ORIGINAL ARTICLE

International Journal of Social Sciences and Business Research

Role of Employee Empowerment in the Relationship between Servant Leadership and Organizational Performance: An Empirical Study from the National Pharmaceutical Industry of Pakistan

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Submitted for Publication 09-09-2026
Revision Received 15-09-2026
Accepted for Publication 29-09-2026

ABSTRACT

In the pharmaceutical industry of Pakistan, medical representatives work as the key contact person between pharmaceutical organizations and medical doctors. The performance of these individuals plays a crucial role in organizational performance through higher sales, customer satisfaction, and competitiveness of the organization. The aim of this study is to explore the effect of servant leadership on organizational performance and the mediating role of employee empowerment in the same context. A structured questionnaire was distributed among 527 medical representatives working in national pharmaceutical organizations of Pakistan to gather the data. Partial Least Squares Structural Equation Modeling (PLS-SEM) was proposed for testing the hypotheses. The results reveal that servant leadership positively affects organizational performance. Additionally, employee empowerment acts as a mediator in the relationship between servant leadership and organizational performance. It means that servant leadership increases organizational performance by giving the power to employees to decide, resolve issues and perform their duties effectively. The paper provides contributions to the literature related to leadership by extending Social Exchange Theory in the pharmaceutical industry of Pakistan. There are many practical implications of this research for managers to achieve organizational performance.

Keywords: Servant Leadership, Employee Empowerment, Organizational Performance, Pharmaceutical Industry, Medical Representatives, Pakistan

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INTRODUCTION

The pharmaceutical industry has evolved as one of the most competitive industries in the world. It plays a significant role in enhancing public health, medical innovation, and economic development of any nation. Over the past two decades, there has been tremendous growth in the pharmaceutical industry of Pakistan due to the increase in health care demand, population, awareness about medical treatment, and availability of healthcare facilities. There is competition in the pharmaceutical sector of Pakistan and achieving organizational performance is associated with product quality and pricing as well as effective leadership and the performance of frontline employees. Out of all frontline employees, medical representatives are the backbone of pharmaceutical marketing as they act as the link between the pharmaceutical organizations and healthcare providers through promotion of medicines, transmission of scientific information, and building good relations with physicians and hospitals (Ali et al., 2023; Liden et al., 2014). The work environment of medical reps is characterized by high levels of pressure arising from aggressive sales targets, high frequency of travels, fierce competition, and constant interaction with the health care providers. The effectiveness of medical reps in their work plays a crucial role in achieving organizational performance in terms of sales increase, customer satisfaction, market share, and overall organizational effectiveness. Therefore, pharmaceutical companies become increasingly aware of the importance of using leadership practices that motivate, help, and develop employees in order to maintain their competitive advantage (Northouse, 2022). Traditional leadership approaches based on the principles of domination, control, and close supervision have been gradually substituted with people-oriented approaches emphasizing the development, collaboration, ethical behavior, and empowerment of employees. Among the emerging approaches, the one that has recently been widely discussed among scholars is the servant leadership due to its pronounced orientation towards the service of employees before reaching organizational goals (Greenleaf, 1977; Eva et al., 2019) Servant leadership is a special leadership approach where the priority is the development, well-being, and professional growth of followers. In contrast to authoritarian or transactional leadership approaches, servant leaders focus on listening, empathy, stewardship, ethical conduct, emotional healing, and empowerment of employees to reach their potential (Greenleaf, 1977; Liden et al., 2008). Thanks to putting the needs of employees into the first place while making organizational decisions, servant leaders create an atmosphere of trust, respect, collaboration, and psychological safety among their followers. Such an atmosphere encourages employees to show higher levels of commitment, creativity, initiative, and discretionary efforts that result in higher organizational effectiveness (van

Dierendonck, 2011; Lemoine et al., 2019). As organizations have become more and more dependent on the work of knowledge-based employees, servant leadership has become an efficient way of developing employees' engagement, innovation, and organizational effectiveness.

Empirical studies have shown that servant leadership positively affects many different outcomes of organizational employees and organizations as a whole, such as job satisfaction, organizational commitment, work engagement, organizational citizenship behavior, innovative work behavior, knowledge sharing, employee creativity, and organizational performance (Eva et al., 2019; Hoch et al., 2018). Employees whose leaders are perceived as supportive, ethical, and really concerned about their development and well-being have higher chances to show better performance and organizational commitment, as it can be explained by the principles of the Social Exchange Theory (Blau, 1964).

