

THE IMPACT OF TRANSFORMATIONAL LEADERSHIP ON WORK-FROM-HOME PRACTICES AND EMPLOYEE PERFORMANCE IN THE SRI LANKAN IT SECTOR

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ABSTRACT

This study investigates the impact of Transformational Leadership (TL) on employee performance (EP) within Work-From-Home (WFH) settings in the Sri Lankan IT sector. The research is structured around four primary objectives: assessing the influence of TL on WFH, evaluating the effect of WFH on EP, exploring the relationship between TL and EP, and analyzing the interconnections among TL, WFH, and EP. The rise of remote work, particularly highlighted by the COVID-19 pandemic, has significantly transformed organizational frameworks globally. As Sri Lanka continues to position itself as a leading hub for IT services, it serves as an ideal context for evaluating the effectiveness of leadership in virtual environments. This study provides valuable insights for organizations seeking to align their leadership strategies with the evolving dynamics of work arrangements, especially in WFH contexts. Findings from the literature review, combined with thematic and regression analyses, indicate positive relationship among the studied variables. This highlights the potential of TL to enhance performance in remote work conditions. The outcomes of this research contribute to both academic literature and practical applications, encouraging organizations to reassess their leadership methodologies and adopt evidence-based practices. Additionally, the research emphasizes the importance of employee development in fostering adaptability and performance in rapidly changing work environments.

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1. Introduction

The Work from Home (WFH) model has become a prominent remote work approach, gaining global adoption because of the recent pandemic. This situation has significantly affected various facets of life, including security, politics, and health, while also presenting substantial challenges for organizations across all sectors. As a response, there has been a need for substantial adjustments to traditional work procedures and the remote work concept is particularly well-established within the IT sector (Kannamani, 2018).

Sri Lanka has emerged as a leading offshore destination for IT companies (EDB Sri Lanka, 2024). In 2022, IT companies in Sri Lanka contributed to 8.37% of the nation's total exports and are projected to generate \$3 billion by 2025, reflecting their capacity to deliver both onshore and offshore services to global businesses (BOI Sri Lanka, 2023). As a result, it is imperative to examine how the IT sector in Sri Lanka is adapting to unforeseen challenges and navigating the complexities introduced by the COVID-19 pandemic and subsequent lockdowns. Meiryani *et al.* (2022) describe WFH as a modified work practice instituted to address the restrictions imposed by the pandemic, which include prohibitions on office attendance and group gatherings. This model involves designating tasks and responsibilities for employees to be carried out in their preferred remote environments. Presently, employees are utilizing various video conferencing tools, such as Microsoft Teams, Google Hangouts, Skype, WebEx, Free Conference, GoToMeeting, and True Conference (Mangla, 2021), with Zoom recognized as a leading platform.

Facilitating organizational change is crucial for individuals, teams, and organizations as they strive to adapt to the evolving business landscape in today's uncertain environment (Whelan-Berry & Somerville, 2010). Research by Al Dhanhani *et al.* (2020) highlights that leaders function as transformational agents, fostering innovative and adaptable work environments that motivate individuals to exceed expectations.

2. Literature Review

2.1 Transformational Leadership (TL)

The concept of transformational leadership was first introduced by James MacGregor Burns in 1978, stemming from his analysis of political leadership. Burns defined transformational leadership as a dynamic and reciprocal relationship between leaders and followers, founded on mutual trust and shared objectives. He emphasized that transformational leaders create an environment in which employees can align their personal values with organizational goals through effective communication and engagement. In a subsequent study, Burns elaborated on the notion that transformational leadership facilitates open dialogue between staff and management, inspiring employees to prioritize organizational objectives over personal interests. Supporting this view, and referencing Derindag's research, it is noted that Burns' model serves as a contrast to transactional leadership, which primarily focuses on exchanges and reward systems.

Bass (2005) further developed Burns' theory by positing that transformational leaders elevate their followers' motivation by appealing to higher-order needs, such as self-actualization and self-esteem. He also asserted that transformational leadership encourages self-sacrifice and a strong commitment to collective organizational goals. Later, Bass and Bass (2009) reinforced the notion that transformational leaders can motivate individuals to achieve levels of performance beyond their initial expectations.

In the context of the IT sector in Sri Lanka, transformational leadership plays a crucial role in cultivating high-performing, knowledge-driven environments. By promoting innovation, enhancing employee engagement, and facilitating effective knowledge management, it acts as a cornerstone for sustainable performance in both remote and hybrid work models. Kodithuwakku

and Korale-Gedara (2023) investigated ten IT companies identified transformational leadership as the predominant leadership style within the Sri Lankan IT industry. While transactional leadership exhibited a slightly stronger immediate impact on project completion satisfaction, transformational leadership proved to be more effective in fostering a collaborative and innovative environment, which is essential for long-term project success (Kodithuwakku & Korale-Gedara, 2023).

Transformational leadership is widely acknowledged as a potent leadership style that inspires followers to surpass expectations. According to Gumusluoglu and Ilsev (2009), transformational leadership encompasses four critical dimensions: idealized influence (often described as charismatic leadership), individualized consideration, inspirational motivation, and intellectual stimulation. Building upon these foundational elements, Bernard Bass made significant contributions by systematically developing transformational leadership theory and establishing models and metrics for evaluating its components (Bass & Riggio, 2009).

