

# Balancing Operational Performance and Workforce Morale: An Integrative Leadership Framework for Industrial Manufacturing in the Industry 4.0 Era

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## Abstract

This conceptual article examines how managerial leadership can be understood when operational performance and workforce morale are treated as connected outcomes in industrial manufacturing. The argument is built around the Full Range Leadership Model and draws directly on the theoretical and literature-review foundation developed in the first author's postgraduate research. Transformational, transactional and laissez-faire leadership are considered alongside Social Exchange Theory, Self-Determination Theory, Herzberg's Two-Factor Theory, Equity and Organisational Justice Theory, Effort-Reward Balance, Role Theory and the Job Demands-Resources model. The article keeps the original six direct leadership-outcome relationships and places them in a broader discussion of contemporary manufacturing, including Industry 4.0, workforce change and the distinction between passive leadership and structured delegation. The central argument is that manufacturing leadership should not be assessed only through production outcomes or only through employee attitudes. The same managerial behaviour can shape both. Transformational leadership provides a relational and developmental route, transactional leadership provides structure and exchange clarity, and laissez-faire leadership can create risk when non-intervention reflects absence rather than deliberate delegation. The framework is intended to support future empirical testing using stronger multi-source and longitudinal designs.

Keywords: managerial leadership; transformational leadership; transactional leadership; laissez-faire leadership; operational performance; workforce morale; industrial manufacturing; Industry 4.0

*Author note: This manuscript is derived in part from the first author's Master of Management thesis at Management and Science University.*

## 1. Introduction

Industrial manufacturing places managers in a position where operational and human concerns meet every day. Production targets, quality requirements, delivery commitments and cost pressures are visible and measurable, but the ability to meet them also depends on how employees interpret priorities, respond to problems and remain willing to contribute. This makes leadership relevant to both sides of the operating system. A manager may influence a production result through decisions about standards, escalation and resources while influencing morale through the same decisions, particularly when employees judge whether expectations are clear, support is available and treatment is fair. The article therefore starts from a simple premise: operational performance and workforce morale should be examined together when leadership is the explanatory focus.

There is growing evidence that managerial leadership is one of the important processes that connects workforce morale with operational performance (Judge & Piccolo, 2004; Khuong et al., 2022). Leadership influences the way goals are communicated, employees are motivated and challenges are resolved on the shop floor and in the operational units (Hunt & Fedynich, 2019; Liden et al., 2024). The Full Range Leadership Model (FRLM) is widely used in the current leadership research literature, and encompasses transformational, transactional and laissez faire leadership styles (Bass, 1985; Barbutto & Brown, 2007). Transformational leadership is characterized by the vision, inspirational, intellectually stimulating and individually considerate approach, and it has been associated with higher employee motivation, engagement, and innovative behaviour (Bass, 1985; Bass & Avolio, 1994; Braun et al., 2012; Rehmani et al., 2023). Transactional leadership can aid in operational efficiency and in short-term achievement of goals (Algahtany & Bardai, 2019; Densten, 2006) but may be less effective in fostering intrinsic motivation (Aljumah, 2023; Judge & Piccolo, 2004). On the other hand, laissez-faire leadership is characterized by minimal guidance and decision

making, which may lead to role ambiguity (Ahsan & Khalid, 2023; Skogstad et al., 2007), lack of coordination (Diebig & Bormann, 2020; Lundmark et al., 2021), and lower morale (Diebig & Bormann, 2020; Lundmark et al., 2021). In a structured manufacturing environment, like Saudi Arabia, poor leadership, especially *laissez faire*, can therefore affect operational stability and employees' morale (Robert & Vandenberghe, 2020; Skogstad et al., 2007).

The importance of leadership in Saudi manufacturing has grown in recent years due to structural and technological shifts (Alharbi et al., 2025). Industry 4.0 technologies such as automation, data-driven decision making, and digital monitoring have transformed jobs and raised skill needs in manufacturing facilities (Aljuaid et al., 2024; Haleem et al., 2024; Diossy et al., 2025). While these technologies aim to enhance operational efficiency, they can also lead to uncertainty and stress among workforce members if not supported by the right leadership practices (Scholze & Hecker, 2024; Smollan & Mooney, 2024). As managers face ever greater pressures to implement technology and to adopt people-centric leadership to focus on communication, support and employee development, this is an important consideration (Deng et al., 2022; Haleem et al., 2024).

Although studies conducted by international contributors (Asia, Europe and other emerging economies) provide valuable information on the relationship between leadership, performance and morale, it is difficult to ensure that the results are applicable to the context of Saudi industrial manufacturing. The differences in national culture, labour force, organisational structure, and economic values mean that there is a need to interpret the findings in context (Li, 2021; Nguyen et al., 2023). The importance of the issue of the impact of various leadership types on the level of operational performance and workforce morale is especially high in Saudi Arabia, where manufacturing companies are likely to have a hierarchical organisation and leadership norms embedded in the culture (Al-Anazi et al., 2024; Altheeb, 2020).

