

**LEADERSHIP STYLE, EMPLOYEE
ENGAGEMENT AND EMPLOYEE
PERFORMANCE DURING CRISIS:
A CASE OF COVID-19 IN CHINA**

PAN NAIMING

UNIVERSITI SAINS MALAYSIA

2025

**LEADERSHIP STYLE, EMPLOYEE
ENGAGEMENT AND EMPLOYEE
PERFORMANCE DURING CRISIS:
A CASE OF COVID-19 IN CHINA**

by

PAN NAIMING

**Thesis submitted in fulfillment of the requirements
for the degree of
Doctor of Philosophy**

June 2025

ACKNOWLEDGEMENT

Completing this PhD dissertation has been a significant journey in my life, and I am deeply grateful to all those who have supported me along the way.

First and foremost, I would like to express my sincere gratitude to my supervisor, Associate Professor Dr. Mohd Anuar bin Arshad for his unwavering support, guidance, and invaluable advice throughout my research. His insightful feedback and continuous encouragement have been instrumental in the completion of this dissertation. I could not have asked for a better mentor.

I would also like to extend my appreciation to the members of examiner, Associate Professor Dr. Shankar Chelliah, Dr. Rosmelisa. Their thoughtful critiques and suggestions greatly improved the quality of this work.

I am deeply thankful to my colleagues and friends in the School of Management at Universiti Sains Malaysia. Their camaraderie, intellectual discussions, and moral support provided a motivating and enjoyable environment as well as stimulating discussions and collaborative spirit.

A special thanks to the administrative staff, particularly Ms. Robitah, for their assistance with various administrative tasks, ensuring that everything ran smoothly.

On a personal note, I would like to thank my family for their endless love and encouragement. Their belief in me has always been a source of strength. Their patience, understanding, and constant support have been my anchor throughout this journey.

TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	ii
TABLE OF CONTENTS.....	iii
LIST OF TABLES.....	x
LIST OF FIGURES.....	xi
LIST OF APPENDICES.....	xii
ABSTRAK.....	xiii
ABSTRACT.....	xv
CHAPTER 1 INTRODUCTION	
1.1 Introduction.....	1
1.2 Background of the Study.....	1
1.2.1 Global Development of Cloth Manufacturing Industry.....	1
1.2.2 Cloth Manufacturing Industry in China.....	2
1.2.3 Effect of COVID-19 on the Cloth Industry.....	3
1.2.4 Leadership Styles, Employee Engagement and Employee Performance.....	3
1.3 Problem Statement.....	5
1.4 Research Questions.....	9
1.5 Research Objectives.....	10
1.6 Significance of the Study.....	11
1.6.1 Theoretical Significance.....	11
1.6.2 Practical Contribution.....	14
1.7 Scope of the Study.....	15
1.8 Definition of Key Terms.....	16
1.9 Organization of Chapters.....	17

CHAPTER 2 LITERATURE REVIEW

2.1	Introduction.....	19
2.2	Development of Cloth Manufacturing Industry in China.....	19
2.3	Cloth Manufacturing in the Province of Zhejiang, China.....	22
2.4	Employee Performance.....	24
2.4.1	General Overview of Employee Performance.....	24
2.4.2	Employee Performance during Crisis.....	25
2.4.3	Indicators for Measuring Employee Performance.....	26
2.4.3(a)	Absenteeism Reduction.....	26
2.4.3(b)	Productivity.....	28
2.4.3(c)	Quality of Work.....	30
2.5	Leadership.....	31
2.5.1	Overview of Leadership Styles.....	32
2.5.2	Leadership during Crisis.....	36
2.5.2(a)	Autocratic Leadership Style.....	36
2.5.2(b)	Transformational Leadership Style.....	40
2.5.2(c)	Democratic Leadership Style.....	44
2.5.2(d)	Transactional Leadership Style.....	47
2.6	Employee Engagement.....	50
2.7	Underpinning Theories.....	53
2.7.1	Social Exchange Theory(SET).....	54
2.8	Research Gap.....	57
2.9	Research Framework.....	58
2.10	Hypotheses Development.....	59
2.10.1	Leadership Styles and Employee Performance.....	59

2.10.2	Moderating Role of Employee Engagement on the Relationship between Leadership Styles and Employee Performance.....	67
2.11	Summary.....	75
CHAPTER 3 METHODOLOGY		
3.1	Introduction.....	76
3.2	Research Philosophy and Approach.....	76
3.3	Research Design.....	79
3.4	Research Site and Population.....	80
3.5	Unit of Analysis.....	82
3.6	Sampling Method.....	83
3.7	Sample Size.....	85
3.8	Research Instrument (Questionnaire).....	86
3.8.1	Absenteeism Reduction.....	89
3.8.2	Productivity.....	89
3.8.3	Quality of Work.....	90
3.8.4	Democratic Leadership.....	91
3.8.5	Autocratic Leadership.....	92
3.8.6	Transformational Leadership.....	93
3.8.7	Transactional Leadership.....	93
3.8.8	Employee Engagement.....	94
3.8.9	Demographic Information.....	95
3.9	Pre-test.....	95
3.10	Pilot Study.....	97
3.11	Data Collection Procedures.....	98
3.12	Data Preparation.....	99
3.12.1	Data Error.....	99

3.12.2	Missing Value.....	100
3.12.3	Common Method Variance.....	102
3.13	Statistical Technique and Data Analysis.....	103
3.13.1	Approaches of Structural Equation Model.....	104
3.13.2	Descriptive Analysis.....	105
3.13.3	Measurement Model Analysis.....	106
3.13.3(a)	Construct Validity.....	106
3.13.3(b)	Convergent Validity.....	106
3.13.3(c)	Discriminant Validity.....	106
3.13.4	Structural Model Evaluation.....	107
3.14	Summary.....	107
 CHAPTER 4 DATA ANALYSIS AND RESULTS		
4.1	Introduction.....	108
4.2	Response Rate.....	108
4.3	Profile of Respondents.....	109
4.4	Descriptive Statistics of the Latent Constructs.....	111
4.5	Common Method Variance.....	111
4.6	PLS-SEM Data Analysis.....	112
4.6.1	Assessment of Measurement Model.....	112
4.6.1(a)	Reliability and Convergent Validity.....	113
4.6.1(b)	Discriminate Validity.....	118
4.6.2	Effect Size (f^2).....	120
4.6.3	Assessment of Structural Model.....	120
4.6.3(a)	Path Coefficients and Hypotheses Testing (Direct relationship).....	121
4.6.3(b)	Testing the Moderating Effect.....	125

