

LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE IN NON-PROFIT ORGANIZATIONS: THE MEDIATING ROLE OF EMPLOYEE MOTIVATION AND CREATIVITY

Lorena Dadić Fruk, Helga Maškarin Ribarić, Ivana Licul

Abstract

Non-profit organizations (NPOs) depend on employees and volunteers to deliver services and advance the NPOs' missions. This study examines how leadership styles shape employee motivation and creativity and, in turn, performance in NPOs. Primary data were collected via a structured questionnaire from 179 NPO employees in Croatia and analyzed using PLS-SEM. Results indicate that transformational and transactional leadership styles are positively associated with motivation and creativity, which both relate positively to performance. In contrast, autocratic and laissez-faire leadership styles were either non-significant or negatively associated with these outcomes (while democratic leadership was non-significant for motivation but negative for creativity). These findings suggest that emphasizing inspirational vision, individualized support, clear goals, and fair recognition can bolster day-to-day motivation and creative effort, translating into improved performance and greater organizational stability. In terms of theory, the study clarifies motivation and creativity as dual mechanisms linking leadership styles to performance within the non-profit context. In terms of practical implications, the results offer clear guidance for leadership development and HR policy in resource-constrained NPOs.

Keywords: leadership styles, non-profit organizations, motivation, creativity, employee performance

JEL Classification: J24; M10

1. Introduction

Non-profit organisations (NPOs) create public value through service provision, advocacy, and social innovation. Since they are largely funded from public sources (state calls/tenders and local and regional government budgets), programme quality and long-term sustainability depend to a great extent on leadership that fosters their employees' motivation and creative effort. In this context, leaders are pivotal to sustaining day-to-day motivation and channelling creative effort towards programme delivery. Their core task is to communicate a clear direction, provide timely guidance and support when needed, and create conditions in

Lorena Dadić Fruk, PhD (Corresponding author)
Assistant Professor
Faculty of Tourism and Hospitality Management,
Opatija, University of Rijeka
Primorska 46, pp. 97, 51410 Opatija
Croatia
E-mail: lorenad@fthm.hr
ORCID: 0000-0003-1479-4123

Helga Maškarin Ribarić, PhD
Tenured Full Professor
Faculty of Tourism and Hospitality Management,
Opatija, University of Rijeka
Croatia
E-mail: helgam@fthm.hr
ORCID: 0000-0002-7201-9603

Ivana Licul, PhD
Senior Assistant
Faculty of Tourism and Hospitality Management,
Opatija, University of Rijeka
Croatia
E-mail: ivana.licul@fthm.hr
ORCID: 0000-0001-8238-8317

which employees can realise their potential and consistently achieve high performance.

Leadership styles, accordingly, vary in how leaders communicate, the degree of support they offer, and the extent to which they delegate duties and responsibilities. In the traditional typology, styles are commonly defined as autocratic, democratic, and laissez-faire (Bass and Stogdill 1990), each implying different assumptions about decision authority, participation, and autonomy. Beyond this traditional set, contemporary frameworks emphasise transactional and transformational leadership, with servant leadership receiving increasing attention in recent years for its follower-centred orientation (Bass and Avolio 1994; Northouse 2015). Related perspectives such as authentic, ethical, and responsible leadership underscore integrity, moral purpose, and societal accountability as central dimensions of leadership practice (Avolio and Gardner 2005). Leaders often vary their style by situation, so there is no single "best" approach. The most effective leaders flexibly adopt different styles (Kaleem, Asad, and Khan 2016). Leadership effectiveness is also context-dependent: workforce cohorts and cultural norms can shape how leadership styles are perceived and enacted. Effective leaders therefore adapt communication, support, and role expectations to the needs of different employee groups and organisational cultures (House et al. 2004; Northouse 2015).

Numerous studies, especially in for-profit organizations, link leadership to motivation, satisfaction, creativity, commitment, and performance. Autocratic leadership is associated with poorer individual and organisational performance (Mwai, Namada, and Katuse 2018), weaker culture and commitment (Rafiq Awan, and Mahmood 2010), and lower job satisfaction (Vincent and Baptiste 2021). By contrast, transformational and transactional leaderships foster innovation and creativity (Pieterse et al. 2010), support organisational learning (Zagoršek, Dimovski, and Škerlavaj 2009), and strengthen employees' work commitment (Puni, Hilton, and Quao 2021). Unlike for-profit organisations, NPOs pursue public value rather than profit and rely heavily on grants, donations, and limited commercial income, which demands continual programme improvement and robust leadership (Howell and Avolio 1993).

Leadership shapes climate and, through it, performance (Gil et al. 2005), employee motivation (Alghazo and Al-Anazi 2016), and creativity (Lutz Allen, Smith, and Da Silva 2013). This is especially salient in South-East Europe, where many NPOs are small, combine paid and voluntary work, and depend on project funding (BCSDN 2014; OECD 2023). Yet prior NPO studies typically examine either traditional or

modern styles and specify a single mediator, e.g., satisfaction (Oyewobi 2024), engagement (Aboramadan and Dahleez 2020), innovation (Ebrahimi, Moosavi, and Chirani 2016), or culture (Chi, Yeh, and Yu 2008). Addressing this gap, this study jointly tests autocratic, democratic, laissez-faire, transactional, and transformational leaderships within one framework and examines dual mediation via motivation and creativity to explain how these styles indirectly affect employee performance in Croatia's non-profit sector.