While managerial leadership is believed to be a crucial factor in improving employee wellbeing and productivity, the literature generally focuses on one of these outcomes—either operational performance on the one hand or employee-related outcomes on the other hand—rather than both outcomes in a single model (Nanjundeswaraswamy, 2021; Agazu et al., 2025). This leaves a conceptual disconnect regarding how the same leadership style can impact on one "hard" outcome (operational performance) while at the same time influencing on a "soft" outcome (workforce morale) – and it is this relationship that this article examines within a single conceptual framework.

Although the Full Range Leadership Model is mature, most empirical studies focus only on transformational leadership, or on testing the three styles in service, healthcare or education contexts, but not in a production-based manufacturing context (Specchia et al., 2021; Barbuto and Brown, 2007). Comparative study of transformational, transactional and *laissez-faire* leadership styles when they are tested together — and when they are tested against two different outcomes — has yet to be explored as a whole in the industrial manufacturing arena, let alone beyond western economies.

Importantly, from the literature surveyed, no study was found that has tested and compared the three leadership styles (transformational, transactional, *laissez-faire*) in one single study to determine their effects on operational performance and employee morale in the manufacturing sector in Saudi Arabia. As a result, both operational performance and morale of the workforce are not aligned with a particular leadership style, and managers have no clear idea of which leadership style has the strongest relationship with both outcome measures.

If this gap is not bridged, manufacturing companies risk in the long-term being inefficient in productivity, low motivation, high turnover and lack of competitiveness (Shaban et al., 2017; Nur et al., 2021). Therefore, the research problem in the study is inadequate empirical evidence to support the impact of three managerial leadership styles on the operational performance and the morale of the employees in the Saudi industrial manufacturing sector, and the need for research-based and scientific evidence for leadership development and managerial practice.

The following discussion retains the original theoretical wording of the postgraduate research wherever it directly supports this article. New material is used mainly to connect those sections into an article format and to clarify the contribution of considering the two outcomes together. The purpose is not to claim a new empirical dataset. It is to reorganise the existing theoretical foundation into a self-contained conceptual argument that can be read independently of the thesis.

## 2. Review Design and Conceptual Approach

This article follows an integrative conceptual approach rather than a systematic review or meta-analysis. The literature is organised around three questions. First, what do operational performance and workforce morale represent in a manufacturing setting? Second, through which mechanisms might transformational, transactional and laissez-faire leadership affect the two outcomes? Third, how might contemporary manufacturing conditions, especially digitalisation and Industry 4.0, increase or change the relevance of those mechanisms? Foundational leadership theory is therefore considered together with work on motivation, fairness, role clarity, job resources and manufacturing performance. The objective is synthesis rather than exhaustive database coverage or statistical aggregation.

## 3. Operational Performance and Workforce Morale under Manufacturing Change

Technological, economic and workforce developments are bringing with them structural changes in the operational performance and the morale of the workforce in the modern industrial manufacturing environment. The changes have increased the importance of managerial leadership as a harmonising and stabilising element in manufacturing organisations. The more rapid adoption of Industry 4.0 practices like automation, industrial IoT, robotics, AI, and real-time data analytics is another recent trend impacting on the operational performance of industrial manufacturing (Fadilasari et al., 2024). Predictive maintenance, production planning, quality control and supply-chain integration are increasingly becoming the responsibility of the manufacturing companies, which rely more and more on digital systems. While with these technologies, it is expected that efficiency, flexibility and cost will be improved, there is empirical evidence that investment in technologies does not necessarily lead to better performance. One of the key enablers to a successful digital transformation has been the aspect of leadership. Manufacturing firms with leaders who communicate vision, foster learning, and counteract change resistance are more likely to realize benefits from their digital endeavors (Diossy et al., 2025). Conversely, if the leadership is weak or passive, systems may not be fully exploited, processes may be fragmented and performance may vary.

The supply chain volatility and operational risk exposure are other major problems that have an impact on operational performance. The close couplings of manufacturing systems have been vulnerable to shocks from the COVID-19 crisis, geopolitics, and the availability of raw materials (Fan et al., 2022). This leads to the fact that operational performance is not evaluated based on efficiency and cost only anymore, but rather on the basis of resilience, flexibility, and responsiveness more and more. Manufacturers are expected to now make quick adjustments to their production levels, redesign production processes and address the uncertainty of their suppliers (Lartey et al., 2024). These requirements impose a further strain on the managers to be more flexible and to be ready to integrate cross-functional teams and to proactively solve problems.