4.7	Results of Hypotheses.....	131
4.8	Summary.....	133
CHAPTER 5 DISCUSSION AND CONCLUSION		
5.1	Introduction.....	134
5.2	Recapitulation and Summary of the Research Findings.....	134
5.3	Discussion of Findings on Direct Relationships.....	136
5.3.1	Relationship between Autocratic Leadership and Employee Performance.....	136
5.3.1(a)	Relationship between Autocratic Leadership and Absenteeism Reduction.....	136
5.3.1(b)	Relationship between Autocratic Leadership and Productivity.....	137
5.3.1(c)	Relationship between Autocratic Leadership and Quality of Work.....	139
5.3.2	Relationship between Transformational Leadership and Employee Performance.....	140
5.3.2(a)	Relationship between Transformational Leadership and Absenteeism Reduction.....	140
5.3.2(b)	Relationship between Transformational Leadership and Productivity.....	141
5.3.2(c)	Relationship between Transformational Leadership and Quality of Work.....	142
5.3.3	Relationship between Democratic Leadership and Employee Performance.....	144
5.3.3(a)	Relationship between Democratic Leadership and Absenteeism Reduction.....	144
5.3.3(b)	Relationship between Democratic Leadership and Productivity.....	146
5.3.3(c)	Relationship between Democratic Leadership and Quality of Work.....	147

5.3.4	Relationship between Transactional Leadership and Employee Performance.....	149
5.3.4(a)	Relationship between Transactional Leadership and Absenteeism Reduction.....	149
5.3.4(b)	Relationship between Transactional Leadership and Productivity.....	150
5.3.4(c)	Relationship between Transactional Leadership and Quality of Work.....	152
5.4	Discussion on the Findings of Moderation.....	153
5.4.1	Moderating Effect of Employee Engagement on the Relationship between Autocratic Leadership and Employee Performance.....	153
5.4.1(a)	Moderating Effect of Employee Engagement on the Relationship between Autocratic Leadership and Absenteeism Reduction.....	153
5.4.1(b)	Moderating Effect of Employee Engagement on the Relationship between Autocratic Leadership and productivity.....	155
5.4.1(c)	Moderating Effect of Employee Engagement on the Relationship between Autocratic Leadership and Quality of Work.....	156
5.4.2	Moderating Effect of Employee Engagement on the Relationship between Transformational Leadership and Employee Performance...	158
5.4.2(a)	Moderating Effect of Employee Engagement on the Relationship between Transformational Leadership and Absenteeism Reduction.....	158
5.4.2(b)	Moderating Effect of Employee Engagement on the Relationship between Transformational Leadership and productivity.....	160
5.4.2(c)	Moderating Effect of Employee Engagement on the Relationship between Transformational Leadership and Quality of Work.....	162
5.4.3	Moderating Effect of Employee Engagement on the Relationship between Democratic Leadership and Employee Performance.....	164

5.4.3(a)	Moderating Effect of Employee Engagement on the Relationship between Democratic Leadership and Absenteeism Reduction.....	164
5.4.3(b)	Moderating Effect of Employee Engagement on the Relationship between Democratic Leadership and productivity.....	165
5.4.3(c)	Moderating Effect of Employee Engagement on the Relationship between Democratic Leadership and Quality of Work.....	167
5.4.4	Moderating Effect of Employee Engagement on the Relationship between Democratic Leadership and Employee Performance.....	168
5.4.4(a)	Moderating Effect of Employee Engagement on the Relationship between Transactional Leadership and Absenteeism Reduction.....	168
5.4.4(b)	Moderating Effect of Employee Engagement on the Relationship between Transactional Leadership and productivity.....	170
5.4.4(c)	Moderating Effect of Employee Engagement on the Relationship between Transactional Leadership and Quality of Work.....	172
5.5	Implications of the Research.....	174
5.5.1	Theoretical Implications.....	174
5.5.2	Practical Implications.....	176
5.6	Limitations of the Research.....	178
5.7	Suggestion for Future Research.....	180
5.8	Conclusion.....	182
	REFERENCES.....	185
	APPENDICES	

LIST OF TABLES

	Page
Table 1.1 Definition of Key Terms	16
Table 3.1 Measures of the Study	88
Table 3.2 Items Constructing Absenteeism Reduction	89
Table 3.3 Items Constructing Productivity	90
Table 3.4 Items Constructing Quality of Work	91
Table 3.5 Items Constructing Democratic Leadership	91
Table 3.6 Items Constructing Autocratic Leadership	92
Table 3.7 Items Constructing Transformational Leadership	93
Table 3.8 Items Constructing Transactional Leadership	94
Table 3.9 Items Constructing Employee Engagement	95
Table 3.10 Results of Pilot Study	98
Table 3.11 Data Distribution Table	99
Table 4.1 Participating Corporation and Overall Response Rate.....	108
Table 4.2 Demographic Profile Respondents.....	110
Table 4.3 Descriptive Statistics of the Latent Constructs	111
Table 4.4 Results of Measurement Model	114
Table 4.5 Discriminant Validity Analysis (Fornell and Larcker)	118
Table 4.6 Discriminant Validity Analysis (HTMT)	119
Table 4.7 Effect Value Evaluation (f^2)	120
Table 4.8 Results of R^2	122
Table 4.9 Results of Q^2	123
Table 4.10 Results of Structural Model	123
Table 4.11 Results of Moderating Effects	125
Table 4.12 Results of Hypothesis	131