2. Literature review and hypothesis development

Leadership styles and motivation

Work in the non-profit sector is closely linked to mission-driven and altruistic motives: employees are often motivated by advancing social goals and generating public value rather than by financial rewards alone (Besley and Ghatak 2005; Bacchiesa and Borzaga 2003). Compared to for-profit organizations, where extrinsic incentives and career prospects tend to play a stronger role, motivation in NPOs is more strongly shaped by value congruence, meaningful work, recognition, and a supportive climate (Legnerova 2016). This distinction suggests that leadership in NPOs may need to activate and protect intrinsic and mission-oriented motives, rather than rely primarily on control or material incentives.

Across organizational settings, leaders are expected to influence motivation by articulating clear goals, providing feedback, delegating responsibility, and supporting employee growth (Lussier 2013; Herzberg, Mausner, and Snyderman 2007; Thiedke 2004; Landes 2006). Empirical studies in for-profit and public organizations show that autocratic leadership is frequently associated with lower job satisfaction, weaker commitment, and poorer performance (Rafiq Awan and Mahmood 2010; Mwai, Namada, and Katuse 2018; Vincent and Baptiste 2021), whereas transformational and transactional leaderships are linked to stronger motivation and positive work outcomes (Pieterse et al. 2010; Puni, Hilton, and Quao 2021; Judge and Piccolo 2004). In NPOs, transformational leadership in particular is found to reinforce employees' identification with organizational values, thereby enhancing intrinsic motivation (Abbasi and Zamani-Miandashti 2013; Purwanto et al. 2021; Gui, Lei, and Le 2022).

However, prior research in the non-profit context is often selective: it predominantly focuses on transformational and, to a lesser extent, transactional

leadership, while neglecting how traditional styles (autocratic, democratic, and laissez-faire) operate in mission-driven, resource-constrained organizations. Given that such styles still appear in practice and may interact differently with value-based motivation in NPOs, it is justified to examine their role in NPOs in more detail. To address this gap, the present study examines the relationships between all five leadership styles (autocratic, democratic, laissez-faire, transactional, and transformational) and employee motivation in NPOs. To that end, the following hypothesis was formulated:

H1: There is a statistically significant relationship between leadership style and employee motivation in NPOs.

Leadership styles and creativity

Creativity is a critical capability for NPOs, which must continuously design projects, secure funding, and adapt services to changing social needs. It can be defined as the generation of novel and useful ideas for products, services, or processes (Dewett 2007). Previous research indicates that creativity is shaped by individual abilities, motivation and, importantly, leadership style (Cheung and Wong 2011; King and Anderson 1990). Leaders influence whether employees feel sufficiently safe to experiment, whether they receive encouragement for new ideas, and whether the organizational climate supports innovation (Amabile et al. 2004; Lutz Allen, Smith, and Da Silva 2013).

Studies in for-profit organizations generally show that transformational leadership, through intellectual stimulation and individualized support, fosters creative behaviour, whereas transactional leadership has mixed or contingent effects, sometimes supporting creativity through clear expectations and rewards, but often less strongly than transformational styles (Bass et al. 2003; Gümüşluoglu and İlsev 2009; Shin and Zhou 2003). Similar patterns are observed in NPOs. The available evidence, however, remains limited and is predominantly focused on these two "modern" styles (Shafi et al. 2020; Żywiołek et al. 2022; Wang 2022). Much less is known about how autocratic, democratic, or laissez-faire leaderships shape creativity in organizations strongly committed to a social mission yet simultaneously confronted with resource constraints.

This imbalance raises a key analytical question about how traditional and modern leadership styles differentially affect creativity in NPOs, including the potential implications of specific styles for fostering or constraining creative behaviour. Accordingly, this

study examines the relationships between different leadership styles and employee creativity in NPOs and, on this basis, formulates the following hypothesis:

H2: There is a statistically significant relationship between leadership style and employee creativity in NPOs.

Leadership styles and employee performance through motivation and creativity

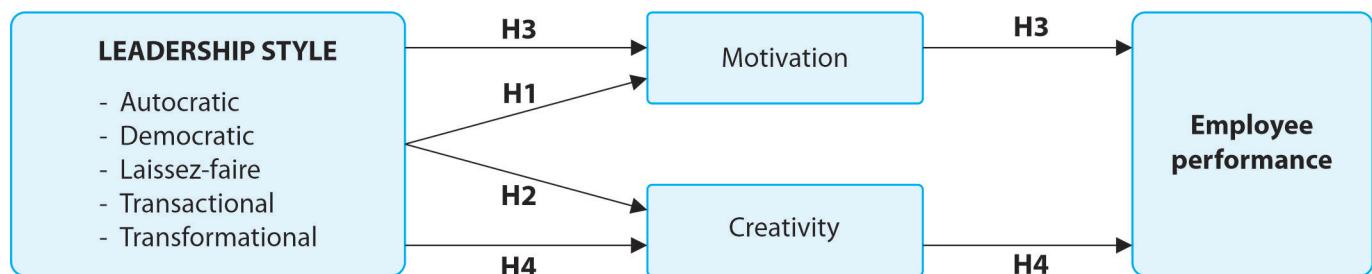
Employee performance is commonly defined as the extent to which individuals successfully fulfil their tasks and contribute to organizational goals (Isaac et al. 2017; Ameen and Ahmad 2014). Previous studies across sectors indicate that leadership can influence performance directly and indirectly by shaping attitudes, work climate, and psychological states (Ng 2017; Ostroff, Kinicki, and Tamkins 2003; Sarros, Cooper, and Santora 2008). In NPOs, where mission achievement and stakeholder trust are central, motivation and creativity are frequently identified as key drivers of performance (McMurray et al. 2010; Rowold, Borgmann, and Bormann 2014; Aye, Ameen, and Nusari 2019; Noor and Tunnufus 2024; Mohamed, Matan, and Farah 2025).