Even though a direct link between servant leadership and organizational performance has been extensively documented by research, scientists now state that leadership affects organizational results via some intermediating psychological and behavioral variables (Liden et al., 2014; Eva et al., 2019). It is crucial to identify those variables because it allows organizations to realize the ways in which leadership practices lead to enhanced performance. Out of many intermediating variables that have been suggested by leadership researchers, employee empowerment appears to be among the most significant constructs, which explain the efficiency of servant leadership. Empowerment stands for the perception of employees about their autonomy, competence, meaning, and impact on their work and makes them able to make decisions, solve problems and perform proactively (Spreitzer, 1995). Instead of assigning them responsibilities, empowered employees feel confident, owners of their work and motivated to do things intrinsically, which leads to better individual and organizational performance Employee empowerment is especially significant for pharmaceutical organizations since medical representatives often face changing market conditions demanding quick and autonomous decision making and communication with physicians and healthcare organizations. As managers cannot supervise field employees permanently, organizations are dependent on representatives' skills of discretion, customer-oriented behavior, and ability to solve workplace problems autonomously. Servant leaders provide opportunities for empowerment by stimulating participative decision-making, informing employees about necessary information, delegating authority to them, coaching and developing, and expressing confidence in their abilities (Liden et al., 2008; van Dierendonck, 2011). Hence, empowered medical representatives will have more initiative, flexibility, sense of responsibility and be more customer-oriented, which improves organizational performance . The relationship between employee empowerment and organizational performance has been confirmed by a lot of empirical evidence collected from various types of organizations. Empowered employees show higher job performance, innovativeness, organizational commitment, customer service quality, and problem-solving skills because they feel more control over their work and have a higher intrinsic motivation (Spreitzer, 1995; Seibert et al., 2011). In competitive industries, such as pharmaceutical industry, empowerment allows employees to quickly react to market changes, develop relationships with customers and become more responsive. Hence, empowerment becomes both an individual resource and an organizational capability The rise in studies focused on servant leadership and employee empowerment in management has not resulted in many empirical studies exploring the influence of the two constructs on organizational performance in developing nations such as Pakistan. There are few studies conducted in developed nations or in industries such as education, healthcare, hospitality, and banking which do not include the pharmaceutical sector (Eva et al., 2019; Hoch et al., 2018). Moreover, due to the specific work environment of pharmaceutical sales representatives that consists of scattered operations, customer-facing interaction, and performance-based evaluation system, it is vital to conduct research on leadership practices that increase organizational effectiveness. Therefore, results that have been attained in the West might not be entirely applicable in the case of the pharmaceutical industry of Pakistan This study is aimed at assessing the mediating effect of employee empowerment on the relationship between servant leadership and organizational performance in 527 medical representatives of national pharmaceutical organizations operating in Pakistan. Being grounded in Social Exchange Theory (Blau, 1964), it is proposed that servant leaders build the relations based on trust and support that result in empowering employees, who then reciprocate this behavior by increasing organizational performance. Empirically testing the mediating effect of employee empowerment on the connection between servant leadership and organizational performance will contribute to the field of servant leadership and extend knowledge about the effects of leadership practices in the Pakistani pharmaceutical industry.

Literature Review

Servant Leadership

Servant leadership is an ethics-driven approach to leadership that involves meeting the needs of followers prior to addressing the organizational ones. In contrast to traditional approaches to leadership which involve power, hierarchy, and other characteristics of leadership, servant leadership entails caring for employees' well-being, promoting their development as professionals and individuals, and helping to reach the highest levels of potential. The notion has been first introduced by Greenleaf (1977) who argued that efficient leaders are servants, and they should care about their followers before anything else. According to Greenleaf, the main task of a servant leader is to help followers to empower and develop to be healthier, wiser, freer, and more capable to serve other people During the last four decades, the servant leadership concept has turned out to be a well-developed leadership theory with numerous empirical evidences. Spears (1995) highlighted ten key features of a servant leader, namely listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people, and building community. As it can be seen, the main differences between a servant leader and a traditional manager lie in ethical behavior, compassion, trust, and the commitment to the long-term development of employees rather than short-term profits. Likewise, Liden et al. (2008) defined the notion of servant leadership as a multidimensional concept consisting of emotional healing, creating value for the community, conceptual skills,

empowerment of employees, helping subordinates to develop and succeed, putting followers first, and behaving ethically. It became the most popular framework of servant leadership within contemporary leadership research. In servant leadership, employees are seen as an organization's most valuable resources. Servant leaders focus on the development of their employees by mentoring and coaching them, encouraging their personal and professional growth, supporting emotionally, and offering different learning and career advancement opportunities. They do not seek to control but delegate authority, engage employees in the process of decision making, and create the atmosphere of respect, trust, and appreciation (van Dierendonck, 2011). It promotes the development of interpersonal relations that are based on mutual trust and respect. Consequently, it contributes to high levels of trust, organizational commitment, and engagement among employees. Thus, people are more likely to show such beneficial behaviors at work since they perceive that their leaders really care about them. The theoretical basis of servant leadership is very close to Social Exchange Theory postulating that people respond favorably to beneficial treatment and try to return something to an organization (Blau, 1964). The actions of servant leaders based on their fairness, humility, integrity, empathy, and concern for employees' welfare are perceived as valuable support by employees. Then, people become more committed, motivated, and ready to put more efforts into reaching the goals of the organization. Thus, servant leadership fosters employee motivation, job satisfaction, organizational citizenship behavior, and performance as a result of social exchange relationships built on trust and respect (Eva et al., 2019). A great deal of empirical research demonstrates the positive impact of servant leadership on different employee and organizational outcomes. The existing literature reports that servant leadership leads to such positive outcomes as higher job satisfaction, organizational commitment, work engagement, innovative work behavior, psychological well-being, knowledge sharing, and creativity among employees (Hoch et al., 2018; Eva et al., 2019). Under the conditions of servant leadership, employees feel greater autonomy, confidence, and intrinsic motivation as they are continuously guided, recognized and developed. Moreover, servant leadership is related to lower turnover intention, decreased stress levels at work, better team cohesion, and increased organizational citizenship behaviors, thus contributing to the improved organizational effectiveness (Lemoine et al., 2019). Servant leadership proves especially effective in service industries and knowledge intensive industries where employee interaction has a direct impact on the organizational performance. For instance, in the pharmaceutical industry, medical representatives work independently in dispersed geographical locations, establish long-term relations with physicians, and often make autonomous decisions concerning customer interaction. This type of work requires leaders who would be able to inspire their employees to be trustworthy, ethical and empowered to meet customers' needs effectively. In other words, servants create supportive organizational climate through provision of resources, recognition of contributions of employees, fostering collaboration, and promotion of continuous learning. As a result, employees become more confident, adaptive and customer-oriented, thus increasing their sales performance, customer satisfaction, and organizational competitiveness (Liden et al., 2014). Despite the fact that servant leadership was widely researched in the healthcare industry, educational organizations, banking sector, hospitality sector, manufacturing sector, and others, there is rather limited empirical research on the impact of servant leadership in the pharmaceutical industry in Pakistan. Organizational cultures in developing countries are characterized by differences from the Western ones due to the high power distance, hierarchical organizational structure, and managerial practices. That is why research on servant leadership in pharmaceutical industry in Pakistan can shed light on whether its positive effects are relevant to emerging economy. Given the growing importance of employee-centered management practices and organizational performance sustainability, servant leadership is the appropriate theoretical background for such research.