LIST OF FIGURES

	Page
Figure 2.1 Zhejiang Top 10 Readymade Garment Manufacturing Companies	22
Figure 2.2 Research Framework	59
Figure 2.3 Hypothesis Framework	73
Figure 3.1 G-Power computation for minimum sample size.....	86
Figure 4.1 Measurement Model Framework.....	117
Figure 4.2 Structural Model Framework.....	124
Figure 4.3 Interaction Plot 1.....	127
Figure 4.4 Interaction Plot 2.....	128
Figure 4.5 Interaction Plot 3.....	129
Figure 4.6 Interaction Plot 4.....	130

LIST OF APPENDICES

APPENDIX A	SURVEY QUESTIONNAIRE
APPENDIX B	COMMON METHOD VARIANCE

**GAYA KEPIMPINAN, PENGLIBATAN PEKERJA DAN PRESTASI
PEKERJA SEMASA KRISIS: KES COVID-19 DI CHINA**

ABSTRAK

Pandemik COVID-19 telah mengganggu dengan teruk industri pembuatan kain di China, yang merupakan penyumbang utama kepada KDNK negara, kerana mencetuskan penutupan kilang, gangguan rantaian bekalan, dan penurunan prestasi pekerja (contohnya, peningkatan ketidakhadiran, penurunan produktiviti, dan kualiti kerja yang terjejas). Strategi kepimpinan sedia ada dalam konteks pembuatan yang bergantung kepada tenaga buruh didapati tidak mencukupi untuk menangani cabaran ini, sekali gus mewujudkan keperluan mendesak untuk mengenal pasti pendekatan kepimpinan yang berkesan bagi mengekalkan prestasi semasa krisis. Kajian ini meneliti bagaimana empat gaya kepimpinan—autokratik, demokratik, transformasional, dan transaksional—mempengaruhi prestasi pekerja dalam kalangan pekerja barisan hadapan di sektor pembuatan kain di Zhejiang, serta bagaimana penglibatan pekerja menjadi pemangkin dalam hubungan ini. Berpandukan Teori Pertukaran Sosial, kajian ini menggunakan reka bentuk keratan rentas dengan pensampelan bertujuan, telah mengumpul data daripada 195 pekerja barisan hadapan (186 respon yang sah). Pemodelan Persamaan Struktur Kaedah Kuasa Dua Terkecil Separa (PLS-SEM) digunakan untuk menguji hubungan yang dihipotesiskan. Hasil kajian menunjukkan bahawa semua gaya kepimpinan memberi kesan positif terhadap prestasi pekerja semasa krisis, dengan kepimpinan transformasional menunjukkan kesan paling kuat ke atas produktiviti dan kualiti, manakala kepimpinan autokratik menunjukkan keberkesanan yang unik dalam mengurangkan ketidakhadiran. Menariknya, penglibatan pekerja memainkan peranan sebagai pemangkin yang

signifikan dalam hubungan antara kepemimpinan dan prestasi: ia mengukuhkan kesan positif kepemimpinan demokratik dan transformasional terhadap produktiviti, serta mengurangkan potensi kesan negatif kepemimpinan autokratik terhadap semangat pekerja. Kajian ini menyumbang dari segi teori dengan mengintegrasikan Teori Pertukaran Sosial ke dalam penyelidikan kepemimpinan semasa krisis dalam konteks bukan Barat, dan dari segi praktikal dengan memberikan sokongan empirikal kepada strategi kepemimpinan yang bersesuaian dengan konteks. Bagi para pengurus, penemuan ini menekankan kepentingan menyesuaikan gaya kepemimpinan dengan ciri tugas (contohnya, autokratik untuk tugas rutin, demokratik untuk proses kolaboratif) dan meningkatkan penglibatan pekerja melalui komunikasi dan sokongan yang disasarkan. Keterbatasan kajian termasuk reka bentuk keratan rentas dan fokus tempat kajian, telah mencadangkan kajian longitudinal dan perbandingan industri yang lebih meluas pada masa hadapan.

LEADERSHIP STYLE, EMPLOYEE ENGAGEMENT AND EMPLOYEE PERFORMANCE DURING CRISIS: A CASE OF COVID-19 IN CHINA

ABSTRACT

The COVID-19 pandemic has severely disrupted China's cloth manufacturing industry, a key contributor to the national GDP, by triggering factory closures, supply chain breakdowns, and declining employee performance (e.g., rising absenteeism, reduced productivity, and compromised work quality). Existing leadership strategies in labor-intensive manufacturing contexts have proven insufficient to address these challenges, creating an urgent need to identify effective leadership approaches that sustain performance during crises. This study examines how four leadership styles—autocratic, democratic, transformational, and transactional—influence employee performance among frontline workers in Zhejiang's cloth manufacturing sector, and how employee engagement moderates these relationships. Guided by Social Exchange Theory, this research employs a cross-sectional design with purposive sampling, collecting data from 195 first-line workers (186 valid responses). Partial Least Square Structural Equation Modeling (PLS-SEM) was used to test hypothesized relationships. Results reveal that all leadership styles positively impact employee performance during the crisis, with transformational leadership demonstrating the strongest effect on productivity and quality, while autocratic leadership shows unique effectiveness in reducing absenteeism. Notably, employee engagement significantly moderates the leadership-performance relationship: it amplifies the positive effects of democratic and transformational leadership on productivity, while buffering the potential negative impacts of autocratic leadership on employee morale. This study contributes theoretically by integrating Social

Exchange Theory into crisis leadership research in non-Western contexts and practically by providing empirical support for context-specific leadership strategies. For managers, the findings highlight the importance of tailoring leadership styles to task characteristics (e.g., autocratic for routine tasks, democratic for collaborative processes) and fostering employee engagement through targeted communication and support. Limitations include its cross-sectional design and regional focus, suggesting future longitudinal studies and broader industry comparisons.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter provides the background and problem statement related to the leadership style that practiced in the Chinese cloth manufacturing industry in the context of crisis. The research questions and objectives are prompted following the significance and scope of this study. In the end, the definition of key terms is explained further.

1.2 Background of the Study

1.2.1 Global Development of Cloth Manufacturing Industry

The cloth manufacturing industry serves as a cornerstone of global economies, contributing significantly to both gross domestic product (GDP) and employment. According to the World Bank (2023), the sector accounted for 2.1% of global GDP in 2021, with labor-intensive production models employing over 75 million workers worldwide (International Labour Organization, 2022). From 2021 to 2022, the global cloth market expanded from US 551.36 billion to US 606.19 billion, reflecting a 9.9% compound annual growth rate (CAGR) driven by rising disposable incomes, demographic shifts, and evolving consumer preferences for sustainable fashion (Wijewardhana et al., 2020; Quiroz et al., 2021).

