observed in this study. Transformational leadership was associated with performance without a detectable knowledge-sharing pathway, whereas transactional leadership was associated with performance through knowledge-sharing without a detectable direct pathway. Democratic leadership combines both routes. Theoretically, this suggests that participation can have both a motivational/involvement and knowledge-exchange function. This finding is consistent with recent research linking participative leadership and knowledge-sharing conditions with employee and organizational outcomes ([Islam et al., 2025](#)). However, this study should not be interpreted as demonstrating that democratic leadership is more effective than other leadership styles. Rather, it demonstrates that, within this regional banking sample, participation was associated with performance through two statistically distinguishable pathways.

4.2.4 Reconciling the Findings with Prior Transformational Leadership Research

The nonsignificant relationship between transformational leadership and knowledge sharing deserves particular attention because it differs from studies that report positive associations between the two constructs. Previous research suggests that transformational leadership can encourage knowledge sharing when employees operate in environments characterized by organizational justice, autonomy, psychological safety, learning culture, or communities of practice ([Coun et al., 2019](#); [Phong et al., 2020](#); [Makumbe, 2024](#); [Matsuo, 2025](#)). These findings suggest that this relationship may be context-dependent rather than universal in nature. Transformational behaviors may create motivation, purpose, and confidence without necessarily establishing the organizational infrastructure required for knowledge exchange. In banking, knowledge sharing may require specific routines, such as case discussions, structured mentoring, shared procedure repositories, or formal cross-branch communication channels. Inspirational leadership can support employees' willingness to perform, but it does not necessarily create these exchange mechanisms.

This interpretation also helps to reconcile the apparent differences between the present findings and those of previous studies. Rather than viewing the nonsignificant pathway as evidence that transformational leadership cannot support knowledge sharing, it is more appropriate to interpret it as evidence that the leadership-to-knowledge-sharing relationship may depend on the enabling conditions. Future research should examine moderators such as psychological safety, organizational justice, autonomy, reward fairness, and digital knowledge infrastructure to determine when transformational leadership is more likely to translate into knowledge-sharing behavior.

5. CONCLUSIONS

5.1 Conclusion

This study demonstrates that knowledge sharing functions as a selective rather than universal pathway between leadership styles and employee performance. Transformational leadership showed a direct association with performance without a significant knowledge-sharing pathway, whereas transactional leadership influenced performance indirectly through knowledge sharing. Democratic leadership affected both performance and knowledge sharing, with a significant indirect effect through knowledge sharing. These findings extend the leadership and knowledge management literature by challenging the assumption that knowledge sharing operates as a common mediator across all leadership styles and by highlighting that different leadership approaches activate distinct mechanisms.

This study contributes a selective-mediation perspective, suggesting that the role of knowledge sharing depends on the behavioral characteristics of the leadership style examined. By analyzing transformational, transactional, and democratic leadership within a single model, the study explains why previous findings regarding mediation effects may vary across contexts. The findings position knowledge sharing as a context-dependent mechanism shaped by leadership practices, interaction patterns, and organizational conditions. However, the conclusions should be interpreted within the study boundaries, as the cross-sectional design identifies statistical associations rather than causal relationships. Future research should further examine these pathway configurations across different organizational and industry contexts.

5.2 Research Limitations

Several limitations should be considered when interpreting the findings of this study. First, the cross-sectional design limits the ability to establish causal relationships between leadership, knowledge sharing, and employee performance. Second, the use of self-reported data may introduce common method bias; therefore, future studies should incorporate supervisor evaluations, objective performance indicators, or behavioral measures. Third, the study was conducted within a single regional banking organization, and differences among branches may influence the observed relationships, limiting the generalizability of the findings to other contexts. Fourth, several underlying mechanisms, such as self-efficacy, intrinsic motivation, contingent rewards, and monitoring intensity, were not included in the model, requiring further investigation to provide deeper explanations of mediation pathways. Finally, future research should incorporate additional PLS-SEM assessment indicators, such as effect size (f^2) and predictive relevance (Q^2), to provide a more comprehensive evaluation of the model performance.

5.3 Suggestions and Directions for Future Research

Future research should extend the selective mediation framework by applying longitudinal or intervention-based designs to examine the causal relationships among leadership, knowledge sharing, and employee performance over time. Further studies should explore alternative mediating mechanisms, such as work engagement, self-efficacy, psychological empowerment, organizational identification, reward fairness, and accountability, to provide a deeper explanation of the leadership-performance relationship. Future research should also examine contextual factors, including psychological safety, organizational justice, job autonomy, learning culture, digital knowledge-management infrastructure, and reward systems, as potential moderators influencing the effectiveness of knowledge-sharing pathways. In addition, multilevel or comparative studies across branches, organizations, and industries are encouraged to assess whether the identified mediation patterns are generalizable beyond the regional banking context. Future studies should also combine perceptual data with objective or behavioral indicators and report additional PLS-SEM assessment measures, such as f^2 and Q^2 , to provide a more comprehensive evaluation of the model's contribution and predictive capability.

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AUTHOR CONTRIBUTIONS

DJN conceived the study, designed the research, and prepared the first draft of the manuscript. YY contributed to the study design, coordinated the data collection, and critically revised the manuscript. CC analyzed and interpreted the data and contributed to the revision of the manuscript. All authors reviewed and approved the final version of the manuscript and agreed to be accountable for all aspects of the work, including ensuring that questions concerning its accuracy or integrity are appropriately investigated and resolved.

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