TRANSFORMATIONAL LEADERSHIP, INSTITUTIONAL PRESSURES, ORGANIZATIONAL LEARNING AND PUBLIC VALUES IN THE CONTEXT OF PUBLIC SECTOR REFORM

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Abstract: ***Grounded on the institutional theory and transformational leadership theory, this paper proposes the effect of institutional pressures on public values, concentrating on the mediating role of organizational learning. Besides, the study suggests the moderating role of transformational leadership on the relationship between institutional pressures and organizational learning in the context of the public sector. Rooted in the context of the Vietnamese public sector, the study implicates that the institutional pressures promote organizational learning, which next fosters public values. It also connotes that transformational leadership moderates the relationship between institutional pressures and organizational learning. These perspectives add to the literature on public management and offer insightful viewpoints into how transformational leadership be able to navigate the positive influence of the institutional pressures on organizational learning, thereby enhancing public values.***

• Keywords: *institutional pressures, organizational learning, public values, transformational leadership, Vietnam.*

Date of receipt: 30th Jan., 2026
Date of receipt revision: 25th Mar., 2026
Date of delivery revision: 12th Mar., 2026
Date of approval: 29th Mar., 2026
DOI: https://doi.org/10.71374/jfar.v26.i2.45

1. Introduction

Public sector organizations increasingly operate under intense institutional pressures arising from legal reforms, administrative modernization, accountability demands, and societal expectations for improved public value creation (Tu et al., 2022). Nevertheless, institutional pressure alone does not automatically transform into enhanced public value. Rather, the way public organizations learn, interpret, respond to, and internalize these pressures is critical, particularly in contexts characterized by resource constraints and complex governance structures, such as Vietnam. More specifically, through the essential mediating role of organizational learning, institutional pressures become a significant factor for public sector organizations to enhance values.

From a public value perspective and new public management (Barzelay, 2019), institutional pressures can serve as external stimuli that push public sector organizations to realign their objectives, processes, and outcomes with societal needs. Yet, these pressures often require organizations to engage in internal change processes, including the acquisition, dissemination, and utilization of knowledge (Castro & Aquino, 2021). It also explains how organizations transform external demands into internal capabilities. It means that thanks to organizational learning (OL), public sector organizations have more chances to translate pressures that were considered as barriers into values. In a basic way of this study, institutional pressures do not directly generate public values; instead, they influence public values indirectly by inciting learning mechanisms that enable organizational change. In this regard, OL functions as a mediating mechanism through which institutional demands are transformed into improved service quality, accountability, innovation, and policy effectiveness. This mediating role is particularly relevant in public sectors where reforms are essential, but implementation capacity is uneven.

Perceiving the development of research on the public sector, it can be seen that transformational leadership (TL) shapes how institutional pressures are perceived and acted upon within organizations. By articulating a compelling vision, fostering commitment to change, and encouraging learning behaviors, transformational leaders can amplify the positive impacts of institutional pressures on OL and public value creation. Rather than passively

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complying with institutional demands, such leaders enable proactive and strategic responses to reform pressures (Tu et al., 2022), consistent with the perspectives of strategic responses to institutions (Oliver, 1992) and institutional work (Lawrence & Suddaby, 2006).

In the Vietnamese public sector context, this dynamic is particularly more prominent. Institutional reforms often originate from top-down policy mandates, creating strong coercive pressures. Nevertheless, variation in reform outcomes suggests that TL matters significantly (Tu et al., 2022). A key research gap related to understanding whether TL primarily assists public sector organizations in coping with and reducing the negative effects of institutional pressure, or whether institutional pressures themselves foster the emergence of TL and learning capabilities. This question is especially relevant for Vietnam, where public sector reform is ongoing, and innovation capacity remains uneven across organizations.