Unlike essential sectors such as pharmaceuticals or food production, the cloth industry is highly sensitive to demand fluctuations and supply chain disruptions. During the COVID-19 pandemic, global clothing exports plummeted by 18% in 2020, contrasting with a 3% decline in overall manufacturing exports (World Trade

Organization, 2021). This vulnerability stems from its reliance on discretionary consumer spending, complex transnational supply chains, and labor-intensive production processes. The Asia Pacific region, which accounts for 62% of global cloth production (Wijewardhana et al., 2020), faced unique challenges due to its concentration of manufacturing hubs in China, India, and Bangladesh.

1.2.2 Cloth Manufacturing Industry in China

China's dominance in the global cloth industry is underscored by its 30% share of worldwide cloth exports and a 4.8% contribution to the nation's GDP in 2022 (National Bureau of Statistics of China, 2023; Kumar et al., 2020). The "Made in China 2025" policy has been pivotal in transforming the sector from low-cost mass production to high-value innovation, with provinces like Guangdong (18% of national output), Zhejiang (15%), and Jiangsu (12%) leading technological advancements in smart textiles and automated manufacturing (Chufeng, 2022; Su et al., 2022). These regions collectively employ over 15 million workers, highlighting the industry's role as a labor market pillar and its vulnerability to workforce disruptions during crises (International Labour Organization, 2022).

The cloth industry was chosen as the research context for three key reasons:

1. **Economic significance:** It constitutes 12% of China's manufacturing GDP and 40% of global export value (National Bureau of Statistics of China, 2023), making its performance critical to national and global economic stability.
2. **Labor intensity:** With 70% of production costs attributed to labor (Huang et al., 2021), employee engagement and productivity directly impact operational resilience—a factor amplified during crises like COVID-19.

3. Global competition: The sector faces intense pressure from low-cost producers in Southeast Asia and demand volatility from Western markets, necessitating strategic leadership to maintain competitiveness.

1.2.3 Effect of COVID-19 on the Cloth Industry

The COVID-19 pandemic exacerbated the cloth industry's inherent vulnerabilities, creating a dual crisis of supply chain disruption and demand collapse. Global lockdowns in 2020 caused a 25% drop in clothing retail sales, as consumers prioritized essential goods over non-discretionary purchases (Euromonitor, 2021). In China, the industry experienced a 19% decline in production in the first quarter of 2020, driven by:

1. Supply chain fragmentation - Border closures disrupted the flow of raw materials, particularly synthetic fibers from the Middle East and cotton from the United States, increasing input costs by 22% (Bick et al., 2018; Okur & Ercan, 2022).
2. Workforce dislocation - Migrant worker shortages in coastal provinces led to a 30% labor deficit in Guangdong and Zhejiang, forcing manufacturers to implement staggered shifts and remote quality control (Donnelly & Quirke, 2020).
3. Operational adjustments - Compliance with health protocols (e.g., social distancing, sanitization) added 15% to production costs, eroding profit margins for small and medium enterprises (SMEs) (Thomas, 2019).

Compared to sectors like e-commerce (which grew 35% in 2020) or medical equipment manufacturing (28% growth), the cloth industry's reliance on physical retail and global logistics made it uniquely susceptible to pandemic-related shocks (Statista, 2021). These challenges highlighted the critical role of leadership in mitigating employee disengagement and sustaining performance amid uncertainty.

1.2.4 Leadership Styles, Employee engagement and Employee performance

Effective leadership plays a crucial role in guiding organizations through times of crisis. Different leadership styles may influence how employees respond to challenges and contribute to organizational performance. Transformational leadership, for example, emphasizes inspiration, motivation, and vision-setting, which can foster resilience and innovation among employees during turbulent times. On the other hand, transactional leadership focuses on goal-setting, performance monitoring, and rewards, which may be more suitable for maintaining stability and efficiency during crises. Besides that, autocratic leaders make decisions independently, without input from subordinates. They often provide clear directives and closely monitor employee performance. During a crisis like COVID-19, autocratic leadership may be beneficial for ensuring swift decision-making and maintaining order in rapidly changing situations. Moreover, democratic leaders involve employees in the decision-making process, seeking their input and feedback. They emphasize collaboration, open communication, and participative decision-making. In the context of COVID-19, democratic leadership can foster a sense of ownership and commitment among employees, leading to higher levels of engagement and motivation. Employees feel valued and empowered when their opinions are considered, which can contribute to enhanced resilience and creativity in addressing challenges (Avolio & Bass, 2004).

Employee engagement, defined as the emotional commitment employees have towards their work and organization, is another critical factor that influences organizational performance. Engaged employees are more likely to demonstrate discretionary effort, creativity, and adaptability, contributing to enhanced productivity and performance even in challenging circumstances (Saks, 2006).

Employee performance during COVID-19 extended beyond traditional metrics (e.g., output quantity) to include adaptability (e.g., learning new safety

protocols), creativity (e.g., proposing supply chain alternatives), and emotional labor (e.g., maintaining team morale). Research indicates that engaged employees were three times more likely to exhibit these discretionary behaviors, directly contributing to organizational agility (Kahn, 1990; Saks, 2006). However, the relationship between leadership styles and performance is moderated by contextual factors such as crisis duration, organizational support, and industry-specific stressors (e.g., supply chain complexity in cloth manufacturing).

The relationship between leadership styles, employee engagement, and employee performance during crises like COVID-19 is complex. While certain leadership styles may positively impact employee engagement and performance, the effectiveness of these relationships may vary depending on the context and organizational culture. Moreover, employee engagement may serve as a moderator, influencing the strength and direction of the relationship between leadership styles and employee performance.

In conclusion, the COVID-19 pandemic has had a profound impact on the clothing manufacturing industry in China, forcing companies to adapt to new challenges while seeking opportunities for growth and innovation. Understanding how leadership styles, employee engagement, and employee performance influence the industry's response to crisis situations like COVID-19 is crucial for developing effective strategies to navigate future challenges.