2.2 Working from Home (WFH)

The definition of "telework" established by the International Labor Organization (ILO) in 1990 is widely acknowledged within the field. It defines telework as "a form of work in which (a) work is performed at a location separate from a central office or production facility, thereby creating a separation between the worker and direct contact with colleagues, and (b) new technology facilitates this separation by enabling communication."

Kannamani (2018) points out that "telework" is synonymous with various other terms, including "work shifting," "telecommuting," "work from home," "e-work," "virtual work," "remote work," "distance working," and "flexible working." The concept of working from home (WFH) originated in the early 1970s and has since been applied across diverse contexts, such as mobile work, varied workspaces, and home-based employment. Hamilton (2002) describes WFH as a work arrangement in which employees complete part of their regular shifts away from the central office, utilizing spaces such as home, satellite offices, or other non-traditional work environments.

The concept of telecommuting was introduced by Jack Nilles in 1976, who suggested the use of telephone lines and computers to facilitate work outside conventional office settings. Nilles is often referred to as the "father of telecommuting," and his ideas have significantly shaped modern WFH practices (Patanjali *et al.*, 2022). Research conducted by Narayanamurthy and Tortorella (2021) indicates that working from a home office can enhance employee performance and improve the quality of output.

Furthermore, a review published by the Sri Lanka Journal of Management Studies (2022) concludes that the benefits of WFH outweigh its drawbacks, presenting significant long-term adaptability potential. According to the World Bank (2022), Sri Lanka has observed rapid growth, with the IT sector increasingly adopting remote work models, especially in the aftermath of the COVID-19 pandemic.

2.3 Employee Performance (EP)

Tuffaha (2020) emphasizes that an employee's performance is shaped by their ability to effectively and efficiently fulfil daily responsibilities while meeting stakeholder expectations. Various organizational factors, including policies, practices, knowledge management techniques, and employee engagement, play a significant role in influencing both individual and organizational performance (Tuffaha, 2020; Mathushan & Kengatharan, 2022). These elements are essential for achieving high levels of workforce effectiveness.

Bass (2005) identifies two primary approaches for examining the relationship between leadership and performance. One approach focuses on the actions and behaviors of leaders, while the other considers the outcomes achieved by their followers, teams, or the organization at large. Bass further suggests two general strategies for performance evaluation: utilizing subjective perceptions and employing objective metrics such as efficiency, goal attainment, and financial results (Francis *et al.*, 2024).

Ramos-Villagrasa *et al.* (2019) indicate that job performance encompasses the actions executed by employees that contribute to organizational objectives. They emphasize that job performance is characterized by specific behaviors rather than the underlying factors influencing these actions or their resulting outcomes.

Kodithuwakku and Korale-Gedara (2023) highlight that while transactional leadership has the most significant impact on team members' satisfaction with project completion, transformational leadership remains the predominant style within Sri Lanka's IT industry. This suggests a shift towards fostering creativity and trust among IT project teams

2.4 Hypotheses Development

2.4.1 Transformational Leadership and Employee Performance

The research conducted by Koopmans *et al.* (2011; 2013) introduces the Individual Work Performance Questionnaire (IWPQ) aimed at assessing employee work efficiency across various dimensions. This framework is structured around four key components: task performance, contextual performance, adaptive performance, and counterproductive work behavior.

Task performance encompasses behaviors that directly contribute to the production of goods or the provision of services, typically aligning with established job descriptions (Ramos-Villagrasa *et al.*, 2019). In contrast, contextual performance encompasses voluntary behaviors that enhance the social and psychological environment within the organization, thereby facilitating the achievement of organizational objectives (Ramos-Villagrasa *et al.*, 2019). Counterproductive work behavior refers to voluntary actions detrimental to organizational well-being, including absenteeism, misconduct, and intentional underperformance (Koopmans *et al.*, 2013).

An increasing volume of research underscores the significance of adaptive performance, particularly in light of the complexities and uncertainties inherent in contemporary work environments. Defined as the capability of an individual to ingeniously adjust to changes in workplace demands, adaptive performance is a vital dimension (Koopmans *et al.*, 2013). Key indicators of task performance identified by Koopmans *et al.* (2011) include task completion,

precision, problem-solving abilities, planning, and maintaining up-to-date job knowledge. Contextual performance behaviors encompass responsibility, collaboration, initiative, and enthusiasm, while counterproductive actions may involve presenteeism, grievances, misuse of privileges, and deliberate inefficiency. This research places particular emphasis on adaptive performance, alongside task and contextual performance, as well as counterproductive behavior, to examine how employee performance within the Sri Lankan IT sector has evolved during and following the pandemic.

Previous studies have shown that transformational leadership can positively influence task performance by aligning employee aspirations with organizational goals and motivating additional effort. Additionally, transformational leaders contribute to a supportive organizational climate that fosters contextual performance, encouraging behaviors such as collaboration, organizational citizenship, and proactive problem-solving (Dirani *et al.*, 2020).