Building on this concern, a conceptual model integrating TL, institutional pressures, and OL provides an expectancy pathway for explaining public sector performance and values. In this proposal model, institutional pressures act as external drivers of change, OL serves as the internal mechanism for adaptation, and TL moderates the strength and effectiveness of this process. Ultimately, public value which reflected in improved outcomes, innovation capability, and policy effectiveness that is shaped by the dynamic interaction among these elements rather than by any single factor alone.

2. Literature review

In contemporary public sector reform, which was characterized by digitalization, new public management, and participatory governance, TL plays a crucial role in enabling organizations to respond to institutional pressures, foster organizational learning, and achieve superior performance outcomes. The following content presents a comprehensive review of the literature on "TL in reform: institutional pressures, organizational learning, and public values" in the most thorough manner.

2.1. Early stage (1980s-1990s): Foundations of TL and organizational change

The origins of TL lie in the 1980s, with foundational work by Burns (1978) and Bass (1985). These early works largely emerged from studies of private-sector and political leadership, emphasizing TL's potential to motivate followers toward collective goals.

By the 1990s, New Public Management (NPM) reform had swept across government systems worldwide, emphasizing efficiency, performance measurement, decentralization, and customer orientation. Leadership studies increasingly turned to the public sector, responding to calls for managerial capacity to drive change in bureaucratic systems. TL resonated with reform goals: its focus on vision, innovation, and motivation appeared ideal for steering rigid public organizations toward adaptability. However, early applications were mostly conceptual, with limited empirical grounding in public-sector realities.

Simultaneously, organizational learning theory advanced, driven by scholars such as Argyris & Schön (1996), Huber (1991), and Nonaka (1994). OL was framed as the essential engine of institutional adaptation, distinguishing single-loop learning (incremental adjustment) from double-loop learning (big structural change). These concepts aligned tightly with reform narratives demanding that public organizations build learning capacities to keep pace with technological, social, and regulatory complexities.

Thus, by the late 1990s, a conceptual convergence had emerged: TL held promise as a behavioral catalyst for learning-oriented reform, while OL provided a process framework through which leadership could translate vision into performance results.

2.2. Early 2000s: Institutional pressures and public sector leadership

The early 2000s introduced a new dimension into public-sector studies: institutional theory, particularly the work of DiMaggio & Powell (1983) on coercive, normative, and mimetic pressures. As governments faced global pressures - international benchmarking, donor expectations, anti-corruption norms, and evidence-based policymaking - scholars argued that leadership could no longer be studied independently of institutional context.

Public managers were increasingly expected to navigate conflicting demands: uphold bureaucratic rules, satisfy political oversight, and respond to changing citizen expectations. Under these conditions, TL was seen as a potential buffer, enabling organizations to adapt while maintaining

legitimacy.

Institutional pressures also encouraged greater emphasis on learning organizations, knowledge management, and innovation as strategic responses to complexity. However, early empirical studies struggled to pinpoint how exactly TL translated institutional demands into enhanced performance.

2.3. Period from 2010 to 2015: Empirical foundations linking TL, OL, and performance

During the early 2010s, researchers began empirically testing the relationships hinted at in earlier conceptual work. A decisive shift occurred toward understanding how TL influences performance indirectly, often through mediators such as learning culture, innovation, motivation, and knowledge processes.

In a specific research, García-Morales et al. (2008) have concentrated on the chain of relationships between TL-OL-innovation performance. This study investigates how TL affects organizational innovation and organizational performance in pharmaceutical firms, and demonstrates that TL positively influences organizational innovation and organizational performance, and that organizational innovation further enhances organizational performance. Crucially, these effects are significantly stronger in organizations with high levels of learning. The findings highlight OL as a strategic capability that amplifies the value of TL and innovation in technological environments.

García-Morales et al. (2012) examine how TL affects organizational performance through two dynamic capabilities: OL and organizational innovation and confirms that TL enhances both learning and innovation, which in turn significantly improve organizational performance.