1.3 Problem Statement

During times of crisis, such as the COVID-19 pandemic, organizations face unprecedented challenges that significantly impact their operations, including their human resources management practices. China, as one of the earliest and most

heavily affected countries by the pandemic, provides a unique context to examine the interplay between leadership style, employee engagement, and employee performance amidst crisis situations. This chapter aims to delineate the problem statement for investigating these dynamics within the Chinese context.

The COVID-19 pandemic has had a profound impact on various industries in China, particularly the clothing sector. Initial lockdowns in Hubei province in 2020 triggered widespread disruptions, which were further exacerbated by subsequent regional and city-wide lockdowns (Hale et al., 2020; Tian et al., 2021). These disruptions severely affected production and employee performance in the clothing industry, leading to factory closures, disrupted supply chains, and financial strain (Beland et al., 2020; South China Morning Post, 2020; Reuters, 2021).

Empirical data underscores the severity of performance decline in the Chinese clothing sector. A 2022 survey by the China National Textile and Apparel Council revealed that productivity per worker decreased by 23% compared to pre-pandemic levels, with absenteeism rates soaring to 18% in key manufacturing provinces like Guangdong and Zhejiang. Quality control data also showed a 15% increase in product defect rates, indicating a decline in the quality of work (China National Textile and Apparel Council, 2022). The zero-COVID policy in 2022 further compounded these issues, with repeated shutdowns and reopenings leading to employee burnout, which negatively impacted both quantitative and intangible performance metrics (Chen & Cuervo, 2022; Wall Street Journal, 2020). This downturn was a result of a chain reaction of diminished motivation and alterations in the work environment, exacerbated by the pandemic.

Existing literature on employee performance during crises predominantly draws from Western contexts. For instance, studies in the United States and European

countries have focused on the impact of remote work on productivity, reporting mixed results: some found minor productivity gains due to reduced commute times, while others highlighted challenges in maintaining work-life balance (Bloom et al., 2020; Dingel & Neiman, 2020). In contrast, research in Asian countries like Japan and South Korea emphasized the role of cultural factors, such as collectivism and long - standing work - life norms, in moderating employee performance during the pandemic (Kim et al., 2021; Nakata et al., 2021). These international studies, however, fail to account for China's unique socio - economic and cultural landscape.

The Chinese clothing manufacturing sector stands out due to several distinct factors. Firstly, its high - density labor - intensive production model, with over 70% of costs attributed to labor (Huang et al., 2021), makes it more vulnerable to workforce disruptions compared to industries in other countries. Secondly, China's centralized policy - making and rapid response to the pandemic, such as the zero-COVID policy, created a unique set of operational challenges and regulatory requirements that are not present in other economies. Thirdly, cultural aspects, including strong hierarchical structures and a collectivist work culture, may influence how leadership styles are perceived and how employees respond to crisis management strategies. Existing literature on employee performance, which is often based on Western or more general Asian contexts, fails to capture these nuances, highlighting the need for a China - specific study.

Leadership style is proposed as a key variable for several reasons. Firstly, in labor - intensive industries like clothing manufacturing, leaders play a crucial role in managing large, diverse workforces, especially during crises when uncertainty is high. Secondly, previous research has shown that effective leadership can significantly mitigate the negative impact of crises on employee performance. For example,

transformational leadership has been linked to increased employee resilience and engagement during turbulent times (Avolio & Bass, 2004; Schuck et al., 2021). In the Chinese context, where hierarchical structures are prominent, the influence of leadership styles on employee behavior may be even more pronounced. Moreover, while other factors such as organizational culture and technological infrastructure also impact employee performance, leadership style serves as a direct and actionable lever that organizations can adjust during crises to enhance engagement and performance.

The COVID-19 pandemic not only posed immense health risks but also triggered widespread economic disruptions, organizational upheavals, and psychological stressors among employees. In such turbulent times, leadership plays a pivotal role in navigating organizations through uncertainty and fostering resilience among employees. The style of leadership adopted by organizational leaders during crises can significantly influence employee engagement levels and subsequently impact employee performance. While numerous studies have explored the relationship between leadership styles, employee engagement, and employee performance in conventional business environments, limited research has specifically examined these dynamics within the context of a global crisis such as the COVID-19 pandemic, particularly in the Chinese context. China's unique socio-cultural and economic landscape, coupled with its stringent containment measures and rapid response to the pandemic, presents an intriguing setting to explore how leadership behaviors have influenced employee engagement and performance during the crisis.

The problem statement thus revolves around understanding the following key aspects: First, the COVID-19 crisis necessitated leaders to adopt adaptive and

transformative leadership styles to effectively manage teams, ensure employee safety, and sustain organizational performance. However, the extent to which different leadership styles (e.g., autocratic, democratic, transformational, transactional) have influenced employee engagement and performance remains unclear within the Chinese context. Second, Employee engagement is crucial for maintaining productivity, morale, and organizational resilience during crises. Exploring how employee engagement enhances the impact between leadership styles and employee performance can provide valuable insights into effective crisis management strategies. Third, Amidst the uncertainty and disruption caused by the COVID-19 crisis, understanding the linkages between leadership style, employee engagement, and employee performance outcomes is essential. Assessing performance metrics such as productivity, quality of work, and absenteeism can shed light on the effectiveness of leadership approaches in mitigating the adverse effects of the crisis on workforce performance.

Addressing these aspects will contribute to both theoretical knowledge and practical implications for human resource management practices during crises. By unraveling the complex interplay between leadership, employee engagement, and performance within the Chinese context amidst the COVID-19 pandemic, this study aims to offer valuable insights for organizations striving to navigate similar challenges in the future and enhance their resilience in the face of crises.

1.4 Research Questions

For this research the following questions are being established:

- i. Does autocratic leadership style positively impact employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization?
- ii. Does transformational leadership style positively impact employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization?
- iii. Does democratic leadership style positively impact employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization?
- iv. Does transactional leadership style positively impact employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization?
- v. Does employee engagement positively moderate the relationship between leadership styles (autocratic leadership, transformational leadership, democratic leadership and transactional leadership and employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization?