The morale of the workforce in industrial production has been continuously under pressure as a result of the operating pressures. Among the most urgent problems is the lack of skilled labour and high turnover rates, especially in those jobs that have a high level of technical demands (Nur et al., 2021). Industry surveys show that even at the best of times, there are challenges in recruiting and retaining qualified employees, and most leaders of manufacturing companies cite the instability of their workforce as one of the key risks of the business (Coykendall et al., 2024). High turnover rates have a negative impact on employee morale, inclusion, and trust in management, and continue to foster a cycle of disengagement (Shaban et al., 2017).

Another important development that has an impact on morale is a change in the workforce expectations. As new generations start working in manufacturing, meaningful work, career growth, psychological safety, and supportive leadership are growing in importance among them, as opposed to focusing on financial incentives only (Smollan and Mooney, 2024). In a traditionally hierarchical culture, leaders who are not adapting to the culture may foster morale discrepancies in the organisation. Experimental literature demonstrates a failure to make the connection between managers' perceptions and the experiences of front-line employees. Indicatively, the latest reports on industry suggest that workplace morale is rated considerably higher by managers than by workers, suggesting that upward communication and feedback is broken down (Witmer, 2024). This disassociation is a testament to the need for style of leadership in order to sense, interpret, and act on employee sentiments.

In more recent times, manufacturing companies have gone on an even greater drive to engage their employees and empower them to regain their morale. Some of these practices include the use of Continuous Improvement teams, problem solving circles, skills training and internal mobility, all of which are more visible (Mallik et al., 2019). These

types of efforts are most supported by leadership styles that engage people, build trust, and promote growth (Desta & Mulie, 2024). Empirical studies show that inclusive and empowering leadership is not only effective in enhancing morale but also operational results via ownership, accountability and learning at the shop floor.

The overall picture of the recent trends indicates that in the present times there is an increasing importance and sensitivity of operational performance and workforce morale to managerial leadership practices in the industrial manufacturing sector. With technology that gets more complex, environmental pressures on sustainability, shortage of staff, changes of expectations, leadership has been raised to a strategic capability beyond supervision. However, little empirical research has been conducted on the different leadership styles and their impact on operational performance and employee morale in manufacturing environments. This is why further research is needed to determine how the transformational, transactional and laissez-faire leadership styles affect the operational performance and employee morale in industrial manufacturing companies in Saudi Arabia.

Taken together, these developments show why a narrow productivity-only view is no longer sufficient for leadership analysis in manufacturing. Digital systems, supply uncertainty and workforce expectations can change the demands placed on employees and managers at the same time. The operational system may become more data rich and technically capable while the human system becomes more dependent on learning, judgement and coordination. This is precisely where the two-outcome perspective becomes useful. A leadership behaviour that improves clarity may support reliability, but if it is experienced as rigid or unfair it may have a different effect on morale. Likewise, a behaviour that increases autonomy may strengthen initiative when employees are capable and boundaries are clear, but create uncertainty when support and decision rights are vague.

## **4. Leadership Styles and the Two Outcomes**

### **4.1 Transformational, transactional and laissez-faire leadership**

Transformational leadership is a type of leadership that involves the ability of a leader to inspire and motivate their followers to achieve extraordinary results that are beyond their own self-interest, for the benefit of the organisation or team (Agazu et al., 2025). It has been referred to as leadership where followers are changed in terms of increasing their values, aspirations, and performance. Transformational leadership was originally conceived by Burns (1978) to occur when one or more individuals engage with others in a way that raises both the leader and follower(s) to higher levels of motivation and morality. As in real life, transformational leaders articulate an inspiring vision, serve as role models, challenge followers to think outside the box, and provide support and encouragement one on one (Bao et al., 2024). Decades of research have consistently found that transformational leadership is linked to various beneficial outcomes. Transformational leaders can create an inspiring vision that can encourage their followers to innovate and even exceed the expected level of performance (Agazu et al., 2025). Increased morale of employees and organisational performance measures are positively correlated with transformational leadership, as is evidenced by empirical studies (i.e., increased employee job satisfaction and commitment) (Deng et al., 2022). In the same way, in a meta-analysis, Judge & Piccolo (2004) have found that there is a significant positive correlation between transformational leadership and followers' job satisfaction and their satisfaction with the leader. A more recent systematic review of 54 studies (2016-2023) further supported the positive association of transformational leadership and firm performance, being identified in most of the studies (Agazu et al., 2025).