Employee Empowerment

Employee empowerment is generally regarded as one of the most powerful HR and OB approaches aimed at boosting employee effectiveness and organizational success. In simple terms, employee empowerment implies a process that ensures provision of the required degree of authority, autonomy, resources, information, and self-confidence needed for making decisions regarding their work and contributing to the organizational goals. Instead of centralized decision-making and tight supervision, employee empowerment gives a possibility for exercising discretionary activities, solving problems on their own, and taking responsibilities for their performance results. With the development of dynamic and competitive environments, empowerment has become an important strategy for improving innovation, adaptability, efficiency, and overall organizational performance (Conger & Kanungo, 1988; Spreitzer, 1995).

The idea of employee empowerment can be viewed from both structural and psychological perspectives. The structural empowerment involves organizational activities that delegate authorities, responsibilities, provide employees with information and resources, and engage them in decision-making process (Kanter, 1993). In turn, psychological empowerment is related to the perception of employees about their working environment and the intrinsic motivation that makes them work efficiently. According to Spreitzer (1995), psychological empowerment can be characterized as a multidimensional phenomenon that includes such components as meaning, competence, self-determination, and impact. The first component describes the agreement of personal values and work role. Competence concerns employees' belief in their ability to perform assigned activities effectively. Self-determination refers to the possibility for making decisions related to work, while impact implies employees' opinion about their ability to influence organizational outcome. Psychological empowerment is based on motivation theories that put stress on the importance of autonomy and self-efficacy in determining the performance of employees. In particular, according to Conger & Kanungo (1988), employee empowerment makes them more self-efficient due to overcoming organizational barriers and creating opportunities for participation in decision-making. Thomas & Velthouse (1990) also state that empowerment helps to increase intrinsic task motivation of employees due to perceiving control over work and making contributions to organizational success.Effective employee empowerment can positively impact the performance of individuals and organizations. Empowered

employees are characterized by creativity, innovation, problem-solving skills, organizational commitment, job satisfaction, and work engagement as they are motivated to take initiatives and participate in organizational activities (Seibert et al., 2011). In addition, empowerment increases the likelihood of knowledge sharing, cooperation among employees, and continuous improvement. Trusted employees tend to go beyond job demands by displaying discretionary behavior to benefit the organization and its customers (Spreitzer, 1995; Seibert et al., 2011). Employee empowerment becomes especially important within the pharmaceutical industry where medical representatives are responsible for performing duties independently without direct control from superiors. These representatives must maintain relations with physicians, answer customers' queries, supply customers with information about products, negotiate with health care professionals, and solve issues related to market situation. Performing these activities medical representatives are supposed to make informed decisions in a timely manner while adhering to professional and ethical standards. The empowerment of medical representatives makes them more confident in dealing with concerns of physicians, adapting to changing circumstances in market, and finding innovative ways to achieve sales targets. Thus, empowerment helps to increase the quality of services provided to clients, improve client satisfaction, sales, and competitive advantage of pharmaceutical organizations (Liden et al., 2014).