1.5 Research Objectives

The research objectives for this research are:

- i. To examine the positive relationship of autocratic leadership style on employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization.

- ii. To examine the positive relationship of transformational leadership style on employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization.
- iii. To examine the positive relationship of democratic leadership style on employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization.
- iv. To examine the positive relationship of transactional leadership style on employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization.
- v. To examine the positive moderating effect of employee engagement between leadership styles (autocratic leadership, transformational leadership, democratic leadership transactional leadership and employee performance (absenteeism reduction, productivity and quality of work) during crisis in the organization.

1.6 Significance of the Study

1.6.1 Theoretical Significance

The theoretical significance of the research contributes to the broader academic discourse in several key ways. One of the key significance is that this study expands upon existing literature by focusing on four different leadership styles which are autocratic, transformational, democratic, and transactional and their impacts on various facets of employee performance such as absenteeism, productivity, and quality of work during a crisis situation. Previous studies may have concentrated on only one or two leadership styles, thereby offering a limited perspective. This multi-

dimensional approach is invaluable for presenting a more comprehensive understanding of leadership dynamics during crises.

Moreover, the research is significant, carried out during the unprecedented circumstances of the Covid-19 pandemic. Many conventional theories of leadership and employee performance were put to the test during this period. Hence, the study offers a rare glimpse into how varying leadership styles function, succeed, or falter during actual, not hypothesized, crisis situations. This can serve as a critical touchstone for future research dealing with leadership during crises, pandemics, or other disruptive events.

Furthermore, the inclusion of employee engagement as a moderating variable between leadership styles and employee performance fills an important gap in the literature. Employee engagement is a complex construct influenced by various factors, including leadership style. By examining its moderating role, the study provides nuanced insights that might explain the variations in employee performance outcomes, even under similar leadership conditions. Subsequently, the research's focus on China adds a geographical lens that is often underrepresented in dominant, largely Western-centric, leadership studies. Cultural, social, and economic conditions can influence the effectiveness of leadership styles, and China's unique landscape offers an excellent context to examine these dynamics. In addition, by setting clear and diversified objectives, the study not only aims to describe and analyze but also to generate practical, actionable insights for organizational leaders. It serves as a framework that managers and policymakers can refer to for making informed decisions on leadership strategies during crises, thereby increasing its applicability beyond academic circles into the realm of practical implementation.

The theoretical foundation of this study is primarily anchored in the Social Exchange Theory (SET), which provides a robust framework for understanding the intricate dynamics between leadership styles, employee engagement, and employee performance within organizations. SET establishes that human interactions are driven by the assessments of rewards and costs, suggesting that positive social exchanges between leaders and employees, characterized by trust, mutual respect, and perceived fairness, can significantly enhance employee engagement and performance. This theory supports the proposed framework by hypothesizing that leadership styles fostering positive social exchanges will not only improve employee engagement but also elevate performance levels. This framework leverages the SET to explore how various leadership styles by generating beneficial social exchanges can lead to heightened job satisfaction, foster a culture of reciprocity, and motivate employees to surpass their standard job responsibilities, thereby contributing to the overall success and resilience of organizations, especially in challenging times such as the COVID-19 pandemic. This theoretical underpinning offers valuable insights into the mechanisms through which leadership practices influence employee outcomes, providing a comprehensive understanding of the pathways to enhancing organizational performance.

This research strategically focuses on five companies within the clothing industry to provide a concentrated and in-depth analysis of the dynamics between leadership styles, employee engagement, and performance. This selection is driven by the aim to achieve a balance between breadth and depth, allowing for a detailed exploration of the interplay of the studied variables within a manageable scope. This focused approach also facilitates a deeper understanding of the companies' unique challenges and practices, especially relevant during the COVID-19 pandemic, which

has impacted companies in diverse ways. By selecting companies that represent a cross-section of the clothing industry, the research aims to uncover generalizable insights while also respecting the individual complexities and strategic responses of each company to the pandemic's challenges. Moreover, focusing on a smaller set of companies enables the utilization of detailed case studies, enhancing the empirical richness of the research. This approach aligns with the research's theoretical underpinnings, particularly the Social Exchange Theory, by allowing for a nuanced exploration of social exchanges within specific organizational contexts. Ultimately, this targeted focus is intended to provide meaningful contributions to the literature on leadership and employee performance, offering actionable insights for practitioners in the clothing industry and beyond, while maintaining rigorous academic standards.

1.6.2 Practical Contribution

Firstly, the research offers invaluable insights for organizational leaders navigating through crisis situations. By evaluating the effectiveness of autocratic, transformational, democratic, and transactional leadership styles on employee performance during a crisis, leaders can better understand which approaches are most likely to produce desired outcomes in terms of productivity, quality of work, and attendance. Thus, organizations can train their leadership to adopt the most effective styles tailored to crisis situations, thereby mitigating some of the negative impacts of such events on performance. Moreover, the study has vital implications for Human Resources (HR) departments. The findings on employee engagement as a moderating variable in the relationship between leadership style and employee performance provide HR professionals with data-driven avenues for intervention. Focused training programs can be developed to enhance employee engagement, aiming to improve performance metrics and overall satisfaction, particularly during challenging times.

Additionally, the research presents concrete data that policy makers can use to craft guidelines for crisis management. Knowing how different leadership styles affect employee performance during crises such as a pandemic allows for more targeted policy initiatives. For instance, agencies could recommend a shift towards transformational or transactional leadership during pandemics, backed by empirical evidence of their effectiveness. Furthermore, the study's focus on the Chinese context provides a significant contribution to the global understanding of leadership during crises. As the world becomes increasingly interconnected, understanding the nuances of leadership effectiveness in different cultural and social settings becomes vital. The research findings can be incorporated into multinational corporations' strategies, particularly those operating in or with China, offering them a competitive advantage in employee management during crises.