Concerning adaptive performance, transformational leaders inspire employees to embrace innovation and effectively navigate dynamic work environments through intellectual stimulation and tailored mentorship (Gumusluoglu & Ilsev, 2009). This leadership style also plays a significant role in reducing counterproductive behaviors by enhancing employees' emotional attachment to the organization, thereby increasing job satisfaction and aligning individual values with those of the organization (Francis *et al.*, 2024).

Within the IT sector, characterized by rapid technological advancements and the growing prevalence of remote work, the role of transformational leadership becomes increasingly vital. Leaders capable of promoting flexibility, innovation, and resilience substantially improve employee performance outcomes, particularly during crises such as the COVID-19 pandemic and the subsequent transition to hybrid work models (Dirani *et al.*, 2020).

H1: Transformational Leadership has a significant impact on Employee Performance

2.4.2 Transformational Leadership and Work from Home

The transition towards remote work, particularly within knowledge-intensive sectors such as information technology, has significantly transformed the conventional workplace paradigm. Deole *et al.* (2022) conceptualize work-from-home (WFH) as a form of intra-firm decentralization, allowing employees greater flexibility and autonomy in determining how, when, and where they fulfill their responsibilities. This increased level of control appears to enhance intrinsic motivation and foster reciprocal loyalty between employees and their employers (Kira & Beckmann, 2017).

Furthermore, Stevenson and Wolfers (2009) argue that the impact of WFH on life satisfaction is contingent upon the interplay between work and personal life. Their findings indicate that the flexibility associated with remote work significantly enhances job satisfaction, regardless of the total hours worked. This autonomy and adaptability are generally valued by employees engaged in remote working arrangements.

However, the WFH model is not without its challenges. Dockery and Bawa (2014) underscore that remote work can influence family dynamics, affecting elements such as time allocation with

children, the quality of family relationships, and the home environment. They highlight that challenges may arise when professional obligations encroach upon family responsibilities, excessive work hours undermine social interactions, and employees struggle to establish boundaries between their work and personal lives. Conditions such as disproportionate time dedicated to work activities, flexibility that prioritizes organizational objectives over personal well-being, and the absence of a commuting routine can exacerbate work-family conflicts.

Despite these challenges, WFH arrangements are generally viewed positively due to the increased autonomy and reduced work-family conflicts they can facilitate, ultimately contributing to heightened job satisfaction (Gajendran & Harrison, 2007). Recent research (Gajendran & Harrison, 2007; Stevenson & Wolfers, 2009; Garro-Abarca *et al.*, 2021; Deole *et al.*, 2021) emphasizes the importance of psychological factors such as autonomy and motivation referred to as work commitment alongside job satisfaction, denoted as work happiness, and organizational enablers like flexible working hours and supportive telecommuting policies, all of which are crucial in shaping employees' experiences with remote work.

In the Sri Lankan IT sector, where remote work models have gained traction, particularly following the COVID-19 pandemic, the role of transformational leadership has become essential in sustaining high levels of employee performance (Francis *et al.*, 2025). Leaders who exhibit behaviors such as inspirational motivation, intellectual stimulation, idealized influence, and individualized consideration are uniquely equipped to navigate the challenges posed by remote work environments (Bass & Riggio, 2009; Gumusluoglu & Ilsev, 2009; Hansamali *et al.*, 2024). Research indicates that transformational leadership is effective in fostering increased employee engagement, innovation, and job satisfaction, especially within dynamic and technology-driven industries. In a remote work context, these leadership behaviors are instrumental in enabling employees to maintain their work commitment and work happiness, despite the physical separation from traditional office settings (Gajendran & Harrison, 2007; Garro-Abarca *et al.*, 2021).

Further studies in Sri Lanka highlight the significance of leadership and work-from-home practices. For instance, Gamage (2021) noted that transformational leadership has a positive impact on virtual team performance and employee satisfaction in Sri Lankan IT companies.

In conclusion, transformational leadership emerges as a critical moderating factor that enhances the efficacy of work-from-home models, ensuring that employees remain productive, fulfilled, and loyal in an increasingly digital and decentralized work environment.

H2: Transformational Leadership has a significant impact on Work from Home

2.4.3 Work from Home and Employee Performance

Numerous studies underscore the importance of Work From Home (WFH) arrangements on employee performance. For instance, Priyanga and Wickramaratne conducted a survey of IT professionals in Sri Lanka, revealing a positive and significant correlation between WFH and job satisfaction as well as performance. Their findings highlight the necessity for clear policies, adequate training, and resource availability to support remote work.

Similarly, research by Nayanathara and Karunarathne (2021) indicates that flexible work arrangements account for 27.2% of the variance in employee performance, emphasizing the effectiveness of hybrid and remote work environments in improving outcomes. Additionally, a thematic review of the literature, including the work of Meiryani *et al.* (2022), illustrates that remote work positively influences employee performance, particularly when individual autonomy, motivation, and work-life balance are fostered. However, these advantages are contingent upon the quality of leadership and organizational culture (Kengatharan & Edwards, 2021).