The broader leadership literature provides robust evidence that transformational and, in some cases, transactional leadership enhance performance partly by increasing intrinsic motivation, commitment, and innovative behaviour (Bass and Riggio 2006; Top, Akdere, and Tarcan 2015; Judge and Piccolo 2004). Yet many studies, including those in the NPO context, focus on single mediators such as job satisfaction, engagement, or organizational culture (Chi, Yeh, and Yu 2008; Aboramadan and Dahleez 2020; Oyewobi 2024), or on a narrow set of leadership styles. There is limited empirical work that simultaneously considers multiple leadership styles and tests whether both motivation and creativity jointly mediate their impact on employee performance in NPOs.

Addressing this gap, the present study proposes that leadership styles influence performance in NPOs primarily through their effects on employee motivation and creativity, processes that are particularly salient in mission-oriented, resource-limited environments. Accordingly, it is hypothesized that:

H3: There is a statistically significant relationship between leadership styles and employee performance in NPOs, through the mediation of employee motivation.

H4: There is a statistically significant relationship between leadership styles and employee performance in NPOs, through the mediation of employee creativity.

Figure 1. Conceptual model

Source: Authors' elaboration

3. Methodology

3.1. Research design and data collection

To test the formulated hypotheses, primary research was carried out using a structured questionnaire. The study's target group were employees in NPOs. An online survey was conducted in November and December 2024, by sending links to the questionnaire. The sampling frame was compiled from two official national sources, matched to legal form: associations were identified in the Register of Associations, while foundations and institutions were identified in the Register of Non-Profit Organizations. Organizations with publicly available official contact emails were extracted, and inactive entities and undeliverable addresses were excluded. In total, 587 unique email contacts were invited to participate. The invitation explicitly stated that organizations without paid employees should disregard the survey, as the study included only NPOs with at least one employee. By the end of December, 195 questionnaires were returned,

of which 16 were not fully completed, leaving a total of 179 fully completed questionnaires for further analysis (30.5% response rate).

The questionnaire consisted of five parts. The first part referred to basic data on the type of NPO in which the respondent is employed, the respondent's educational background, the number of years of employment in the NPO, and the total number of employees in the NPO. To measure the attitudes of employees towards leadership style, creativity, motivation, and performance, in the second part of the questionnaire a 5-point Likert scale (1=strongly disagree, 5=strongly agree) was used, suggesting that the higher the rating of a specific statement, the stronger the employees' motivation and creativity and the better their work performance. In this part of the questionnaire, the respondents were asked to rate their level of agreement with each of the 24 statements referring to the leadership style of their leaders. The statements were jumbled, so the respondents could not tell which statement belonged to what type of leadership style. In

Table 1. Sources of variables in the questionnaire

| Construct | Number of items | Source of variable |
|-----------------------------------|-----------------|--|
| Autocratic leadership style | 5 | Northouse (2015) |
| Democratic leadership style | 6 | |
| Laissez-faire leadership style | 4 | |
| Transactional leadership style | 4 | Bass and Avolio (2000) Ismail et al. (2010) |
| Transformational leadership style | 5 | Bass and Avolio (2000) Ismail et al. (2010) |
| Employee motivation | 5 | Word and Park (2015) Farmer, Tierney, and Kung-McIntyre (2003) |
| Employee creativity | 8 | Farmer, Tierney, and Kung-McIntyre (2003) Tierney, Farmer, and Graen (1999) |
| Employee performance | 5 | Williams and Anderson (1991) |

Source: Authors' elaboration

the third part of the questionnaire, focused on the attitudes of employees regarding their work motivation in the NPO in which they are employed, the respondents were asked to rate their level of agreement with 5 statements, while in the fourth part they rated their level of agreement with 8 statements measuring the employees' attitudes towards their creativity in their jobs. The questionnaire's fifth and last part measured the employees' attitudes towards their work performance, using a set of 5 statements.

For all constructs, items were directly adopted from prior validated instruments (Table 1), translated into Croatian, and the survey was administered in Croatian. A translation–back-translation procedure was implemented: two bilingual subject-matter experts produced the forward translation, discrepancies were reconciled, and an independent translator performed the back-translation. Conceptual equivalence was confirmed by the research team. For transparency, item wordings in this manuscript are presented in English as back-translations of the Croatian survey items.