Transactional leadership is a type of leadership based on clear exchanges or transactions between the leader and his or her followers (Dong, 2023). In this mode, the leader will have goals and expectations, and will provide rewards/punishment if the goals are met. Based on Bass & Avolio (1994) model, transactional leadership is a form of leadership in which the leader provides incentives to the subordinate for allowing him/her to perform. In other words, transactional leaders motivate followers by promising them a payoff for their self-interest, performance and compliance; and they inform them of deficiencies and take corrective and/or punitive action for them. (Simone, 2024). Transactional leadership theory literature shows that while it can be effective, it can only be effective a certain amount when the objective is to achieve a well-defined short-term objective and ensure the basic operational stability (Simone, 2024). The studies have identified positive association of the contingent reward behaviour (the positive side of transactional leadership) with outcome measures of performance and follower satisfaction, but not as high as transformational leadership. As an illustration, the meta-analysis of Judge & Piccolo (2004) has found that contingent reward leadership is also predictive of the job satisfaction and leader satisfaction of followers (although not as strongly

as transformational leadership) (Deng et al., 2022). If the transaction leaders set up clear expectations and reward based on effort, followers are able to give the satisfactory performance and they even praise the reward system that is based on emphasis and fairness, thus resulting in moderate levels of morale and productivity (Febrian et al., 2023).

Laissez-faire leadership is the absence of or extreme alleviation of leadership (Lopez et al., 2025). The term “laissez-faire” is a French word, meaning “to let things be” and is associated with the “hands-off” approach (Lopez et al., 2025). A Laissez Faire leader gives up responsibility, provides little or no direction or decisions. Robert and Vandenberghe (2020) placed laissez-faire at the lowest level of the leadership spectrum - basically as non-leadership (otherwise referred to as avoidant by some) leadership. Laissez-faire leaders do not have goals or clear expectations, do not provide any feedback or recognition, and don't come around when leadership is needed (Skogstad et al., 2007). Laissez-faire leadership is not found to be helpful and sometimes harmful (Ali & Ullah, 2023) as seen in literature. A laissez-faire leader lacks the role of a leader, the role of a director, the role of a supporter, the role of a conflict solver, and the role of a motivator, which can result in members' role ambiguity, lack of coordination, and frustration (Ali & Ullah, 2023). Of the styles of leadership, empirical studies have found that laissez-faire leadership has been associated with some of the worst outcomes. As an example, Skogstad et al. (2007) have discovered that laissez-faire leadership style was related to the increased stress levels at the workplace and even the prevalence of bullying (lack of an authority figure permits the negative behaviours to develop).

It is, however, important to mention that in some cases, a laissez-faire style can be tolerated if workers are highly proficient and experienced and do not need much supervision, i.e., operating independently (Iqbal et al., 2021). Some authors have indicated that delegative leadership (not exactly laissez-faire) is suitable in the case of experts who have a high level of motivation (Iqbal et al., 2021). But, in reality, laissez-faire leadership, which involves insensitivity and inaction tends to demoralize and to reduce the performance (Ali & Ullah, 2023). The full range model of leadership considers it the weakest form of leadership.

#### 4.2 Operational performance and workforce morale

In this article, operational performance can be interpreted as the effectiveness and efficiency of the operations of a manufacturing organisation to achieve the desired outcome. There are measures at the operation level including productivity (output/unit input), quality (defect, errors), efficiency (cycle time, downtime, waste), on-time (timeliness) (delivery on time, speed of throughput), and cost effectiveness at the operation level. Battesini et al. (2021) and other theorists of performance management consider the concept of operational performance to be connected to the outcome of the processes inside, how well the processes serve the customers and how they improve efficiency (Alkhatib & Momani, 2023). The role of leadership and its relationship with operations' performance has been extensively correlated in the literature of operations management and organisational studies. One of the underlying reasons is that leaders influence the processes' implementation and the continuous improvements introduction (Alkhatib & Momani, 2023). For instance, good leaders can stimulate learning and innovation at the shop floor that can improve operational indicators (Azmy & Anggraeti, 2024). In a recent literature review paper, Agazu et al. (2025) systematically review the literature and find that, in particular, transformational leadership is often linked to higher firm performance, and in many cases, this is through the perception of improved internal processes and dynamic capabilities (Agazu et al., 2025). Prior research has shown that transformational leadership can positively affect SMEs' exploration and exploitation activities (innovation and effective use of existing skills) and consequently leads to an increase in performance. On the other hand, poor operational outcomes seem to be associated with passive or absent leadership (laissez-faire) (Maalouf et al., 2025). The operational performance is also directly influenced by leaders through their setting of priorities (e.g. quality vs speed and vice versa) and through their use of resources and creation of working environment that facilitates or suffocates employees in their work (Battesini et al., 2021). Essentially, operational performance is not solely the work of technology and systems, as well as of human factors and leadership practices - a well-known fact in the operations literature (Diossy et al., 2025). In this regard, analysis of the operational performance is important to take into account the leadership style that can give positive support to the operational performance or the other way round.