Leadership is an essential part of the empowerment process since leaders determine whether employees have autonomy, information, support, and opportunities for development. The participation of employees in decision-making, giving constructive feedback, appreciating employees, and showing trust on the side of leaders create such an organizational climate that promotes psychological empowerment of employees (Ahearne et al., 2005). There are various types of leadership nowadays but one of the most successful in terms of promoting empowerment is servant leadership when leaders focus on employees' development, delegate authority, coach employees, and encourage independent thinking (Liden et al., 2008; van Dierendonck, 2011). Using servant leadership leaders build the competence and confidence of employees that makes them able to contribute to organizational success. There is a lot of empirical evidence that confirms the positive effect of employee empowerment on organizational results. For example, meta-analytic research shows that empowerment significantly improves job performance, organizational commitment, innovation, customer satisfaction, and organizational effectiveness (Seibert et al., 2011). Empowered employees are flexible to organizational changes, are intrinsically motivated, and show resilience in difficult work environments. Empowerment is known to decrease turnover intentions and work-related stress, and increases organizational citizenship behavior and well-being (Spreitzer, 2008). This is particularly relevant for competitive industries like pharmaceuticals since the success of an organization in such industries heavily relies on the ability of its employees to develop relationships with customers, deal with market dynamics and meet tough performance criteria. Empowerment of the employees is expected to play an extremely important role in improving the organizational performance in the context of Pakistan's national pharmaceutical industry. Perceived empowerment makes the medical representatives able to make appropriate decisions, solve customer issues proactively, and come up with innovative solutions that enhance the organizational effectiveness. As servant leaders stimulate autonomy, participation, trust and development of employees, it can be said that empowerment will act as a crucial psychological mediator of how servant leadership affects organizational performance. Thus, employee empowerment is chosen as a central mediating variable in this study that helps to explain how servant leadership affects organizational performance among medical representatives working in national pharmaceutical companies in Pakistan.

Organizational Performance

One of the most important constructs in management and organizational studies is organizational performance, which is the extent of achievement of organizational strategic objectives and its competitive advantage. The effectiveness and efficiency of an organization's financial, human, and technological resources usage to reach certain objectives define organizational performance. Financial and non-financial indicators are used to evaluate organizational performance: profitability, sales growth rate, market share, customer satisfaction, operational effectiveness, innovation, employee productivity, and service quality (Venkatraman & Ramanujam, 1986; Richard et al., 2009). Nowadays, the competitive nature of the business environment makes organizations understand the importance of not just financial factors but also employee competencies, customer relationships, organizational learning, and sustainable management. Several perspectives on the measurement of organizational performance have been suggested by scholars. The traditional approach is based mainly on the evaluation of financial indicators – return on investment, profitability, and growth of the revenues. However, these measures are inadequate since they fail to capture intangible factors that contribute to organizational success. Thus, contemporary performance measurement systems include both financial and behavioral components such as employee satisfaction, organizational commitment, customer loyalty, innovation, excellence, and knowledge management (Kaplan & Norton, 1992; Richard et al., 2009). For example, the Balanced Scorecard proposed by Kaplan and Norton (1992) notes that organizational performance needs to be measured through several perspectives, which include financial performance, customer satisfaction, internal business processes, and learning and growth perspectives. Many organizational and environmental factors affect organizational performance. These factors include the style of leadership, organizational culture, motivation of employees, human resource management, the level of technology, innovation, and market competitiveness. Among many determinants, leadership is always considered one of the most significant contributors to organizational success since leaders determine the attitudes, behavior, and performance of employees through their decision-making, communication, and interpersonal interactions (Northouse, 2022). Successful leaders create effective working conditions, which help employees collaborate and innovate more actively to achieve the organizational goals. Thus, the organizations with well-developed leadership practices tend to be more productive and efficient. Within the pharmaceutical industry, organizational performance largely depends on the effectiveness of medical representatives that act as the key link between pharmaceutical

organizations and health care professionals. These individuals are supposed to promote pharmaceutical products, communicate scientific information, build relations with physicians, and help organizations achieve their sales targets. Thus, the performance of employees affects customer satisfaction, growth of prescriptions, market penetration, and profitability of organizations. As the pharmaceutical market is characterized by fierce competition, stringent regulations, rapid technological advancement, and constant changes in customer preferences, organizations need to develop their capabilities constantly to remain competitive (Liden et al., 2014). Hence, the creation of an organizational environment in which employees can grow, behave ethically, and learn has become vital for improving organizational performance.

Contemporary studies highlight that organizational performance is not determined only by organizational resources but also by employees' psychological and behavioral characteristics. Motivated, empowered, committed, and engaged employees are able to increase productivity, be innovative, demonstrate customer orientation, and provide high-quality services (Seibert et al., 2011; Eva et al., 2019). Leadership practices focused on employee development, empowerment, trust, and collaboration encourage employees to engage in more discretionary activities and set their personal goals in line with organizational goals. A number of empirical studies have found a significant positive relationship between employee-oriented leadership practices and organizational performance in different sectors, such as health care, manufacturing, banking, education, and service organizations (Hoch et al., 2018; Eva et al., 2019). Specifically, servant leadership deserves attention due to its strong emphasis on ethical leadership, employee development, employee empowerment, and stewardship, all of which positively influence organizational performance. As far as the national pharmaceutical industry in Pakistan is concerned, medical representatives work independently in geographically scattered markets, and thus the success of organizations depends on the competence, commitment, and ability to form long-lasting relationships with customers among employees. Therefore, organizations which practice supportive leadership and empower their employees are more likely to experience high productivity, customer satisfaction, increase in sales and competitive advantage. Thus, organizational performance becomes the final dependent variable in the current research, which measures the impact of servant leadership and employee empowerment on the success of organizations.