3.2. Methods

Partial least squares structural equation modelling (PLS-SEM) was employed to analyze the data and test the hypotheses, using SmartPLS 4.0. PLS-SEM is widely used across disciplines including leadership research, because it can handle complex latent-variable models, is robust to violations of multivariate normality, and performs well with small-to-medium sample sizes (Hair et al. 2014). Prior to estimation, data screening and distribution diagnostics were conducted: univariate normality was examined via Shapiro–Wilk tests together with skewness/kurtosis and visual checks (histograms/Q–Q plots). Several indicators exhibited departures from normality ($p < 0.05$), which is typical for Likert-type measures. Univariate normality was not supported for the items (100%; $p < 0.05$) by the Shapiro–Wilk test, and across indicators, skewness ranged from -1.712 to 0.022 and excess kurtosis from -1.260 to 4.462 . As PLS-SEM does not assume multivariate normality and relies on nonparametric bootstrapping for inference, estimation under these conditions is appropriate.

Following recommended practice, the analysis proceeded in two stages. First, the measurement model was assessed by examining indicator reliability, internal consistency (Cronbach's alpha composite reliability), convergent validity (average variance extracted, AVE), and discriminant validity (HTMT criterion). Second, the structural model was evaluated by checking collinearity (VIF), estimating path coefficients via

bootstrapping, and reporting coefficients of determination (R^2), effect sizes (f^2), and predictive relevance (Q^2). Complementary descriptive statistics (frequencies, means, standard deviations) were computed to profile respondents and summarize item-level responses, using SPSS 20.0.

4. Results

4.1. Descriptive statistics results

This section presents a descriptive profile of the sample ($n = 179$) and the central tendencies of the key constructs. Table 2 summarizes NPO type and size (by number of employees), respondents' educational qualifications and gender, as well as the mean scores for leadership styles and employee outcomes. These

Table 2. Descriptive statistics results

| Type of NPO | Absolute number (n=179) | Share (100%) |
|-----------------------------------|----------------------------|-----------------|
| Association | 42 | 23% |
| Foundation | 21 | 13% |
| Collective | 40 | 22% |
| Institution | 76 | 42% |
| Number of employees in the NPO | | |
| Up to 5 employees | 52 | 29% |
| From 6 to 10 employees | 94 | 53% |
| More than 10 employees | 33 | 18% |
| Educational qualification | | |
| Unskilled worker | 3 | 2% |
| Skilled worker | 3 | 2% |
| Secondary school qualification | 84 | 47% |
| College degree | 54 | 30% |
| University degree | 25 | 14% |
| MSc or PhD | 10 | 5% |
| Gender | | |
| Male | 77 | 43% |
| Female | 102 | 57% |
| Measurement construct | Average score* | |
| Autocratic leadership style | 3.07 | |
| Democratic leadership style | 3.35 | |
| Laissez-faire leadership style | 3.30 | |
| Transactional leadership style | 3.22 | |
| Transformational leadership style | 3.71 | |
| Employee creativity | 4.17 | |
| Employee motivation | 3.72 | |
| Employee performance | 4.22 | |

* Means on 5-point Likert-type scales are labelled as very low (1.00–1.50), low (1.51–2.50), moderate (2.51–3.50), high (3.51–4.50), and very high (4.51–5.00), following Lindner and Lindner (2024).

Source: Authors' elaboration

results provide a baseline context for the subsequent measurement and structural analyses.

Most of the respondents are employed in institutions (42%) and associations (23%). Regarding the size of the NPOs, 53% of the respondents work in an organization employing between 6 and 10 employees, while 29%, in an organization with up to 5 employees. With regard to demographic data, male respondents account for 43% of the sample, and female respondents for 57%. Forty-seven percent of the respondents hold secondary school qualifications, while 44% have college or university degrees (bachelor or master's degree). Using the set of statements referring to leadership styles, the respondents were asked to rate their level of agreement with each statement. From the average scores it can be concluded that leaders apply autocratic leadership (score 3.07, moderate) and transactional leadership (score 3.22, moderate) to the smallest extent, while they most often apply transformational leadership (score 3.71, high) and democratic leadership (score 3.30, moderate). The respondents were also asked to assess their own motivation, creativity, and performance, resulting in a high average score of 4.22 for performance, a slightly lower score of 4.17 (high) for creativity, and a high score of 3.72 for motivation.

In the Croatian NPO landscape, associations are the most prevalent legal form, with recent estimates indicating over 49,000 associations nationally (OECD 2023). At the same time, a large share of organizations is small-scale and often volunteer-based, with evidence showing that many Croatian NPOs operate with few or no paid employees (BCSDN 2014). Against this backdrop, the sample, limited to NPOs with at least one paid employee, is naturally skewed toward staffed entities. Accordingly, the higher share of institutions (42%) in the data and the concentration of small staff sizes (≤ 10 employees in 81.6%) are explained, which is broadly consistent with evidence that Croatian Civil Society Organizations (CSOs) are predominantly small and often operate with limited paid staff. (BCSDN 2014; OECD 2023).

4.2. Assessment of the reflective measurement model

According to Hair et al. (2017), the following tests should be carried out to assess the reflective measurement model:

- indicator reliability - Factor loading
- convergent validity - Average variance extracted (AVE)
- construct reliability - Cronbach's alpha, Dillon-Goldstein's rho and Dijkstra-Henseler's rho
- discriminant validity - Heterotrait-monotrait ratio (HTMT) and Fornell-Larcker criterion

Table 3 shows the aggregated results of the assessment of indicator reliability, convergent validity, and construct reliability. The results of discriminant validity assessment using the HTMT criterion and the Fornell-Larcker criterion are shown in Table 4 and Table 5, respectively.