Workforce morale is the overall psychological health, energy and satisfaction of a group of workers (Sabitova et al., 2020). As per the one conceptualization of the employees' morale in the literature, the overall attitude of enthusiasm and zeal, satisfaction and contentment towards the work can be defined as employee morale (Pattnaik & Jena, 2020). Positive morale tends to be associated with workers being committed to the organisation, low levels of turnover

intentions and workers who are likely to engage in discretionary effort. From the literature it is clear that leadership is one of the factors that affects employee morale (Sabitova et al., 2020). As evidenced in several studies, including recent ones, supportive and inspirational leadership styles are more likely to boost the morale while the authoritarian or the lack of leadership style are more likely to bring it down (Shaban et al., 2017). For instance, a study by Nur et al. (2021) showed that poor supervisory leadership was one of the main reasons for the poor employee morale and negative attitude towards their job in a large distribution company. Managers of that situation said that the three main reasons of demoralization were demotivation, under-staffing and ineffective supervision (Nur et al., 2021). This is consistent with the larger body of research that indicates transformational leaders who are individualized and provide employees with motivation are more likely to have high morale and job satisfaction among employees (Braun et al., 2012). They meet the psychological needs of the employees such as recognition, development and meaning which will improve the morale of the employees (Shaban et al., 2017). But as long as they are fair and address the employee's needs, transactional leaders can maintain moderate levels of employee satisfaction – employees like clear expectations and reward for behaving consistently with those expectations, which may lead them to feel satisfied, but may not feel as passionate as a transformational leader can make them feel (Sabitova et al., 2020). On the other hand, the lack of morale is always a characteristic of a laissez-faire leadership style. Employees usually feel undervalued, worried, and experience a lack of direction because of a lack of engagement, which results in low morale when they think that their leader is either disengaged or indifferent (Robert & Vandenberghe, 2020). Negative job morale was related to the absence of proper rewarding factors and high work stress (including work stress due to ineffective leadership) in individual empirical studies, for example, Sabitova et al., (2020) in developing countries. On the other hand, an effort-reward balance theory (Siegrist) could be considered, and positive morale should be maintained by balancing the effort of employees and the rewards/recognition they receive (Sabitova et al., 2020). Leadership plays a significant role in that – a leader who acknowledges achievement and supports employee well-being – in fact, who rewards employee's efforts with social support, which improves employee's morale (Shaban et al., 2017).

The three leadership styles therefore represent more than labels. They describe different ways in which managers provide direction, motivation, exchange and support. Transformational leadership is primarily developmental and relational. Transactional leadership is more explicit about expectations, monitoring and exchange. Laissez-faire leadership is defined by low intervention, but the practical meaning of low intervention depends on whether employees have clear authority and access to support. This distinction is particularly important in formalised manufacturing systems, where a competent employee may work independently within strong process controls without experiencing an absence of leadership.

## 5. Theoretical Integration

The theories of leadership and organisational behaviour are used as a foundation to understand the overall impact of managerial leadership styles on the operational performance and employee morale in companies engaged in industrial manufacturing in Saudi Arabia (Benmira & Agboola, 2021; Liden et al., 2024). This subsection is dedicated entirely to the Full Range Leadership Model (FRLM) and the major theories of motivation and relationships that explain how transformational, transactional and laissez-faire leadership styles affect the outcome of the worker/employee in the organized production setting (Judge & Piccolo, 2004; Garzon-Lasso et al., 2024).

The study by Burns (1978) that was carried out in relation to the study of political leaders yielded the Full Range Leadership Model (FRLM) which included both the transformational and transactional leadership styles. Burns (1978) came up with the hypothesis that transformational leadership raises the values and moral purpose of the followers, and transactional leadership works by giving rewards as a form of compliance. Later, Bass (1985) translated this into the organisational context, and it was extended to a "laissez-faire" leadership, which is a non-leadership or passive leadership (Bass & Avolio, 1994; Seltzer & Bass, 1990). This mixture formed the FRLM, where at the ends of the continuum are the highly active/developmental (transformational) and exchange-based/performance-oriented (transactional) leadership behaviours, while at the opposite ends are the passive/avoidant (laissez-faire) leadership behaviours (Barbuto & Brown, 2007; Judge & Piccolo, 2004).