2.4. Period from 2016 to 2020: The rise of learning-based reform and knowledge capabilities

As public organizations confronted digital transformation, service integration, and citizen co-production, scholars emphasized learning, knowledge sharing, and innovation as essential reform tools. TL was increasingly positioned as a knowledge enabler.

Salas-Vallina et al. (2017) tested how TL influences happiness at work through the mediating role of OL capability. The results confirm that the new happiness at work scale is reliable and that OL capability significantly mediates the relationship between TL and employee happiness. The findings highlight the importance of leadership and learning conditions in fostering well-being among healthcare professionals.

2.5. Period from 2020 to present: Emerging evidence

Aslam et al. (2016) developed and empirically tested a comprehensive model explaining how TL enhances OL. Based on data from employees in private sector banks in Pakistan, the study identifies significant direct, mediating, and moderating effects among TL, OL, knowledge management process capability, and knowledge-intensive culture. The findings highlight the importance of transformational leaders, strong knowledge processes, and supportive knowledge cultures in shaping learning-oriented organizations.

Udin (2024) examines the relationship between TL, intrinsic work motivation, and OL culture within Indonesian community health centers and demonstrates that TL significantly enhances both intrinsic motivation and OL culture. Intrinsic motivation also directly strengthens learning culture while fully mediating and moderating the leadership-learning culture relationship.

Wang et al. (2025) compares the influence of vertical TL and horizontal workplace social capital on two key performance outcomes - organizational citizenship behavior and professional discretion - among public-sector social workers in China (n = 815). Findings show that although both TL and workplace social capital positively affect performance, team-based supportive relationships exert a stronger influence than leadership. Additionally, OL moderates the relationship between workplace social capital and professional discretion, underscoring the importance of learning-oriented environments in strengthening performance outcomes.

Sharma et al. (2025) test the comparative influence of TL and workplace social capital on key performance outcomes among social workers, specifically organizational citizenship behavior and professional discretion. Using survey data from 815 Chinese public-sector social workers, the study also tests whether OL moderates the relationship between workplace relationships and performance outcomes. Findings confirm that both TL and workplace social capital significantly improve organizational citizenship behavior and

professional discretion. Additionally, OL moderates the relationship between workplace social capital and professional discretion.

Figure 1: Literature review on transformational leadership in the public sector reform



Source: Synthesized by the author

3. Contemporary theories

3.1. Institutional theory

Institutional theory explains how institutional pressures shape and regulate the behaviors, structures, and strategic choices of organizations operating within a specific field (Fernando & Lawrence, 2014). From this perspective, organizations are not solely driven by efficiency considerations but are also influenced by external institutional forces, such as laws, regulations, professional norms, and societal expectations. Consequently, organizations tend to align their activities with the dominant rules and norms of the institutional environment in which they operate. Compliance with institutional pressures enables organizations to gain legitimacy, access critical resources, and enhance their capacity for long-term survival (Fernando & Lawrence, 2014).

Drawing on Deegan (2009), institutional theory provides a theoretical foundation for linking organizational activities, particularly those related to social responsibility and public-sector values, to broader institutional norms and expectations. In the public sector context, this linkage highlights the importance of legitimacy as a central organizational objective. Public sector organizations are therefore compelled to establish and maintain legitimacy by conforming to legal requirements, normative expectations, and societal values embedded within the institutional framework. Under such coercive and normative pressures, these organizations are encouraged to engage in activities that enhance public value and accountability.

3.2. Transformational leadership theory

TL has long been recognized as a critical driver of organizational change, particularly in the public sector, where institutional complexity, political accountability, and resource constraints pose unique challenges. Since Burns (1978) first conceptualized TL as a process whereby leaders elevate followers to higher levels of motivation and morality, scholars have expanded and refined this theory to examine how TL shapes organizational adaptation and performance. Later developments (e.g., Bass, 1985; Bass, 1990; Bass & Avolio, 1994…) extended the model into measurable components such as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. As a result, the constant growth of society makes it applicable not only to the private sector but also suitable for contemporary public administration contexts.