Indicator reliability assessment is based on standar-dized external factors and factor loadings, and it de-scribes the size of the correlation between the indica-tors and their constructs, which ranges from 0.641 to 0.933. Although it is recommended that factor loading should be above 0.708 (Hair et al. 2017), weaker factor loadings can be accepted in social science stud-ies (Hulland 1999). Accordingly, all indicators with factor loadings ≥ 0.600 were retained, whereas those with loadings < 0.600 were removed (two from au-tocratic leadership, two from democratic, and one each from laissez-faire, transactional, and transfor-mational leadership). The results of convergent validity based on AVE show that the values of all latent constructs are above the threshold of 0.5, confirming that the constructs' convergent validity is adequate. The Cronbach's alpha coefficients of the latent constructs are in the range of 0.601 to 0.745, while composite re-liability Rho_a ranges from 0.703 to 0.916, and com-pose reliability Rho_c ranges from 0.804 to 0.934. The values of all latent constructs are above the criti-cal value (below 1), and within the acceptance range, indicating good internal consistency reliability.

The HTMT correlation ratio is below the recom-mended value of 0.9, thus confirming the discriminant validity of the reflective measurement model.

The results of discriminant validity assessment us-ing the Fornell-Larcker criterion show that the square roots of AVE indicators of each of the constructs are overall greater than the correlation of those constructs in the model, thus meeting the Fornell-Larcker criterion.

Hence, based on the assessment results presented in the previous tables, the validity of the reflective measurement model is confirmed.

Table 3: Model assessment

| Construct | Indicator | Factor loading | Status* | AVE | Cronbach's Alpha | Rho_A | Rho_C |
|------------------|-----------|----------------|----------|-------|------------------|-------|-------|
| Autocratic | autocr_1 | 0.757 | Retained | 0.581 | 0.792 | 0.703 | 0.804 |
| | autocr_2 | 0.641 | Retained | | | | |
| | autocr_3 | 0.870 | Retained | | | | |
| | autocr_4 | 0.189 | Removed | | | | |
| | autocr_5 | 0.408 | Removed | | | | |
| Democratic | democr_1 | 0.847 | Retained | 0.714 | 0.867 | 0.871 | 0.909 |
| | democr_2 | 0.890 | Retained | | | | |
| | democr_3 | 0.830 | Retained | | | | |
| | democr_4 | 0.812 | Retained | | | | |
| | democr_5 | 0.412 | Removed | | | | |
| | democr_6 | 0.385 | Removed | | | | |
| Laissez-faire | lf_1 | 0.818 | Retained | 0.739 | 0.830 | 0.879 | 0.895 |
| | lf_2 | 0.892 | Retained | | | | |
| | lf_3 | 0.868 | Retained | | | | |
| | lf_4 | 0.409 | Removed | | | | |
| Transactional | transac_1 | 0.754 | Retained | 0.668 | 0.752 | 0.857 | 0.857 |
| | transac_2 | 0.933 | Retained | | | | |
| | transac_3 | 0.753 | Retained | | | | |
| | transac_4 | 0.425 | Removed | | | | |
| Transformational | transf_1 | 0.884 | Retained | 0.780 | 0.906 | 0.916 | 0.934 |
| | transf_2 | 0.888 | Retained | | | | |
| | transf_3 | 0.886 | Retained | | | | |
| | transf_4 | 0.874 | Retained | | | | |
| | transf_5 | 0.377 | Removed | | | | |
| Creativity | cr_1 | 0.697 | Retained | 0.550 | 0.883 | 0.889 | 0.907 |
| | cr_2 | 0.807 | Retained | | | | |
| | cr_3 | 0.760 | Retained | | | | |
| | cr_4 | 0.697 | Retained | | | | |
| | cr_5 | 0.686 | Retained | | | | |
| | cr_6 | 0.801 | Retained | | | | |
| | cr_7 | 0.772 | Retained | | | | |
| | cr_8 | 0.700 | Retained | | | | |
| Motivation | mot_1 | 0.724 | Retained | 0.627 | 0.853 | 0.880 | 0.893 |
| | mot_2 | 0.823 | Retained | | | | |
| | mot_3 | 0.841 | Retained | | | | |
| | mot_4 | 0.780 | Retained | | | | |
| | mot_5 | 0.786 | Retained | | | | |
| Performance | perf_1 | 0.696 | Retained | 0.564 | 0.714 | 0.742 | 0.808 |
| | perf_2 | 0.695 | Retained | | | | |
| | perf_3 | 0.781 | Retained | | | | |
| | perf_4 | 0.734 | Retained | | | | |
| | perf_5 | 0.810 | Retained | | | | |

*Following Hulland (1999), all indicators with outer loading ≥ 0.600 were retained; indicators < 0.600 were removed. Construct reliability/validity indices are computed after item deletion.