The present study further corroborates that employee performance enhances when WFH conditions such as commitment, employee satisfaction, and a supportive environment are optimized. It also highlights that leadership styles, particularly transformational leadership, play a crucial role in aligning team efforts with organizational objectives.

Further validation of the positive effects of remote work and effective leadership on employee motivation and performance can be found in the studies by Susilo (2020) and Patanjali and Bhatta (2022). Additionally, research conducted by Magnier-Watanabe (2022) reveals that employees with adequate home workspaces report higher satisfaction with teleworking, thereby demonstrating that environmental factors related to WFH significantly influence employee performance.

H3: Work From Home has a significant impact on Employee Performance

2.4.4 Transformation Leadership, Work from Home and Employee Performance

Bass (2005) posited that transformational leaders enhance the performance of their team members through four essential components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Expanding upon this perspective, Al-Amin (2017) and Yeshitila and Beyene (2019) demonstrated that transformational leadership has a direct and positive effect on employee job performance, encouraging employees to achieve outstanding results when compared to other leadership styles.

Ledimo (2014), referencing the work of McShane and Von Glinow (2005), suggested that transformational leaders engage employees by developing a strategic vision, effectively communicating that vision, modeling desired behaviors, and inspiring commitment through dynamic communication methods such as storytelling and imagery. These strategies are particularly vital in virtual or remote work settings, where clear leadership is increasingly essential. Garro-Abarca *et al.* (2021) highlighted that organizations are making significant investments in virtual teams, recognizing that transformational leadership cultivates trust, communication, and collaboration within remote environments. Mehrad *et al.* (2020) further underscored that transformational leaders serve as facilitators, mentors, and innovators, aligning employee values with organizational objectives, thereby enhancing team cohesion and overall performance.

Naeem and Khanzada (2018) noted that leaders who demonstrate empathy and support can lead to increased employee productivity. Similarly, Jyoti and Bhau (2015) emphasized that empathetic leadership often results in enhanced job performance from employees. Bass and Riggio

(2009) pointed out that transformational leadership contributes to increased self-efficacy, mitigates stress, and empowers employees to perform at higher levels, even in challenging situations.

As organizations adapt to remote work arrangements, it introduces a new dynamic that warrants consideration. Kannamani (2018) indicated that work-from-home (WFH) setups can improve work-life balance and organizational efficiency, though they may not be universally applicable across all industries. Along with Kira (2017), it was noted that flexible work schedules, empowered by WFH models, positively influence employee motivation and, consequently, performance (Kira & Beckmann, 2017; Barsness *et al.*, 2005).

Bonacini *et al.* (2021) associated the feasibility of WFH with increased productivity and higher labor incomes, while Sridevi *et al.* (2014) acknowledged that the elimination of commuting can enhance both productivity and overall well-being, although it may occasionally challenge work-life balance. Heryanto *et al.* (2021), citing the research of Gajendran and Harrison (2007) and others, found that while WFH fosters autonomy and satisfaction, insufficient attention to digital work environments can adversely affect work-life balance.

H4: The relationship between Transformational Leadership and Employee Performance is mediated by Work from Home

2.5 Sri Lankan IT Sector

The Information Technology (IT) and Business Process Management (BPM) sector in Sri Lanka is experiencing significant growth, positioning itself as a potential global hub for high-end knowledge services (SLASSCOM, 2021). In this context, transformational leadership has proven to be essential for IT organizations in navigating the challenges associated with transitioning to remote work. Leaders were tasked with cultivating a compelling vision centered on collaboration, technological adaptation, and emotional support, crucial for addressing issues such as isolation, communication barriers, and the maintenance of creativity throughout this transition.

Furthermore, the unique cultural framework of Sri Lanka, which emphasizes interpersonal relationships and respect for hierarchy, underscores the importance of transformational leadership practices, such as individualized consideration and inspirational motivation. These practices are vital for fostering team cohesion and enhancing performance in remote environments (Nayanathara & Karunarathne, 2021).

Research indicates that working from home within the Sri Lankan IT sector has resulted in increased employee satisfaction, along with a series of challenges including blurred work-life boundaries, technological stress, and the management of project deadlines (SLASSCOM Report, 2022). By prioritizing transformational leadership—characterized by intellectual stimulation and individual consideration—organizations have enabled employees to adapt more effectively to these challenges, thereby improving both task performance and adaptive performance as defined by Koopmans *et al.* (2013).