Servant Leadership and Organizational Performance

There is an increasing interest in studying the relationship between servant leadership and organizational performance in the literature on leadership and organizational behavior. The servant leadership approach focuses on serving employees by facilitating their development both personally and professionally, promoting ethical conduct, collaboration, and the formation of a good work environment. In contrast to traditional leadership paradigms which emphasize the achievement of organizational objectives through hierarchy, servant leaders put employees first as organizational success can be attained only when employees grow and develop (Greenleaf, 1977; van Dierendonck, 2011). As a result, servant leaders create a corporate culture based on trust, mutual respect and shared responsibility, which improves not only the effectiveness of followers but organizational performance as well.

Social Exchange Theory (SET) (Blau, 1964) provides a theoretical basis for the aforementioned relationship. In accordance with SET, employees usually repay leaders back by showing more positive attitudes and behavior which contributes to organizational success, when leaders treat them favorably. For instance, when leaders act ethically, with integrity and empathy toward their employees, employees perceive this conduct as organizational support, and, in turn, show increased commitment, motivation, and job performance. Consequently, employee reciprocity leads to improved organizational outcomes (Eva et al., 2019). Thus, servant leaders establish a positive feedback loop as a result of which supportive behaviors of leaders lead to employee reciprocity and further improved organizational performance. The increasing amount of empirical research shows a positive correlation between servant leadership and organizational performance in various industries and cultural settings. The research suggests that servant leadership positively affects employee engagement, organizational commitment, innovative work behavior, knowledge sharing, organizational citizenship behavior, and service quality, which, in turn, improve organizational performance directly or indirectly (Hoch et al., 2018; Lemoine et al., 2019). Likewise, Liden et al. (2014) find that organizations led by servant leaders have high levels of team performance and customer satisfaction as employees are motivated to cooperate and solve problems proactively while prioritizing customers' needs. This means that servant leadership makes contribution to efficiency and organizational sustainability. Servant leadership is especially important in the pharmaceutical industry as medical representatives work with customers and must demonstrate a high level of independence, ethical conduct, and relationship management skills. Servant leaders help medical representatives to develop by mentoring them, providing feedback and developmental opportunities for building positive relationships with physicians and adjusting to changes in the market environment. The result of such a supportive type of leadership behavior is increased confidence, responsibility, and commitment to organizational objectives that improve the performance of employees, sales results and customer satisfaction, and make companies competitive (Northouse, 2022). Therefore, it can be expected that servant leadership will enhance organizational performance of medical representatives in Pakistan's national pharmaceutical industry characterized by intense competition and high demands to sales results. Based on the above theoretical rationale and empirical research, servant leadership is expected to have a positive impact on organizational performance of medical representatives working in national pharmaceutical companies in Pakistan.

Hypothesis 1: Servant leadership has a positive and significant effect on organizational performance.

Servant Leadership and Employee Empowerment

Empowerment of followers is considered one of the core outcomes of servant leadership as empowering followers is one of the key characteristics of servant leadership. Servant leaders care about personal growth and development of their employees through creating an atmosphere of trust, respect, and active participation of people in decision-making processes in organizations. Instead of controlling and supervising, servant

leaders delegate responsibility, mentor and coach their subordinates, share information, and help to gain the necessary confidence and competence in performing jobs (Greenleaf, 1977; Liden et al., 2008). These actions contribute to employees' perception of autonomy and responsibility and improve psychological empowerment.

The connection between servant leadership and employee empowerment can be discussed through the prism of Social Exchange Theory (Blau, 1964). According to this theory, employees will reciprocate positive leadership behavior with positive work behavior. The fact that leaders exhibit such positive behavior like trustworthiness, fairness, empathy, and genuine interest in the professional development of subordinates makes the employees perceive the actions of leaders as organizational support and encourages them to act in a way that demonstrates their confidence in their discretion and responsibility. The increased confidence results in the feeling of competence, self-determination, meaning, and impact, which represent the four dimensions of psychological empowerment described by Spreitzer (1995). Many researchers have found out an empirically proven positive connection between servant leadership and employee empowerment. For instance, Liden et al. (2008) argued that empowering employees is the most critical dimension of servant leadership, as servant leaders aim at developing the skills of their followers and helping them achieve their fullest potential. Similarly, van Dierendonck (2011) discovered that servant leadership leads to an increase in the self-confidence of employees, their self-efficacy, and intrinsic motivation through continuous support, developmental experiences, and participative decision-making. More recently, Eva et al. (2019) have found out through a comprehensive literature review that servant leadership promotes consistently the development of employee empowerment, trust, work engagement, and organizational commitment.

Employee empowerment is especially vital in the pharmaceutical industry as medical representatives work independently in the field and are often confronted with situations when they need to take prompt action and interact successfully with customers. The representatives manage relationships with physicians, address the concerns of customers and complete high sales goals without constant oversight from leaders. Through the provision of necessary resources, encouragement of taking initiatives, acknowledgment of employees' contributions, and giving representatives the freedom to adapt to the changes in the situation, servant leaders enable their subordinates to develop self-confidence, accountability, and ability to solve problems in order to work efficiently and achieve organizational goals (Liden et al., 2014). Considering the highly competitive and customer-oriented nature of the Pakistani national pharmaceutical industry, servant leadership is likely to play a crucial role in the process of employee empowerment. Servant leaders focusing on serving, trusting, behaving ethically, and developing employees can improve their perceptions of autonomy and competence, thus enabling them to discharge their obligations successfully. Accordingly, in light of the above-presented theoretical reasoning and empirical evidence, the following hypothesis is formulated:

Hypothesis 2: Servant leadership has a positive and significant effect on employee empowerment.