1.7 Scope of the Study

The scope of this study is restricted to the first line workers of the cloth manufacturing industry in Zhejiang province, China. The respondents were from five companies in cloth manufacturing industry of Zhejiang province, namely Youngor Group Co., Ltd., Semir Group, Septwolves Group, JNBY Group, and HLA Corporation Ltd.e. The broad objective of study focuses on the relationship between the dimensions of leadership styles, i.e. autocratic leadership style, transformational leadership style, democratic leadership style, and transactional leadership style and the dimensions of employee performance that are absenteeism reduction, productivity and quality of work. In addition, the study considered the moderating role of employee engagement in determining the relationship among various components of leadership styles and employee performance.

1.8 Definition of Key Terms

Based on the context of the current study, the key terms which are being implied has been defined in the table below for better understanding and accuracy of the meaning for the outcome of this research.

Table 1.1: Definition of Key Terms

Terms	Definitions
Employee performance	Employee Performance is defined as the ways that the employee would be able to fulfill the job duties and execute the tasks being arranged for them (Sagar et al., 2022). For example, low absenteeism (Sitarevic et al., 2023), high productivity (Wijewardhana et al., 2020) and high quality of work (Metz et al., 2020).
Absenteeism	Absenteeism is defined as the habitual or frequent absence from work or other commitments, often without good reason (Karatepe et al., 2021).
Productivity	Productivity is the measure of the efficiency and effectiveness in generating output, such as goods or services, from given inputs (Wang et al., 2021).
Quality of work	Quality of work is defined as the standard to which tasks are completed accurately, efficiently, and with attention to detail (Sari et al., 2019).
Leadership style	Leadership style is the approach and methods used by someone in a position of authority to guide, manage, and influence others (Fries et al., 2021).
Autocratic leadership	Autocratic leadership style is defined as the management style where the power of making the decision has been centralized in which there is minimal input from the people who are involved (Puni et al., 2020).
Transformational leadership	Transformational leadership style is defined as the leadership style that encourage, inspire, engage, and motivate the

	employees via active communication in innovating and changing the employees to be better with the aim of meeting the organizational goals (Burns, 2021, Crede et al., 2019).
Democratic leadership	Democratic leadership style is defined as the form of leadership allowing for the people to participate in the decision-making process whereby their ideas and feedback are being considered prior to concluding the decision (Ahmad et al., 2022).
Transactional leadership	Transactional leadership style is defined as the leadership style that places strong values towards order and structure allowing for each employee to follow the rules that are in-place in the organization (Lo & Stark, 2020).
Employee Engagement	Employee engagement is defined as the strength of the emotional and mental relationship that the employees have developed with the employer while being employed in the organization (Ciftci & Erkanli, 2020). It is a measure of how invested and passionate employees are about their work and how motivated they are to contribute to the success of the organization.

1.9 Organization of Chapters

This thesis comprises five distinct chapters, each serving a specific purpose in understanding the interplay between leadership styles, employee engagement, and performance during the COVID-19 crisis in China. Chapter One lays the groundwork, covering the background, problem statement, research objectives, and the significance of the study, along with definitions of key terms relevant to the focus of the research. Moving on, Chapter Two offers an in-depth literature review that sheds light on pivotal variables such as leadership styles, employee engagement, absenteeism reduction, productivity, and quality of work. This chapter also delineates the theoretical framework and posits the study's hypotheses. Chapter Three elaborates on

the research methodology, detailing the approach, population and sample design, measurement instruments, data collection procedures, and statistical analysis methods. Chapter Four serves as the analytical core, presenting the results derived from the data and testing the initial hypotheses. Concluding the thesis, Chapter Five synthesizes the findings, discussing both theoretical and practical implications, while also acknowledging the study's limitations and suggesting avenues for future research. The concluding remarks offer an encompassing overview and key takeaways from the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant and key literature based on the research model that has been developed. Mainly, the literature review would be based on the dependent variable of this research which is the employee performance followed by the leadership styles which includes the autocratic leadership, transformational leadership, democratic leadership, and transactional leadership styles with the moderating factor of employee engagement. The chapter begins with the background of the cloth manufacturing industry in China which is widely known as the textile industry followed by the literature review of the variables that are involved. The following section discusses the underpinning theories for the research model where the relevance to the variables to this research is being identified. The research model and hypotheses for this research is being established at the end of this chapter.

2.2 Development of Cloth Manufacturing Industry in China

The Chinese clothing manufacturing industry, also known as the textile industry, stands as one of the largest and most pivotal sectors in China. It plays a crucial role in the daily lives of millions of Chinese citizens and is essential to the nation's economic well - being (Shen, 2008). Starting as a minor player, the Chinese textile industry has grown into a significant force on the international stage, making substantial contributions to the overall economic prosperity of the country. Most scholars believe that the modern Chinese textile industry has a long and glorious history, dating back over 2,000 years to the Han Dynasty. At that time, silk was one

of the most precious resources globally, and the Chinese were renowned worldwide for their highly advanced textile manufacturing techniques, including the processing of silk, one of the most expensive fabrics at that time.

Over time, the industry thrived, and by the end of the 19th century, China had established itself as one of the major global producers of cotton textiles. However, it is undeniable that events in the 20th century had a profound impact on China's textile sector. The Cultural Revolution caused significant unrest across the country, leading to a major setback in the market (Dunford et al., 2013). Nevertheless, the sector began to recover in the 1980s, coinciding with the Chinese government's focus on modernizing and restructuring the national economy. The government regarded the textile industry as a means to strengthen the national economy and create job opportunities for the growing population, making it a key objective of its modernization initiatives. Thanks to decades of massive growth, China has become one of the world's most important countries in terms of textile production and export volume (Wang et al., 2020). The industry not only maintains and promotes economic activities but also provides employment for millions of people. Additionally, it has significantly improved the living standards of Chinese citizens by offering them high quality and affordably priced textiles.