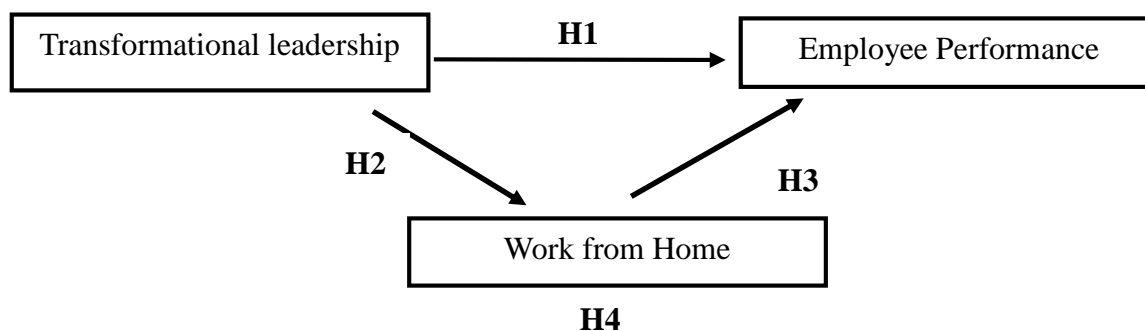


Figure 1: Conceptual Framework

Source: Developed by Researchers

3. Methodology

As of 2023, the Information Technology (IT) sector in Sri Lanka encompasses over 85,000 employees (BOI Sri Lanka, 2023). Given this context, employing a non-probability sampling method is more practical, focusing specifically on selected companies. This study will utilize the Judgmental Sampling method as it targets employees within three major IT firms in Sri Lanka, creating a well-defined yet limited population. This approach ensures that participants with direct relevance to transformational leadership (TL), work-from-home (WFH) practices, and employee performance (EP) are included, thereby enhancing the validity and relevance of the findings.

To determine the statistical validity and representativeness of the sample, the sample size was calculated using Cochran’s formula for sample size determination (Niriella *et al.*, 2025). At a 95% confidence level and a 5% margin of error, with the assumption of maximum variability in the population ($p = 0.5$), the initial required sample size was established at 150 participants. However, considering that the defined population for this research consists of approximately 76 employees across the three targeted IT companies, the sample size was adjusted employing the finite population correction (FPC) method.

This study adopts a systematic review methodology to analyze the relevant academic literature. Secondary data will be derived from published research and journal articles, focusing exclusively on works published within the last ten years. The majority of the data has been gathered electronically, with a strong emphasis on peer-reviewed studies. Academic search engines, such as Google Scholar, were instrumental in conducting this secondary data survey, alongside databases like Research Gate, Science Direct, and Emerald Insight.

Quantitative data for this study were collected through a structured online questionnaire aimed at assessing the variables of transformational leadership (TL), work-from-home (WFH) practices, and employee performance (EP). The survey instrument was divided into four sections, each tailored to evaluate the specific hypotheses developed for this research. It primarily consists of multiple-choice questions employing a Likert scale format to capture respondents' attitudes and perceptions. The questionnaire were distributed electronically among employees of the three leading IT companies in Sri Lanka, ensuring participation is voluntary and anonymous, thus

allowing respondents to provide honest and unbiased feedback. Given the target participants' prior experience in the IT industry, their insights were invaluable for generating relevant and accurate statistical analysis.

4. Results

To ensure the theoretical foundation of this study is rooted in relevant and high-quality literature, a systematic review of secondary sources was conducted using the PRISMA model. According to Denscombe (2017), this structured approach helped in identifying, screening, and selecting studies that support with the research objectives, the influence of transformational leadership on employee performance within the work-from-home model in the Sri Lankan IT sector. The authors have demonstrated the process of inclusion and exclusion of reviewed studies using a graphical flow chart. A total of fifteen articles were ultimately selected based on their strong alignment with the objectives and scope of the current research, as well as their high quality and relevance. The literature search involved the use of keywords such as "Transformational Leadership," "Work from Home," and "Employee Performance." The results were then systematically filtered to ensure they were contextually appropriate for this study. Figure 2 below depicts the PRISMA flow diagram used to outline the selection strategy adopted in this research.

Thematic synthesis was selected as the analytical method for this study due to its effectiveness in systematically integrating qualitative findings from various sources. Given that the research examines the nuanced impact of transformational leadership on employee performance within a work-from-home (WFH) environment. Thematic synthesis facilitates the identification of common patterns, themes, and deeper insights across diverse qualitative studies. This methodology is particularly advantageous for exploring employee perceptions, leadership behaviours, and workplace dynamic factors that are inherently subjective and context-dependent. By employing thematic synthesis, the authors seek to develop a comprehensive thematic framework that elucidates how transformational leadership influences motivation, productivity, communication, and adaptability in remote work settings.

In the quantitative data analysis, the internal consistency and reliability of the survey instruments, Cronbach's alpha coefficient, was computed for each construct measured in the study (see Table 1). This statistical measure evaluates the extent to which items within a scale are correlated, thereby indicating the degree to which they consistently measure the same underlying concept. A higher Cronbach's alpha value signifies greater internal reliability, with values above 0.70 generally considered acceptable for this kind of research (Hazelip, 2017).