Source: Authors' elaboration

Table 4. Heterotrait Monotrait Correlation

| | CR | Autocr. | Democr. | Lf. | Motiv. | Perf. | Transac. | Transf. |
|------------------|-------|---------|---------|-------|--------|-------|----------|---------|
| Creativity | | | | | | | | |
| Autocratic | 0.274 | | | | | | | |
| Democratic | 0.591 | 0.875 | | | | | | |
| Laissez-faire | 0.579 | 0.787 | 0.890 | | | | | |
| Motivation | 0.571 | 0.300 | 0.438 | 0.472 | | | | |
| Performance | 0.806 | 0.526 | 0.465 | 0.400 | 0.439 | | | |
| Transactional | 0.344 | 0.658 | 0.832 | 0.690 | 0.384 | 0.427 | | |
| Transformational | 0.509 | 0.777 | 0.850 | 0.820 | 0.420 | 0.383 | 0.885 | |

CR = creativity, Autocr = autocratic, Democr = Democratic, Lf = Laissez-faire, Transac = Transactional, Transf = Transformational, Mot = Motivation, Perf = Performance

Source: Authors' elaboration

Table 5. Fornell-Larcker criterion

| | CR | Autocr. | Democr. | Lf. | Motiv. | Perf. | Transac. | Transf. |
|------------------|-------|---------|---------|-------|--------|-------|----------|---------|
| Creativity | 0.742 | | | | | | | |
| Autocratic | 0.257 | 0.762 | | | | | | |
| Democratic | 0.527 | 0.757 | 0.929 | | | | | |
| Laissez-faire | 0.534 | 0.678 | 0.845 | 0.860 | | | | |
| Motivation | 0.504 | 0.262 | 0.407 | 0.438 | 0.792 | | | |
| Performance | 0.688 | 0.342 | 0.395 | 0.355 | 0.370 | 0.681 | | |
| Transactional | 0.277 | 0.735 | 0.681 | 0.566 | 0.338 | 0.294 | 0.818 | |
| Transformational | 0.467 | 0.699 | 0.863 | 0.807 | 0.400 | 0.334 | 0.734 | 0.883 |

CR = creativity, Autocr = autocratic, Democr = Democratic, Lf = Laissez-faire, Transac = Transactional, Transf = Transformational, Mot = Motivation, Perf = Performance

Source: Authors' elaboration

4.3. Structural model estimation

Structural model assessment was conducted by first checking for multicollinearity between latent constructs by calculating the Variance Inflation Factor (VIF) for each latent construct. The results are presented in Table 6.

The VIF values range from 1.125 to 4.712, below the critical value (VIF < 5), confirming that multicollinearity is not a problem.

Table 7 presents the assessment of relationships in the structural model according to significance and relevance. To assess the significance of path coefficients, bootstrapping with 5000 subsamples was used, as recommended by Hair et al. (2017). The "Complete Bootstrapping" option was also used.

A hypothesis is considered supported when the effect is statistically significant (two-tailed $p < 0.05$, bootstrapping with 5,000 resamples) and when a direction was predicted in the expected direction. When

a hypothesis encompasses multiple paths (e.g., each leadership style → motivation/creativity), the overall hypothesis is deemed supported if all paths are significant, partially supported if some but not all are significant, and not supported if none are significant. For mediation (style → mediator → performance), the indirect effect is considered supported if it is significant ($p < 0.05$). Partial mediation is concluded when both the indirect and the direct effects are significant, and full mediation when the indirect effect is significant while the direct effect is not.

There is a negative statistical relationship between autocratic leadership ($\beta=0.326$) and laissez-faire leadership ($\beta=0.141$), and motivation, suggesting that the application of these two leadership styles has a negative effect on employee motivation. On the other hand, there is a positive relationship between transactional ($\beta=0.968$) and transformational ($\beta = 0.276$) leadership styles, and motivation, indicating that

Table 6. Multicollinearity Test – VIF values

| | Mediator variables | | Dependent variable |
|-----------------------------------|--------------------|------------|--------------------|
| | Creativity | Motivation | Performance |
| Independent variables | | | |
| Autocratic leadership style | 1.584 | 2.584 | |
| Democratic leadership style | 4.604 | 4.712 | |
| Laissez-faire leadership style | 2.713 | 3.245 | |
| Transactional leadership style | 3.116 | 4.484 | |
| Transformational leadership style | 3.506 | 1.125 | |
| Mediator variables | | | |
| Motivation | | | 1.481 |
| Creativity | | | 1.481 |

Source: Authors' elaboration

Table 7. Hypotheses testing (5% significance level)