The theory for transformational leadership is developed from three theories: Social Exchange Theory, Self-Determination Theory (SDT) and the Two-Factor Theory of Herzberg. The Social Exchange Theory posits that working relationships are based on obligations among the two parties (Cropanzano & Mitchell, 2005; Cook et al.,

2013). When the leaders are involved, employees are compelled to pay in the currency of commitment, loyalty, and extra-role effort in return for the support, recognition, mentoring and trust that they received (Zhang et al., 2017; Wallenburg & Handfield, 2022). However, in Saudi manufacturing enterprises, teamwork and working toward a shared production objective are emphasized, and the perception of fairness and respect can be observed, therefore, transformational leadership may be reinforcing relational relationships and provide high morale (Alhashedi et al., 2021; Al-Anazi et al., 2024).

The motivational process of transformational leadership (Trepanier et al., 2012; Forner et al., 2020) also can be understood through the lens of Self-Determination Theory. In SDT, when three basic needs are met, namely, autonomy, competence and relatedness, individuals feel intrinsically motivated and psychologically well. Transformational leaders foster autonomy by empowering others, improve competence by coaching and stimulating them intellectually, and increase relatedness by showing individualised consideration (Khan et al., 2020; Rehmani et al., 2023). Achieving these needs in an organised industrial setting can help to promote engagement and sustained performance (Nguyen et al., 2023; Azmy & Anggraeti, 2024).

That further is explained by Herzberg in his Two-Factor Theory which distinguishes between hygiene factors and motivators (Alrawahi et al., 2020). Motivational factors such as achievement, recognition, responsibility and growth are directly related to morale and job satisfaction, and these factors are supported by transformational leadership (Putra, 2024; Natarajan, 2023). The importance of such motivators in the workplace is when workers are being asked to engage in routine activities because this may negatively impact on their intrinsic motivation as reported by Mutharasi & Thaiyalnayaki (2022) and Weakliem & Frenkel (2006).

Transactional leadership mostly corresponds to the Equity/Organisational Justice Theory and the Effort-Reward Balance principles. The equity theory suggests that employee evaluation of fairness is based on input (effort, skills) and output (rewards, recognition) (Daouk et al., 2021; Utama et al., 2024). Consistent and transparent contingent rewards by transactional leaders positively affect fairness perceptions (Densten, 2006; Dong, 2023). In Saudi industrial manufacturing companies, where the production quotas and performance metrics are common, such fairness can ensure sustained and predictable performance and morale.

Similarly with the Effort-Reward Balance theory, which suggests that if there is effort, there should be reward, and the amount of reward should be commensurate to the effort. This exchange is clearly organized by transactional leadership, with clear expectations and a linkage between the performance and actual outcomes (Febrian et al., 2023; Ran et al., 2024). This method may not have a significant effect on the level of intrinsic motivation, but it is effective in maintaining operational discipline and productivity levels in structured work environments (Rahman et al., 2021; Purbowo et al., 2022).

Role Theory and the Job Demands-Resources (JD-R) Model can best facilitate the understanding of the negative implications of laissez-faire leadership. Employees must know about their duties, expectations and power, according to Role Theory (Diebig & Bormann, 2020). Leaders who avoid decisions and provide inadequate supervision (laissez-faire leadership) create more role ambiguity and role conflict (Skogstad et al., 2007; Lundmark et al., 2021). Such uncertainty hinders the workflow, reduces accountability and results in low morale in well-coordinated industrial systems (Robert & Vandenberghe, 2020; Zhang et al., 2023).

The JD-R model then explains that leadership is a strategic job resource as it provides direction, feedback and support (Tummers & Bakker, 2021; Scholze & Hecker, 2024). When the leaders withdraw these resources, even normal production needs are a burden in the psychological aspect (Zheng & Li, 2024). The lack of leadership support in Saudi manufacturing companies, where operational accuracy and safety levels are crucial, can result in stress, detachment, and a drop in morale of the working force (Ruth & Rosemarie, 2025; Ali & Ullah, 2023).

FRLM provides a structure for categorizing leadership styles and theories such as the Social Exchange Theory (SET), Herzberg's theory, Equity theory, Effort-Reward Balance, Role Theory and JD-R model, which explain the psychological and operational mechanisms of the relationships between leadership styles and employees' morale and performance (Judge & Piccolo, 2004; Garzon-Lasso et al., 2024; Tummers & Bakker, 2021). These theories offer a common ground to talk about leadership performance in the context of Saudi Arabian industrial manufacturing (Wei & Vasudevan, 2022; Alharbi et al., 2025).

The theoretical value of combining these perspectives is that FRLM identifies the leadership behaviours while the supporting organisational theories help explain the mechanism. Social exchange and self-determination clarify why support, recognition, autonomy and competence may influence both effort and morale. Herzberg's model gives additional attention to achievement, recognition, responsibility and growth. Organisational justice and effort-reward reasoning explain why consistency and perceived fairness matter under transactional leadership. Role Theory and JD-R explain why delayed decisions, unclear authority and unavailable support can become costly in tightly coordinated work. Used together, these perspectives make it possible to discuss operational performance and workforce morale without assuming that one theoretical mechanism is sufficient for every leadership style.