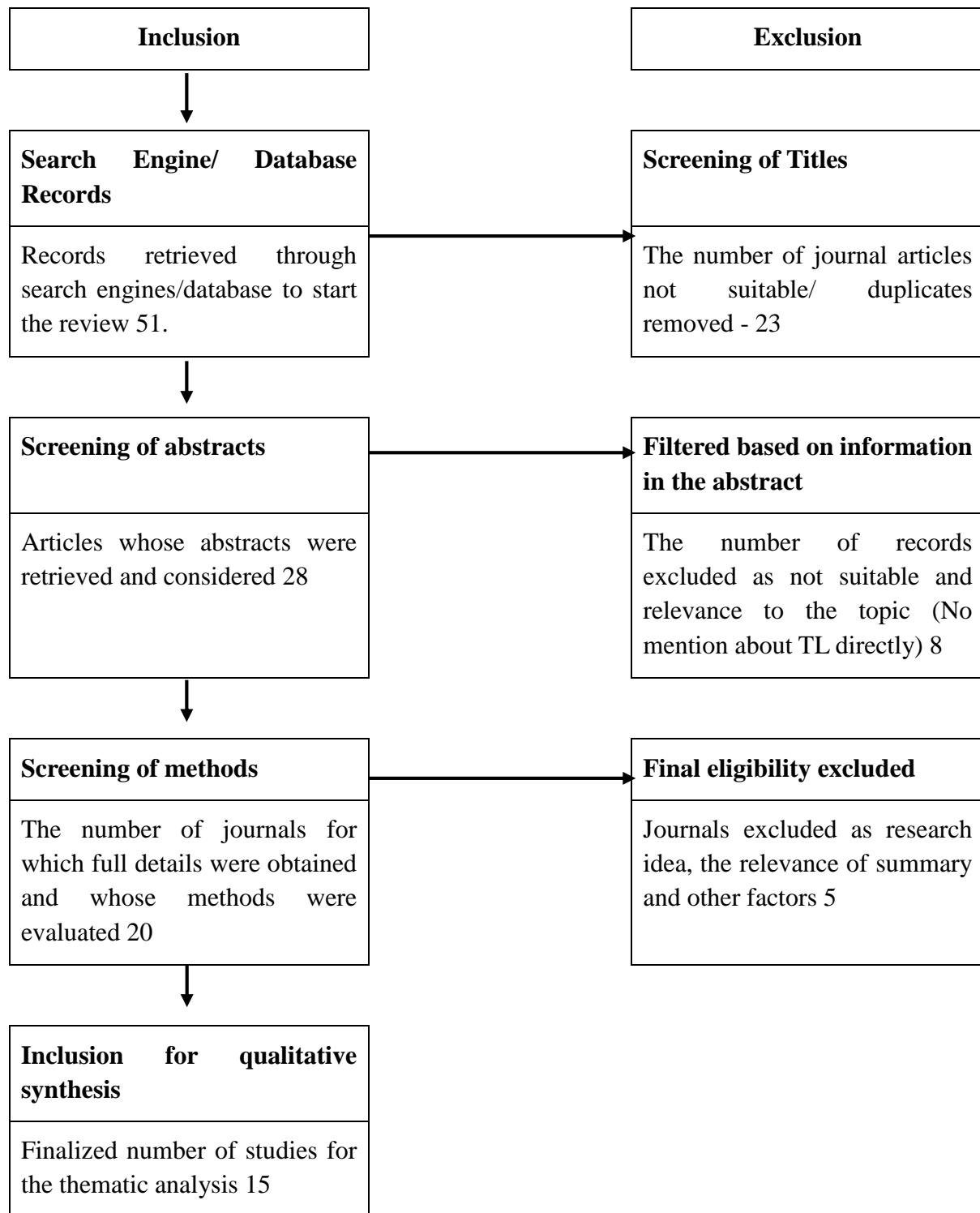


Figure 2: PRISMA flow diagram
 Source: Developed by Researchers

Pearson's correlation analysis was conducted to examine the strength and direction of the linear relationships among the key variables under examination (see Table 1). This statistical technique assesses the degree to which changes in one variable are associated with changes in another, providing insight into potential associations relevant to the research hypotheses.

Table 1: Results of reliability and correlation analysis

Variables		TL	WFH	EP
TL	Pearson Correlation Sig. (2-tailed)	(0.937)		
WFH	Pearson Correlation Sig. (2-tailed)	0.650**	(0.936)	
EP	Pearson Correlation Sig. (2-tailed)	0.531**	0.692**	(0.956)

Cronbach's alpha in parentheses

Source: Survey data

The regression analysis conducted on the total effect of transformational leadership on employee performance indicates that transformational leadership serves as a significant predictor of employee performance (see Table 2). The unstandardized coefficient ($\beta = 0.664$, $p < 0.05$) suggests that, on average, a one-unit increase in transformational leadership results in a 0.664-unit increase in employee performance. The accompanying p-value, which is below the 0.05 significance threshold, confirms that this effect is statistically significant.

Table 2: Total Effect between TL and EP

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.184	1	16.184	41.239	.000 ^b
Residual	24.331	62	.392		
Total	40.514	63			

a. Dependent Variable: EP

b. Predictors: (Constant), TL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.422	.426		3.341	.001
	TL	.664	.103	.632	6.422	.000

a. Dependent Variable: EP

Source: Survey data

This outcome highlights the positive relationship between higher levels of transformational leadership and enhanced employee performance, prior to considering any mediating effects from work-from-home practices. It also emphasizes the vital role that leadership plays in influencing employee performance. Transformational leaders, through practices such as inspirational motivation, individualized consideration, idealized influence, and intellectual stimulation, foster

an environment characterized by trust, psychological safety, and a shared vision. These conditions empower employees to align their personal goals with organizational objectives, ultimately promoting greater performance.