| Hypothesis | | β | Standard deviation (STDEV) | T values | P values | Decision |
|-------------------------|---|---------|----------------------------|----------|----------|---------------------|
| Direct effects | | | | | | |
| H1 | autocratic → motivation | -0.326 | 0.052 | 0.873 | 0.031 | Partially supported |
| | democratic → motivation | 1.542 | 0.035 | 1.095 | 0.074 | |
| | laissez-faire → motivation | -0.141 | 0.028 | 2.298 | 0.041 | |
| | transactional → motivation | 0.968 | 0.062 | 5.877 | 0.000 | |
| | transformational → motivation | 0.276 | 0.050 | 10.652 | 0.000 | |
| H2 | autocratic → creativity | -0.182 | 0.030 | 12.652 | 0.000 | supported |
| | democratic → creativity | -0.511 | 0.061 | 2.135 | 0.012 | |
| | laissez-faire → creativity | -0.441 | 0.023 | 1.984 | 0.025 | |
| | transactional → creativity | 0.216 | 0.082 | 3.568 | 0.000 | |
| | transformational → creativity | 0.124 | 0.097 | 2.658 | 0.001 | |
| Indirect effects | | | | | | |
| Hypothesis | | β | Standard deviation (STDEV) | T value | P values | Decision |
| H3 | autocratic → motivation → performance | 0.126 | 0.125 | 4.352 | 0.000 | Partially supported |
| | democratic → motivation → performance | 1.006 | 0.128 | 2.091 | 0.054 | |
| | laissez-faire → motivation → performance | 0.081 | 0.094 | 2.165 | 0.024 | |
| | transactional → motivation → performance | 0.112 | 0.081 | 3.874 | 0.000 | |
| | transformational → motivation → performance | 0.080 | 0.100 | 10.552 | 0.000 | |
| H4 | autocratic → creativity → performance | 0.251 | 0.082 | 1.967 | 0.012 | Supported |
| | democratic → creativity → performance | 0.158 | 0.089 | 8.655 | 0.000 | |
| | laissez-faire → creativity → performance | 0.383 | 0.092 | 2.112 | 0.031 | |
| | transactional → creativity → performance | 0.188 | 0.024 | 7.254 | 0.000 | |
| | transformational → creativity → performance | 0.108 | 0.054 | 1.973 | 0.008 | |

Source: Authors' elaboration

the application of these two leadership styles has a positive influence on employee motivation in NPOs. Considering there is no statistical significance regarding democratic leadership style ($\beta = 1.542, p=0.074 >$

0.05

), the first hypothesis, stating "There is a statistically significant relationship between leadership style and employee motivation in NPOs", is partially supported.

There is a negative statistical relationship between autocratic leadership ($\beta = -0.182$), democratic leadership ($\beta = 0.511$), and laissez-faire leadership ($\beta = 0.441$), and creativity, suggesting that the application of these leadership styles has a negative impact on employee creativity in NPOs. There is, however, a positive statistical relationship between transactional ($\beta = 0.216$) and transformational ($\beta = 0.124$) leadership styles, and creativity, indicating that the application of these two leadership styles has a positive effect on employee creativity. Thus, the second hypothesis, stating "There is a statistically significant relationship between leadership style and employee creativity in NPOs", is supported.

The next two hypotheses tested the significance of relationships through two mediators. It can be noted that there is a positive statistical relationship between autocratic ($\beta = 0.126$), laissez-faire ($\beta = 0.081$), transactional ($\beta = 0.081$), and transformational ($\beta = 0.080$) leadership styles, and employee performance, with employee motivation as a mediator. Considering there is no statistical significance regarding democratic leadership style, the third hypothesis, stating "*There is a statistically significant relationship between leadership styles and employee performance in NPOs, through the mediation of employee motivation*", is partially supported. Furthermore, there is a positive statistical relationship between autocratic ($\beta = 0.251$), democratic ($\beta = 0.158$), laissez-faire ($\beta = 0.383$), transactional ($\beta = 0.188$), and transformational ($\beta = 0.108$) leadership styles, and employee performance, with employee creativity as a mediator, thus supporting the fourth hypothesis stating "*There is a statistically significant relationship between leadership styles and employee performance in NPOs, through the mediation of employee creativity*".

Table 8. Model testing

| | R-squared | R-squared adjusted |
|-------------|-----------|--------------------|
| Creativity | 0.371 | 0.357 |
| Motivation | 0.257 | 0.236 |
| Performance | 0.719 | 0.716 |

Source: Authors' elaboration

The R-squared value of the dependent variable "Performance" is 0.719 (R-squared adjusted=0.716), meaning that this model explains 71% of the total variance in employee performance. Concerning the mediators, the model explains 35% of variance (R-squared=0.371, R-squared adjusted=0.357) in employee creativity, and 23% of variance (R-squared=0.257, R-squared adjusted=0.236) in employee motivation.

5. Discussion and conclusion

This research examined how five leadership styles shape employee motivation, creativity, and job performance in Croatian NPOs, with particular emphasis on the mediating roles of motivation and creativity. The findings largely confirm previous research, while at the same time indicating several specific limitations and contextual conditions characteristic of mission-oriented organizations operating under resource constraints.

The negative effects of autocratic and laissez-faire leadership on motivation and creativity are consistent with studies showing that overly controlling or absent leaders undermine intrinsic motivation, trust, and innovative behaviour (Lutz Allen, Smith, and Da Silva 2013; Almarakshi, Singh, and Kularajasingam 2019; Reyaz 2024). In NPOs, where employees are strongly attached to the social mission, such leadership styles conflict with employee expectations. Nevertheless, job performance does not fully deteriorate under these styles, which may indicate that some employees achieve results despite leadership, partly due to professional norms, identification with beneficiaries, and strong commitment to the mission, as highlighted by authors who emphasize the importance of mission orientation and altruistic motivation in the non-profit sector (Besley and Ghatak 2005; Word and Park 2015). This interpretation builds on previous findings on the role of organizational commitment and professional values as protective factors and suggests that, in smaller Croatian NPOs, alignment with the mission may to some extent compensate for shortcomings in leadership, although potentially at the expense of employee motivation and creativity (McMurray et al. 2012; Rowold, Borgmann, and Bormann 2014).