## 6. Conceptual Framework and Hypotheses

The conceptual framework preserves the direct structure developed in the thesis because that structure provides a clear basis for comparison. Each of the three leadership styles is linked to both operational performance and workforce morale, producing six direct relationships. Industry 4.0 is discussed as part of the operating context rather than as an additional measured variable. This keeps the framework parsimonious while allowing the discussion to recognise that technological intensity, task structure, employee competence and organisational culture may influence how leadership is experienced.

The conceptual framework developed from the literature review explains the relationships being put forward between the independent variables (transformational leadership, transactional leadership, and laissez-faire leadership) and the two outcome variables (operational performance and workforce morale).

As shown in Figure 1 (Conceptual Framework), the managerial leadership style is the independent construct which is hypothesised to have an impact on operational performance of the manufacturing unit and workforce morale of employees under him/her. The conceptual framework assumes the *ceteri paribus* conditions and does not include moderating and mediating variables, it focuses mainly on the direct impact of the leadership style on the outcomes. This parsimonious framework is supported by recent empirical studies of organisations. In a Chinese manufacturing scenario, as was illustrated by Li (2021), the transformational, as well as the transactional, leadership style, influenced the organisational culture positively and, therefore, positively impacted performance. Other researchers have also found similar results, with charismatic motivating leadership related to employee satisfaction and productivity while avoidant leadership is related to poor outcomes (Lopez et al., 2025). With this understanding the framework can be used to develop testable hypotheses that can suggest the nature and direction of the impact of each of the leadership styles on performance and morale.

This framework makes a more contextually and comparatively based contribution in the literature of the field of leadership. First, most of the past research considers either the transformational or transactional leadership style individually or tests leadership as an overall construct, but not necessarily all styles, such as laissez-faire, on the same test (Judge & Piccolo, 2004; Garzon-Lasso et al., 2024). It compares transformational, transactional and laissez-faire leadership side-by-side using the logic of the Full Range Leadership Model, providing a better evaluation of their comparative explanatory power. Second, operational performance and workforce morale outcomes are explored together since the competitiveness in the manufacturing industry is not solely based on productivity and quality; it is also based on the workforce stability, engagement, and cohesion (Neely, 2002; Battesini et al., 2021; Weakliem & Frenkel, 2006). But these outcomes are usually investigated separately, or the single proxies, such as engagement or motivation, are used to measure morale, rather than looking at it as a construct (Sabitova et al., 2020). Thirdly, there is still less evidence of the impact of leadership in structured industrial manufacturing environments where the requirements for process discipline, coordination and safety can amplify or constrain leadership impact (Khuong et al., 2022; Al-Alqam et al., 2022). Therefore, this framework is important and potentially useful, as it can help determine whether the relationships commonly believed to be strong are in fact strong, or weak, or have a unique impact in the desired manufacturing environment and will provide more actionable information on how to build leadership and positively influence operations.

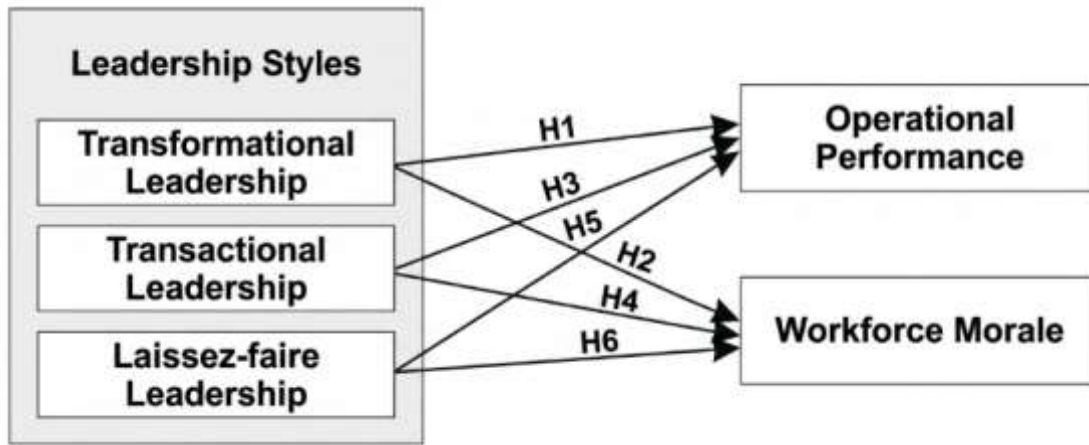


**Figure 1: Research Conceptual Framework**

Using the literature review and conceptual framework, the article proposes six hypotheses for empirical testing. The hypotheses are:

Hypothesis 1 (H1): Transformational leadership has a positive influence on operational performance in industrial manufacturing.