Table 3: Direct Effect between TL and WFH

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.830	1	19.830	98.400	.000 ^b
	Residual	12.494	62	.202		
	Total	32.324	63			

a. Dependent Variable: WFH

b. Predictors: (Constant), TL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.241	.305		4.068	.000
	TL	.735	.074	.783	9.920	.000

a. Dependent Variable: WFH

Source: Survey data

The regression analysis examining the influence of transformational leadership on work-from-home practices indicates that transformational leadership serves as a significant predictor of employees' experiences while working remotely. The unstandardized coefficient ($\beta = 0.664$, $p < 0.05$) signifies that each unit increase in transformational leadership corresponds to a 0.664-unit improvement in work-from-home effectiveness. Given that the p-value is below the threshold of 0.05, this relationship is deemed statistically significant. These findings underscore the positive impact of higher levels of transformational leadership in fostering more effective and supportive work-from-home environments for employees.

The findings reveal that transformational leadership does not exert a statistically significant direct influence on employee performance (See Table 4). The unstandardized coefficient for transformational leadership was $\beta = 0.057$, accompanied by a standard error of 0.135, and the obtained effect was not significant ($p = 0.677$, which is greater than 0.05). This suggests that, when considering work-from-home practices, transformational leadership does not serve as an independent predictor of employee performance.

Table 4: Direct Effect between TL and WFH and EP

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.718	2	12.359	47.727	.000 ^b
	Residual	15.796	61	.259		
	Total	40.514	63			

a. Dependent Variable: EP

b. Predictors: (Constant), WFH, TL

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	.396	.389		1.019	.312
	TL	.057	.135	.054	.418	.677
	WFH	.826	.144	.738	5.741	.000

a. Dependent Variable: EP

Source: Survey data

Conversely, work-from-home practices displayed a robust and statistically significant direct effect on employee performance. The unstandardized coefficient for this variable was $\beta = 0.826$, with a standard error of 0.144. This indicates that improved work-from-home conditions are positively correlated with enhanced levels of employee performance. The associated p-value for this relationship fell below the 0.05 threshold, confirming its statistical significance.

To assess the statistical significance of the indirect effect, the Sobel test was utilized (see Table 5). The results indicated a Z value of 4.96, with a standard error of 0.122 and a p-value of 0.00000068, which is substantially lower than the 0.05 threshold. This strongly suggests that the indirect relationship between transformational leadership (TL) and employee performance (EP), mediated by the variable of work-from-home (WFH), is significant.

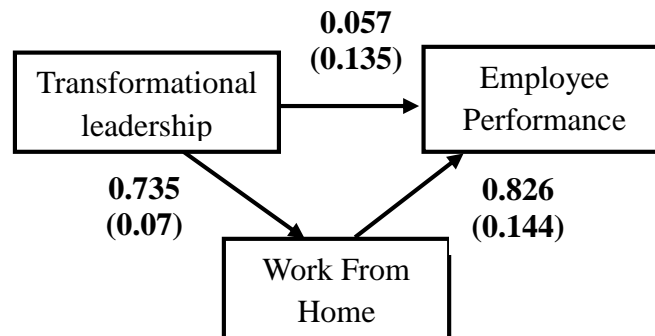


Figure 3: Mediation effect

Source: Survey data

Furthermore, to estimate the point of the indirect effect, the product of 0.735 and 0.826 yields a result of 0.60711. This value represents the estimated indirect effect between TL and EP through WFH, and the Sobel test confirms that this estimate (0.60711) is statistically significant as the p-value is below 0.001.

Conversely, the direct effect between TL and EP was not found to be significant based on multiple regression analysis, with a p-value of 0.677, which exceeds the 0.05 threshold. This indicates that the influence of transformational leadership on employee performance is entirely mediated by the conditions associated with working from home. In essence, transformational leadership fosters enhanced performance primarily through its positive impact on employees' WFH experiences, rather than through a direct effect.

The findings suggest that transformational leaders play a crucial role in facilitating optimal work-from-home conditions by providing clear guidance, emotional support, and autonomy. Such leadership contributes to creating a positive psychological climate that enables employees to remain motivated, engaged, and self-regulated while working remotely. This observation aligns with existing research indicating that transformational leadership enhances employees' performance in flexible or remote work environments.

Table 5: Results of Sobel test

Input:		Test statistic:	Std. Error:	p-value:
a	0.735	Sobel test: 4.9672674	0.12222213	6.8e-7
b	0.826	Aroian test: 4.94849547	0.12268577	7.5e-7
s _a	0.074	Goodman test: 4.9862546	0.12175672	6.2e-7
s _b	0.144	Reset all	Calculate	

Source: Survey data

5. Discussion

This study aims to explore the influence of transformational leadership style on working from home and employee performance within the Information Technology sector of Sri Lanka. Through a combination of quantitative and qualitative data analysis, the findings indicate that transformational leadership plays a crucial role in enhancing remote work experiences and improving employee performance. Leaders who exhibit this style foster a positive psychological environment, which encourages employees to stay motivated, engaged, and self-regulated while working from home. This aligns with existing research that demonstrates how transformational leadership enhances employees' adaptability and performance in flexible or remote work settings. As the IT sector in Sri Lanka increasingly embraces hybrid and remote work models, it is essential for organizational leaders to implement transformational strategies that prioritize vision, support, and empowerment. Additionally, investing in leadership development and remote work infrastructure will be critical to maintaining high levels of employee engagement and organizational productivity in the evolving digital landscape.