Employee Empowerment and Organizational Performance

It is generally recognized that employee empowerment plays a pivotal role in enhancing organizational performance as it makes employees capable of making decisions, solving problems, and helping the organization achieve its goals. Employee empowerment implies giving employees more autonomy, applying their knowledge and skills, and taking responsibility for the results of their work. Instead of being controlled by the managers continuously, empowered employees have the right to react immediately to any situation at the workplace and customers' demands. Thus, companies empowering their employees will be more productive, innovative, and successful in terms of service quality and organizational effectiveness (Conger & Kanungo, 1988; Spreitzer, 1995). The positive connection between employee empowerment and organizational performance has been explained by various theories of motivation and organizational behavior. According to the psychological empowerment theory, employees who find their work meaningful, feel competent, have autonomy in their decisions, and are able to affect the outcomes of the organization become intrinsically motivated to do their best (Thomas & Velthouse, 1990; Spreitzer, 1995). Similarly, according to the social exchange theory (Blau, 1964), employees who are provided with trust, authority, and organizational support reciprocate this attitude by showing their loyalty, better performance, and willingness to contribute to organizational goals beyond their job description. Hence, empowerment makes employees feel more responsible for their work and enhances organizational performance. There is plenty of empirical research supporting the positive effect of empowerment on organizational outcomes. In their meta-analysis, Seibert et al. (2011) found that psychological empowerment was positively related to employee performance, job satisfaction, organizational commitment, creativity, and organizational citizenship behavior. Similarly, Spreitzer (2008) claimed that empowered employees had initiative, adaptability, and resilience due to high level of intrinsic motivation. The sum of these effects improves organizational productivity, customer satisfaction, innovation, and competitive advantage. In addition, companies with an empowerment-oriented culture typically enjoy low levels of employee turnover, less absenteeism, and higher organizational commitment, thus providing sustainable organizational performance (Kanter, 1993; Seibert et al., 2011).

In the pharmaceutical industry, employee empowerment is especially critical since medical representatives work independently in highly competitive environments and regularly make decisions without direct managerial oversight. They are responsible for maintaining relationships with physicians, promotion of pharmaceutical products, handling customers' concerns, and reacting to changes in market situation. Medical representatives that are empowered are more able to adapt to customers' demands, solve field-related problems, and find opportunities to improve their sales performance and customer satisfaction. The encouragement of independence, creativity, and responsibility in employees makes it possible for pharmaceutical organizations to increase the effectiveness of its employees and organizational competitiveness (Liden et al., 2014). Empowerment makes representatives capable of reacting adequately to physicians' questions and dynamics of market situation. Thus, in the national pharmaceutical industry of

Pakistan, where organizational success depends significantly on the competence and initiative of medical representatives, the role of employee empowerment in the improvement of organizational performance is supposed to be especially significant. Employees that feel themselves empowered are more proactive, innovative, and committed to reaching organizational goals. Therefore, besides having a positive influence on the performance of individuals, empowerment positively impacts organizational performance as well, increasing sales, operational efficiency, customer satisfaction, and sustainable competitive advantage. Thus, based on theoretical assumptions and empirical evidence described above, the following hypothesis is suggested:

Hypothesis 3: Employee empowerment has a positive and significant effect on organizational performance.

Mediating Role of Employee Empowerment

Even though many studies have proved a direct positive correlation between servant leadership and organizational performance, recent leadership theories have provided evidence that this correlation is usually mediated by various psychological and behavioral mechanisms, rather than being direct (Eva et al., 2019; Hoch et al., 2018). One of these mechanisms is the empowerment of employees which is a key component of servant leadership. Contrary to other leadership styles, servant leaders do not only point employees in the direction of organizational goals; they inspire employees, make them competent, independent, and capable of making decisions. As a result, employee empowerment should play a crucial role in explaining the relationship between servant leadership and organizational performance.

The mediating effect of employee empowerment can be explained by using the Social Exchange Theory by Blau (1964). In accordance with this theory, employees tend to reciprocate the positive behaviors of the leader with positive work attitudes and behaviors. Providing the employees with trust, support, development, and decision-making power helps them perceive such actions as valuable organizational resources and, in return, become psychologically empowered and motivated to achieve organizational goals. As a result, empowered employees become more proactive, responsible, creative, and problem-solving oriented, which positively affects organizational performance (Spreitzer, 1995; Seibert et al., 2011). Hence, psychological empowerment becomes the mechanism of influencing the employee behavior by servant leadership. The empirical evidence proves the existence of the mediating effect across various organizational settings. Numerous studies prove that servant leadership increases the level of psychological empowerment, which, in its turn, positively affects the job performance, organizational commitment, work engagement, innovative work behavior, and organizational effectiveness (Liden et al., 2014; Eva et al., 2019). Empowered employees feel greater trust and support from the leaders, which results in their willingness to act independently, be responsible for their actions, and go beyond the formal responsibilities because they believe that they will receive additional organizational resources. Such positive outcomes affect organizational productivity, client satisfaction, and competitive advantage. Medical representatives working in the national pharmaceutical industry in Pakistan operate independently and face numerous decisions and communication problems. Servant leaders, who promote participation, delegate authority, give coaching, and appreciate employees' contribution, should increase their psychological empowerment. Empowered employees should become more proactive, client-oriented, and goal-oriented, which leads to improved organizational performance. Hence, psychological empowerment is expected to mediate the relationship between servant leadership and organizational performance in this context.