Hypothesis 2 (H2): Transformational leadership has a positive influence on workforce morale in industrial manufacturing.

Hypothesis 3 (H3): Transactional leadership has a positive influence on operational performance in industrial manufacturing.

Hypothesis 4 (H4): Transactional leadership has a positive influence on workforce morale in industrial manufacturing.

Hypothesis 5 (H5): Laissez-faire leadership has a negative influence on operational performance in industrial manufacturing.

Hypothesis 6 (H6): Laissez-faire leadership has a negative influence on workforce morale in industrial manufacturing.

## 7. Industry 4.0 and the Dual-Outcome Leadership Problem

Industry 4.0 strengthens the practical importance of this framework without changing the basic six-path model. Automation, connected systems, digital monitoring and data-intensive decision making can increase visibility and speed, but they can also redistribute responsibility between managers, employees and technology. Under these conditions, transformational behaviour may be valuable because employees have to learn, adapt and understand why work is changing. Transactional behaviour remains important because digital environments still require clear decision rights, escalation rules and accountability. Passive leadership can become more problematic when employees face unfamiliar situations and cannot obtain timely direction. At the same time, advanced systems can permit greater local autonomy when tasks are standardised and employees are technically capable. This makes the distinction between laissez-faire leadership and structured delegation especially important for future research.

## 8. Directions for Future Research

The research agenda therefore follows directly from the limits of the original model. Future studies should test both outcomes in the same design and should separate the source of leadership ratings, morale data and operational performance where possible. They should also measure the boundary between deliberate delegation and passive leadership explicitly rather than assuming that low supervision has only one meaning. These extensions would preserve the comparative value of the original framework while providing stronger evidence about mechanism, causality and context.

There are several recommendations for future research that follow from the limitations of this framework. Firstly, the use of longitudinal designs is recommended to see how the impact of different styles of leadership on performance and morale changes over time, and to identify causality, which cross-sectional designs are not able to. Second, if an

accessible sampling frame can be developed, then a probability-based sample is preferred to facilitate the projection of statistically generalisable estimates to the entire sector.

Third, matched manager–employee designs are suggested in which leadership behaviour is rated by subordinates, and morale is reported by the employees themselves, as well as multi-source data in which operational performance is taken from organisational records, instead of manager's perception. These designs would reduce common method variance as well as the single-informant problem.

Fourth, further scale-validation studies are recommended for the transformational and transactional leadership measures, particularly where high correlations suggest close overlap, to modify or remove items that have close overlap and to provide support for the discriminant validity of the measures. Finally, future research is suggested to clearly differentiate between passive-avoidant leadership and structured delegation because the distinction may help explain mixed laissez-faire findings.

Sixth, a comparative study of manufacturing sub-sectors, and of Gulf Cooperation Council countries, would help to discern whether such patterns are peculiar to the Saudi context or apply more generally to structured production environments. Seventh, future research models could include mediating variables such as trust, employee engagement, psychological safety and organisational commitment, and moderating variables like firm size, technological intensity, employee experience and task autonomy so as to explain how and under what conditions the relationships proposed in this framework occur. These variables are suggested for further models and were intentionally not examined in the current model because they were not directly related to the variables.

## 9. Practical Implications

For manufacturing practice, the framework suggests that leadership development should not be reduced to choosing one preferred style. Managers may need to communicate purpose and support learning while also maintaining clear standards and consistent accountability. The balance will vary by task. Safety-critical and quality-critical activities may require firm boundaries, whereas improvement work may benefit from greater discretion and challenge to existing routines. The framework also suggests that leadership assessment should look at more than short-term output. If managers are rewarded only for production results, behaviours that weaken trust, learning or retention may be overlooked. If they are assessed only on employee attitudes, the discipline required for reliable operations may be understated. A combined view of performance and morale gives organisations a more complete basis for leadership development, succession planning and managerial evaluation.

## 10. Conclusion

The central contribution of this article is to keep operational performance and workforce morale in the same leadership conversation. Manufacturing systems depend on technology, standards and process discipline, but those systems are enacted by people who interpret priorities, coordinate work and respond to uncertainty. FRLM provides a useful structure for comparing transformational, transactional and laissez-faire leadership, while the complementary theories explain why the same style may reach operational and workforce outcomes through different routes. The six direct relationships remain deliberately simple. Their value is not that they settle the question, but that they provide a clear platform for testing when leadership supports both performance and morale, when trade-offs appear, and when context changes the meaning of managerial behaviour. As manufacturing becomes more digital and more dependent on skilled judgement, that combined perspective becomes increasingly relevant.

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Consent for publication: Not applicable.

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