The findings of this study reveal that employee performance can be significantly improved when working from home is implemented effectively, guided by well-defined protocols that mitigate misuse and enhance accountability. The transition to telecommuting during the COVID-19 pandemic has not only challenged traditional work models but also opened new opportunities for leaders to innovate in motivating and engaging their workforce. Regardless of whether the work environment is physical or remote, a supportive organizational culture and a conducive work atmosphere are essential for sustaining employee productivity.

Furthermore, insights from this research emphasize the issue of professional isolation, as highlighted by Danilova *et al.* (2020), which poses a considerable challenge in remote work settings. A common recommendation across the reviewed literature is the strategic application of transformational leadership (TL) to address this concern. Leaders who embrace TL are better equipped to foster strong relational dynamics with employees, aligning organizational objectives with individual aspirations. This alignment helps mitigate the risks associated with goal misalignment and employee disengagement. In this context, TL acts as a protective mechanism that buffers against the adverse effects of remote work while enhancing motivation and trust.

The study also indicates that working from home (WFH) positively influences employee performance. Working from home emerges as a critical factor influencing performance, underscoring the need for organizational strategies that prioritize employee well-being in remote contexts. While WFH became essential during the pandemic, this transition has demonstrated that performance management can evolve to emphasize output and task completion rather than mere presence or constant communication. Within this changing work paradigm, the application of TL practices will be particularly beneficial for IT organizations, such as those in Sri Lanka, as they navigate the complexities of virtual work, drive performance, and maintain a competitive advantage in the industry. Collectively, these findings illustrate that transformational leadership, when integrated with supportive remote work arrangements, is pivotal in enhancing employee performance. It is evident that Sri Lankan IT organizations can benefit from a combination of transformational and transactional leadership strategies.

Theoretical and Practical Implications

In light of the findings from the current study and the synthesis of relevant literature, the following recommendations are presented to enhance employee performance in work-from-home (WFH) settings through effective leadership strategies and supportive organizational practices. Organizations, particularly within the IT sector, are encouraged to embrace transformational leadership (TL) practices. Leaders should prioritize inspiring and motivating employees by articulating a clear vision, providing individualized support, and fostering an environment that encourages innovation. It is essential to invest in training programs that cultivate TL traits, such as intellectual stimulation, inspirational motivation, and individualized consideration, equipping managers with the skills necessary to effectively lead remote and hybrid teams.

To maximize the advantages of WFH arrangements, it is advisable for companies to invest in robust digital communication platforms, collaboration tools, and secure IT infrastructure.

Furthermore, cultivating a remote-friendly work culture that promotes autonomy, trust, and accountability is vital for sustaining high performance and mitigating the sense of professional isolation often experienced in remote environments. Addressing these concerns, leaders should engage in regular virtual check-ins, facilitate team-building activities, and conduct feedback sessions. Creating opportunities for social interaction and informal communication is important to maintain team cohesion and elevate morale.

Organizations are also encouraged to revise their performance appraisal systems, shifting from input-based metrics—such as hours worked—to output-based indicators, focusing on task completion and quality of work. This results-oriented approach is particularly effective in WFH settings and aligns well with the expectations of digitally enabled and self-motivated employees. Given that working from home has been identified as a critical contributor to enhanced performance, organizations should consider implementing flexible work schedules, mental health support programs, and initiatives aimed at promoting work-life balance (Kengatharan, 2020). Allowing employees to structure their workdays around personal productivity peaks can further enhance engagement and efficiency.

To ensure long-term adaptability and leadership continuity, it is crucial for companies to establish leadership development pipelines. Identifying and mentoring high-potential employees for future leadership roles, particularly those inclined towards transformational leadership, can significantly contribute to sustained employee performance and organizational resilience.

Additionally, developing clear and comprehensive policies that outline expectations, responsibilities, and communication protocols in remote and hybrid work environments is essential. These policies should support flexibility while ensuring accountability and consistency in performance across diverse work settings.

6. Conclusion

This study explores the influence of transformational leadership on remote work and employee performance within Sri Lanka's IT sector. The findings highlight that transformational leadership plays a critical role in enhancing remote work experiences and improving employee performance, particularly as hybrid work models become increasingly common. To sustain employee performance, leaders are encouraged to emphasize vision, support, and empowerment. Implementing effective remote work protocols is essential for driving performance, and the transition to telecommuting during the COVID-19 pandemic has opened avenues for innovative leadership practices. As performance management shifts its focus from presence to output, the adoption of transformational leadership practices is poised to be invaluable for IT organizations in Sri Lanka. These practices, when complemented by supportive remote arrangements, are vital for enhancing employee performance and maintaining a competitive advantage in the industry.

This study specifically focused on the IT industry; however, extending similar research to other sectors would offer valuable comparative insights. Examining employees from industries beyond information technology could help assess the broader applicability and relevance of the studied concepts.

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