Democratic leadership is typically associated with higher levels of satisfaction, engagement, and job performance (Caillier 2020; Hamze and Sadiq 2025). However, the results do not indicate a significant relationship with motivation and, at the same time, point to a negative association with creativity. This divergence may suggest that what is perceived as "democratic" leadership in the observed organizations, in practice, involves slow decision-making, diffusion of responsibility, or symbolic consultation without securing the necessary resources for implementing proposals. Under such circumstances, participation takes on the characteristics of superficial involvement, which may frustrate employees and reduce their willingness to engage in creative risk-taking. The findings therefore indicate that participatory practices in NPOs contribute to positive outcomes only when accompanied by clear strategic direction, timely decision-making,

and genuine support for implementation.

The positive relationships between transformational leadership and both motivation and creativity are in line with previous findings that emphasize vision, inspiration, individualized consideration, and intellectual stimulation as key drivers of innovative behaviour (Bass et al. 2003; Vera and Crossan 2004; Shafi et al. 2020; Żywiołek et al. 2022; Wang 2022). In the context of NPOs, framing tasks through mission and public value proves particularly effective. Transactional leadership based on clear expectations and fair rewards also shows beneficial effects and supports the argument that structured, contingent reinforcement complements rather than contradicts transformational behaviours (Jacobsen and Andersen 2017; Judge and Piccolo 2004). The observed pattern indicates that effective leadership in Croatian NPOs entails a combination of transformational inspiration and consistent transactional clarity, while avoiding both authoritarian approaches and laissez-faire detachment.

By modelling motivation and creativity as mediators, the analysis shows that leadership styles influence job performance primarily through psychological states and creative behaviours rather than solely through direct control. Creativity thus emerges as a particularly important mechanism in project-based, innovation-dependent work in NPOs. Overall, the findings extend the existing research by integrating traditional and contemporary leadership styles into a single model in the non-profit context and by empirically confirming dual mediation effects relevant for explaining employee job performance.

5.1. Limitations

The study's findings should be interpreted with caution due to several methodological boundaries. One limitation is foremost reflected in the sample size ($n = 179$), which limits statistical power for smaller effects and makes it impossible to draw general conclusions about most employees in the non-profit sector. The use of a single-source, single-wave self-report survey introduces potential common method bias, despite procedural safeguards such as anonymity and mixed item order. Control variables (e.g., organizational size, gender, education) were not included in the structural paths, which may leave residual confounding. The cross-sectional design also constrains causal inference and the interpretation of mediated relationships; longitudinal or multi-wave designs and multi-source data (e.g., supervisor ratings or administrative records) are recommended to bolster robustness and external

validity. Finally, the model does not explicitly test generational or cultural moderators. Future research could examine whether the indirect effects of leadership via motivation and creativity differ across age cohorts and cultural contexts (e.g., multi-group PLS-SEM).

5.2. Directions for future research

It is recommended that future studies use larger samples and stratified designs to compare NPO types (associations, foundations, institutions) and organizational characteristics (e.g., size, age, funding mix). To strengthen inference and reduce common method bias, multi-wave and multi-source designs are suggested (for instance, leaders provide leadership-style ratings, employees report motivation/creativity, and supervisors or records supply performance indicators). The model could be extended with additional mediators (e.g., job satisfaction, affective commitment, innovativeness, organizational culture) and moderators (e.g., resource constraints, leader-member exchange, tenure, gender) to delineate boundary conditions. It is further suggested to compare leaders' self-perceived styles with employees' perceptions and relate both to organizational performance, including objective metrics. Finally, including relevant control variables (e.g., organizational size, education structure) and assessing measurement invariance across subgroups would enhance generalizability.

5.3. Contributions and Implications

The scientific contribution of this study lies in its identification of ways in which the application of various leadership styles affects employee motivation and creativity in the non-profit sector and, consequently, employee work performance. Considering that studies on this topic in the non-profit sector are under-represented, particularly with regard to poorly researched mediator effects, this paper's further contribution is that it explores two mediator effects (employee creativity and motivation) to understand whether they generate a strong relationship between leadership styles and employee performance in NPOs.

This study demonstrates that leadership style is not a marginal concern in NPOs but a central lever for shaping employee motivation and creativity and, through them, performance. By clarifying which styles matter and how they operate in the non-profit setting, the findings offer actionable guidance for leadership development and HR practices that can strengthen day-to-day operations. In resource-constrained

organizations, even modest improvements in leadership can translate into greater organizational stability, a stronger capacity for innovation, and more sustainable mission delivery. These insights have practical implications for NPO leaders, boards, and stakeholders seeking to build resilient, innovative, and sustainable organizations. For managers, a few practical priorities can be noted: greater emphasis on transformational behaviours and the constructive elements of transactional leadership (clear goals, fair recognition), with minimal reliance on autocratic and laissez-faire tendencies. Motivation and creativity may be supported through bounded autonomy and brief, regular opportunities for idea generation, and progress may be monitored using a small set of routine indicators (e.g., short periodic pulses on motivation and creativity alongside a few mission-linked performance measures) to guide steady, incremental improvement.

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