Overall, TL theory posits that leadership fosters learning and fundamental change in public sector organizations by articulating a compelling vision, inspiring commitment, shaping beliefs and values, and enhancing the organization's intrinsic capabilities, rather than relying primarily on transactional exchanges of rewards and incentives.

4. Transformational leadership in the public sector reform

Despite several global studies on TL, OL, and public-sector performance, significant gaps remain, particularly when applying these concepts to the Vietnamese public management context. In reality, Vietnam's public sector is characterized by unique institutional features, including strong political centralization, an administrative hierarchy, and ongoing reform efforts under the Public Administration Reform and Digital Government agendas (Tu et al., 2022; Tu & Nguyen, 2023). Although international studies highlight the role of TL in driving learning and adaptation in complex bureaucracies, existing literature reveals that there is enormous potential for conducting research in the Vietnamese public sector.

To begin with, there is limited empirical evidence on how TL and institutional pressures shape OL behaviors in Vietnam's public sector. While institutional theory recognizes coercive, normative, and mimetic pressures as major forces influencing

OL, most Vietnamese studies treat TL as an internal managerial style rather than a leadership response to institutional demands such as political directives, administrative reforms, digital transformation policies, or anti-corruption norms (Tu et al., 2022). The extent to which Vietnamese leaders adopt TL, along with the support of institutional pressures to meet Party-state expectations or comply with the Public Administration Reform agenda, remains poorly understood. This creates a critical demand in understanding how TL and institutional pressures activate OL or constrain it in politically embedded governance systems.

Furthermore, the relationship between institutional pressures and OL is understudied in Vietnamese public organizations. International scholarship has increasingly highlighted institutional pressures as the primary mechanism through which public sector organizations influence performance (Munir & Baird, 2016), innovation (De Vries et al., 2018), and employee well-being (Hassan et al., 2022). However, empirical research in Vietnam often focuses on leadership as a direct driver of performance, overlooking the mediating role of learning processes such as knowledge sharing, reflective dialogue, experimentation, and collective problem-solving. Given Vietnam's transition toward digital public services, limited OL capacity represents a critical bottleneck, and the extent to which organizations can strengthen learning-oriented cultures is an interesting invitation.

Prior research on TL in Vietnam seldom incorporates contemporary insights emphasizing the role of institutional pressures and OL as independent or mediating mechanisms. Recent global studies (e.g., Aslam 2016; Udin 2024; Wang et al. 2025) show that TL's influence is often indirect, dependent on contextual factors like intrinsic motivation, team relationships, and knowledge-intensive culture. Vietnam's collectivist culture and hierarchical administrative structure suggest that relational dynamics (e.g., harmony norms, informal networks, teamwork) may play a stronger role than vertical leadership, yet this possibility needs to be formally studied.

Cannot go beyond expectations, Vietnamese studies tend to conceptualize performance narrowly. Most assess performance at an organizational level (service delivery indicators, administrative efficiency) (Tu et al., 2022) without examining behavioral outcomes such as innovation behavior, professional discretion, organizational citizenship behavior, and employee well-being. Global literature increasingly shows that TL enhances these micro-level outcomes, yet their relevance for Vietnamese civil servants is not yet confirmed by in-depth studies.