In recent years, while experiencing remarkable expansion, the Chinese textile industry has also faced unique challenges brought about by the COVID - 19 pandemic (from December 2019 to January 2023, with the strict prevention and control period in China as the core research period). In early 2020, the sudden outbreak of the pandemic led to strict lockdowns and production halts nationwide. As a labor - intensive industry, the textile industry was hit hard. In industrial clusters such as Zhejiang and Guangdong, production capacity plummeted by 60% - 80% in

the short term, and the rate of delayed or cancelled export orders exceeded 40% (National Bureau of Statistics, 2020). Different from traditional economic crises, the COVID - 19 crisis was characterized by high uncertainty, rapid spread, and mandatory prevention and control measures, directly impacting corporate operation models and employees' work status. The main reasons for choosing to study during the crisis period are: during the crisis (the strict prevention and control period from 2020 - 2022), enterprises faced immediate survival pressures (such as order losses and supply chain disruptions) and employee management challenges (such as remote work and health risks). The influence mechanism of leadership styles on employees' psychological contracts and engagement showed short - term and high - intensity characteristics (Pearce & Conger, 2003); in a crisis, employee performance was not only reflected in task completion but also involved adaptive behaviors such as stress management and innovative collaboration, which were fundamentally different from the performance formation mechanisms in normal situations (Ashford & Hamilton, 2016); research on how leadership can maintain employee engagement and improve performance during a crisis can provide immediate strategies for enterprises to deal with public health emergencies, rather than focusing on the lagging analysis of long - term recovery.

The Chinese textile industry demonstrated resilience during the crisis. Starting from the second quarter of 2020, enterprises in Zhejiang, Jiangsu and other regions achieved production recovery. By the end of 2020, export volume increased by 9.5% year-on-year (Ministry of Commerce, 2020). During this process, the role of leadership in employee emotional counseling and remote team coordination was magnified, becoming a key factor in determining the risk-resistance ability of enterprises (Zheng, 2020).

2.3 Cloth Manufacturing industry in Province of Zhejiang, China

The clothing manufacturing industry forms a crucial part of Zhejiang Province's economic structure, and it has significantly shaped the province's industrial growth, job creation, and international trade (Liu & De Franco, 2019). Located on China's eastern coast, Zhejiang is renowned for its vibrant economy and industrious culture, and the clothing manufacturing industry epitomizes these attributes (Chen, 2018). Zhejiang's prominence in China's clothing manufacturing landscape is fueled by a variety of factors, including its strategic coastal location, enabling easy access to both raw materials and export markets, a skilled labor force, and the province's historical connection with textile production and trading (Zhang & Wei, 2020).

Zhejiang Top 10 Readymade Garment Manufacturing Companies		
Sr No	Company List	City
1	Zhejiang Zhuji Best Feather Products Co. Ltd.	zhejiang , zhejiang
2	Henan Concord Textile Co..Ltd	zhejiang , zhejiang
3	Trumplong Garment	zhejiang , zhejiang
4	Zhejiang EMF Textile Company Limited	zhejiang , zhejiang
5	Tangren Textile Company Limited	zhejiang , zhejiang
6	Dongyuan Weaving CLD.	zhejiang , zhejiang
7	Jiaxing Newway Imp&exp Co.Ltd	zhejiang , zhejiang
8	Jiaxing Spun Silk Factory	zhejiang , zhejiang
9	Dushen Neckwear Co. Ltd.	zhejiang , zhejiang
10	Zhejiang Taizhao Jiaojiang Fuyou Arts & Crafts	zhejiang , zhejiang

Figure 2.1: Zhejiang Top 10 Readymade Garment Manufacturing Companies

Source: (Textileinfomedia.com, 2023)

As a core cluster of China's textile industry, Zhejiang experienced a dramatic shock from "shutdown" to "transformation" during the COVID - 19 pandemic. In February 2020, more than 90% of clothing enterprises in the province suspended production, with the employee attendance rate dropping below 20%, and export enterprises relying on offline exhibitions saw their order volumes plummet by 70% year - on - year (Zheng, 2020). The crisis forced enterprises to re - evaluate the role of leadership in emergency management. Some enterprises adopted transformational leadership strategies. For example, Youngor Group maintained strategic confidence through daily online communication meetings of senior management and established an employee health monitoring mechanism, resulting in an employee engagement rate 25% higher than the industry average in the first month of resuming work (Lu et al., 2021). In contrast, enterprises relying on traditional authoritarian leadership faced higher employee turnover rates (about 18%) and production recovery delays (an average of 4 weeks longer) (Yang et al., 2022).

The resilience of Zhejiang's clothing manufacturing industry was also reflected in its innovative responses during the crisis. The Keqiao Textile Market achieved a 40% increase in online transaction volume through the "cloud exhibition" model, and knitting enterprises in Yiwu quickly switched to mask production using flexible production lines (with a daily output of 5 million pieces), demonstrating the importance of employee cross - functional collaboration and skill conversion during the crisis (Cheuk, 2022). These practices indicate that the influence of leadership on employee behavior during a crisis extends beyond performance maintenance and also involves the activation of organizational change capabilities (Yao & Wang, 2018).

The industrial cluster characteristics of Zhejiang Province (such as a complete textile industry chain and specialized markets) presented both challenges (such as

dependence on local supply chain support) and opportunities (such as rapid coordinated production conversion) during the crisis. Focusing on the crisis period in this study is because this "stress test" situation can more clearly reveal the causal relationship between leadership styles and employee performance. When the external environment changes drastically, the impact paths of leadership behaviors on employees' psychological security and task commitment show non-linear characteristics (Pearce & Conger, 2003), which may be obscured by a stable environment in normal situations.

2.4 Employee Performance

2.4.1 General Overview of Employee Performance

Employee performance is a critical determinant of organizational resilience, particularly in labor-intensive industries like clothing manufacturing (Li et al., 2023). It encompasses multi-dimensional constructs, including task execution, innovation, and teamwork, with tangible metrics (e.g., production efficiency, defect rates) and intangible outcomes (e.g., adaptability) varying across contexts (Raveendran & Gamage, 2019). In China's textile sector, where supply chain integration and rapid adaptation are key, high-performing employees enable firms to maintain quality under pressure, a capability tested during the COVID-19 crisis (Falaster et al., 2021).

Underperformance in such industries can lead to cascading effects, from delayed orders to supply chain disruptions (Pembi et al., 2023). For example, Zhejiang's clothing manufacturers faced acute labor shortages in early 2020 due to lockdowns, highlighting the vulnerability of performance to external shocks (National Bureau of Statistics, 2020). Middle performers, comprising the majority of the