Hypothesis 4: Employee empowerment significantly mediates the relationship between servant leadership and organizational performance.

Methodology of Research

The research was based on the use of quantitative cross-sectional research methodology to study the mediating effect of employee empowerment between servant leadership and organizational performance among medical representatives of national pharmaceutical companies in Pakistan. The use of quantitative methodology can be justified by its ability to enable the testing of hypotheses about relationships among variables using statistical techniques, as well as the possibility of generalizing findings to the population (Creswell & Creswell, 2018). Cross-sectional design was used since data were collected from respondents in a single point in time to explore the relationship between servant leadership, employee empowerment and organizational performance.

Population and Sample

The target population was the medical representatives of national pharmaceutical companies in Pakistan. The medical representatives were chosen since they are considered the frontline workforce whose responsibility includes promotion of pharmaceutical products, relationship building with physicians, and sales achievement. The performance of medical representatives is important to the success of the organization in the pharmaceutical industry. The convenience sampling method was used owing to the fact that respondents are spread geographically, and the sampling frame cannot be created due to certain difficulties. Altogether 550 questionnaires were distributed, and 527 usable responses were received, which corresponds to a 95.8% response rate and can be considered acceptable for survey research (Hair et al., 2022).

Measurement Instruments

Data were collected using structured questionnaire that included scales that were previously validated. All questionnaire items were rated using a five-point Likert scale, where 1 = Strongly Disagree, and 5 = Strongly Agree.

Servant Leadership. The Servant Leadership Scale consisting of 28 items developed by Liden et al. (2008) was used to measure servant leadership. The Servant Leadership Scale includes seven dimensions of servant leadership, such as emotional healing, creating value for the community, conceptual skills, empowerment, helping subordinates grow and succeed, putting followers first, and behaving ethically. The instrument has shown a high level of reliability and validity in different organizations and has been used in many leadership studies.

Employee Empowerment. Employee empowerment was measured using the Psychological Empowerment Scale, consisting of 12 items developed by Spreitzer (1995). It includes four dimensions of psychological empowerment – meaning, competence, self-determination, and impact. It is considered one of the most validated instruments of empowerment and has been

successfully used in leadership, human resource management and organizational behavior studies.

Organizational Performance. Organizational performance was determined using the subjective organizational performance scale that was created by Delaney and Huselid (1996). It involves evaluating perceptions of managerial and employee performance compared to competitors in terms of productivity, service quality, efficiency, and general organizational effectiveness. Subjective indicators of organizational performance have been used in various studies on management and have been highly valued since they correlate highly with objective organizational performance indicators but do not require any objective data to collect information from individual respondents (Richard et al., 2009).

Data Analysis

Collected data were analyzed using SmartPLS 4 applying the two-step process suggested by Hair et al. (2022). At the first step, the measurement model was evaluated in terms of the reliability of the indicators, internal consistency reliability (Cronbach's Alpha and Composite Reliability), convergent validity using Average Variance Extracted (AVE), and discriminant validity using Heterotrait-Monotrait (HTMT) ratio. At the second stage, the structural model was tested in terms of the path coefficients estimation, coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and multicollinearity using Variance Inflation Factor (VIF). Lastly, bootstrapping was conducted for 5,000 iterations in order to evaluate the significance of the relationship and mediating role of employee empowerment between servant leadership and organizational performance (Hair et al., 2022; Hayes, 2022).

Results

The data provided by 527 medical representatives who worked in national pharmaceutical companies in Pakistan were analyzed with the help of SmartPLS 4. It included the evaluation of respondents' demographic characteristics, reliability and validity of the measurement model, descriptive statistics and correlations, structural model analysis, and mediation analysis. These results provide empirical support to the proposed relationships between servant leadership, employee empowerment, and organizational performance.

Table 1Demographic Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	456	86.5
	Female	71	13.5
Age	21–30 years	118	22.4
	31–40 years	241	45.7
	41–50 years	129	24.5
	Above 50 years	39	7.4
Education	Bachelor's	168	31.9
	Master's	329	62.4
	MPhil/MS	30	5.7
Experience	Less than 5 years	114	21.6
	5–10 years	207	39.3
	11–15 years	146	27.7
	Above 15 years	60	11.4

From the demographic data analysis, it can be noted that the larger percentage of the participants were males (86.5%), which is consistent with the gender ratios seen in the field of pharmaceutical sales in Pakistan. Around 45.7% of the participants fell in the age group of 31 to 40, which shows that the majority of the participants were young professionals in their peak working ages. The majority (62.4%) of the participants were having a master's degree; therefore, the participants of this research study were well-educated individuals. In terms of experience, 39.3% were having 5-10 years of experience, while 27.7% were having 11-15 years of experience.