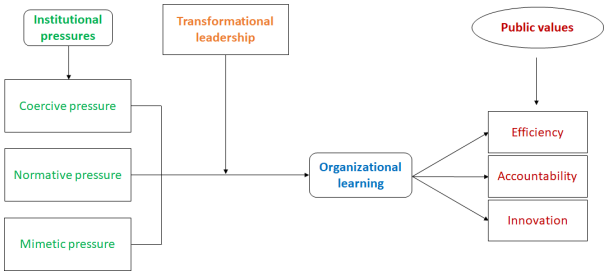
Notably, TL moderates the relationship between institutional pressures and OL in Vietnam's public sector is a novel contribution. It can be seen that TL can spread the coercive pressures from reform mandates can strengthen influence on learning, while excessive control may restrict experimentation. While normative pressures support TL-driven learning when professionalism is valued, but hinder it when conformity dominates. Nonetheless, mimetic pressures encourage innovation adoption but risk superficial learning. Hence, when reinforced by TL, institutional pressures are more likely to foster OL in a favorable and upward trajectory. One major advantage is that TL aligns well with Vietnam's ongoing public administration reform and Digital Government agendas, which require visionary direction, innovation, and adaptive capacity. TL's emphasis on articulating a clear vision and motivating employees supports the government's push toward modernization, citizen-centric services, and digital transformation. This leadership style can help public servants overcome inertia and embrace change in traditionally rule-bound systems.

Culturally, TL benefits from Vietnam's collectivist orientation, where group harmony, shared purpose, and relational leadership are highly valued. TL's focus on inspirational motivation and individualized consideration resonates with Vietnamese norms emphasizing respect, empathy, and moral leadership (Tu et al., 2022). Additionally, Vietnam's younger, reform-minded civil service increasingly expects empowerment and professional development, needs that TL directly addresses through intellectual stimulation and learning support. As a result, TL strengthens OL, which is crucial in Vietnam's transition toward more knowledge-driven, integrated public services. By promoting reflection, collaboration, and knowledge sharing, transformational leaders can help public organizations adapt to complex institutional pressures, regulatory reforms, and rapidly evolving technological demands.

Besides these benefits, TL faces several obstacles in Vietnam's administrative context. The highly hierarchical, centrally controlled governance

system can constrain leaders' ability to exercise autonomy or promote bottom-up innovation. Transformational behaviors may conflict with rigid procedural norms, political sensitivities, or strict compliance requirements. Moreover, TL's reliance on empowerment and participatory decision-making may clash with cultural legacies of top-down authority and risk aversion (Tu et al., 2022). Subordinates may hesitate to experiment or challenge established norms, limiting the effectiveness of intellectual stimulation. Institutionally, performance evaluation systems remain compliance-oriented rather than innovation-oriented, reducing incentives for TL-supported learning and creativity. Resource constraints, heavy workloads, and bureaucratic fragmentation also hinder advanced leadership initiatives (Tu & Nguyen, 2023). In the last, overreliance on TL may neglect the importance of workplace social capital - peer support, trust, and informal network, which research shows can exert even stronger performance effects in collectivist contexts like Vietnam.

Figure 2: Transformational leadership in the public sector reform



Source: Proposed by the authors

5. Conclusion

This study proposes several important theoretical contributions by addressing critical gaps in the existing literature on TL, institutional pressures, and OL within the public sector, particularly in the Vietnamese administrative context.

Firstly, by integrating institutional theory with transformational leadership research, this study advances understanding of how TL emerges and operates under strong political and regulatory pressures characteristic of Vietnam's governance system. This research conceptualizes TL as a leadership response related to coercive, normative, and mimetic pressures. This contributes theoretically by embedding leadership within the broader institutional environment, offering a more holistic and contextually grounded explanation of why TL, beyond the barriers of institutions, manifests and grows in OL of politically controlled public agencies.

Secondly, the study enriches the theoretical background by illustrating OL's central mediating role between institutional pressures and public values in Vietnam's public organizations. This research positions OL as a dynamic capability through which public sector organizations translate institutional demands into practical reforms, knowledge sharing, and adaptive behaviors, thereby promoting their values.

Lastly, the study of performance and values in public management are expected shall extend analysis beyond organizational metrics to include micro-level outcomes such as innovation behavior, professional discretion, and citizenship behaviors. This contributes to a more multidimensional and behaviorally informed framework for understanding public-sector performance.

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