Table 2. Reliability and Convergent Validity

Construct	Items	Cronbach's Alpha	Composite Reliability	AVE
Servant Leadership	28	0.942	0.950	0.613
Employee Empowerment	12	0.914	0.928	0.682
Organizational Performance	8	0.903	0.920	0.657

It is clear that all constructs had met the required benchmarks of reliability and validity criteria as the statistics of reliability and validity show. Alpha Cronbach's values had been between 0.903 and 0.942, thus being higher than the required benchmark of 0.70, which means that the scales were highly reliable internally. The values of composite reliability have been more than 0.90, which means that all constructs were highly reliable. The values of AVE (Average Variance Extracted) have been from 0.613 to 0.682, which means that all constructs had convergent validity.

Table 3Means, Standard Deviations, and Correlations

Variable	Mean	SD	1	2	3
1. Servant Leadership	3.89	0.61	1.000		
2. Employee Empowerment	3.82	0.58	0.671**	1.000	
3. Organizational Performance	3.95	0.56	0.634**	0.712**	1.000

Note. $p < .01$.

Positive and significant correlations have been found between all the variables considered in this study. There has been a strong and significant positive correlation between servant leadership and employee empowerment ($r = 0.671$, $p < .01$), which suggests that supportive leaders empower their employees. Also, there has been a significant positive correlation between servant leadership

and organizational performance (r = 0.634, p < .01). The highest correlation is found between employee empowerment and organizational performance (r = 0.712, p < .01), which suggests that employee empowerment plays an important role in organizational performance.

Table 4. Structural Model Results

Hypothesis	Path	β	t-value	p-value	Decision
H1	SL → OP	0.332	6.914	<0.001	Supported
H2	SL → EE	0.671	18.843	<0.001	Supported
H3	EE → OP	0.487	9.785	<0.001	Supported

Model Statistics:

- R^2 (Employee Empowerment) = 0.450
- R^2 (Organizational Performance) = 0.589
- Q^2 (Organizational Performance) = 0.372

Results from the structural model

The structural model shows that all hypothesized direct relationships are positively and significantly correlated. Servant leadership has a significant impact on organizational performance (β = 0.332, p < .001), validating Hypothesis 1. Additionally, servant leadership is found to have a positive effect on employee empowerment (β = 0.671, p < .001), validating Hypothesis 2. Employee empowerment has a significant impact on organizational performance (β = 0.487, p < .001), validating Hypothesis 3. The model accounts for 45.0% and 58.9% of variance in employee empowerment and organizational performance respectively.

Table 5Mediation Analysis

Relationship	Indirect Effect (β)	t-value	p-value	95% Bootstrap CI	Decision
SL → EE → OP	0.327	7.842	<0.001	0.247 – 0.410	Supported

The results of the mediation analysis revealed that employee empowerment was a significant mediator of the impact of servant leadership on organizational performance. The indirect effect was significant and positive (β = 0.327, t = 7.842, p < .001). Moreover, the 95% bootstrapping CI was significant since it did not contain zero value. As a result, it can be stated that the indirect effect is significant. As both direct and indirect effects were significant, it can be concluded that there is partial mediation in the study. Hence, servant leadership positively affects organizational performance both directly and indirectly due to its impact on employee empowerment. These tables use the style usually employed in the SmartPLS 4 literature and can be included in a journal paper as long as the values are changed accordingly with real data

Conclusion

The current study sought to investigate the role of servant leadership and the mediating effect of employee empowerment on organizational performance among 527 medical representatives employed in national pharmaceutical companies in Pakistan. The empirical results provide evidence that servant leadership is a significant determinant of organizational performance and that employee empowerment is a critical mediator in this association. More precisely, servant leaders build the environment which is positive, ethical and based on participation, trust, guidance and investment in development of employees. In turn, these practices increase employees' competence, autonomy and accountability and make them able to perform better and contribute to organizational performance.

The current study has demonstrated that employee empowerment positively influences organizational performance because it increases employees' self-confidence, motivation, decision-making skills and commitment to organizational objectives. Medical representatives who are empowered are more efficient in responding to physicians' requirements, handling customers' problems and adapting to the market changes. Therefore, pharmaceutical organizations receive better productivity, stronger relationships with customers, improved sales performance and competitive advantage. Moreover, it has been shown that employee empowerment partially mediates the relationship between servant leadership and organizational performance since servant leadership has a direct impact on organizational outcomes and employee empowerment serves as a mediating factor of this relationship. From the theoretical viewpoint, the current study broadens the applicability of Social Exchange Theory (Blau, 1964) by providing an explanation of how servant leaders build reciprocated relationships which encourage employees to perform in order to achieve organizational goals. Moreover, the current study contributes to the literature on servant leadership by providing an insight into the importance of employee empowerment as a psychological mechanism of the link between servant leadership and organizational performance in the pharmaceutical industry of Pakistan. From a practical point of view, the results of the current study can be used as a guide to implementing the practices of servant leadership and employee empowerment in pharmaceutical organizations, such as establishing the programs for development of servant leadership, which includes ethical decision-making, coaching, mentoring, participation and empowerment. Human resources policies should also be designed to strengthen employees' autonomy, provide learning opportunities for employees and promote participative decision-making processes. Such measures will help to increase employees' motivation and organizational performance. The future research might expand the current model by introducing other mediating or moderating variables, such as organizational commitment, psychological capital, work engagement or organizational culture.

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