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Calibrated Psychological Capital: A Curvilinear Model of Financial Advisor Sales Performance and Retention

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Abstract

Developing sustainable sales productivity and retaining sales employees in human resource management, sales management, and positive organizational psychology. Although psychological capital (PC) and supervisory leadership are important predictors of commission-based employees' retention and sales performance, little is known about how they interact. This study examines how transformational leadership, optimism, and sales-related self-efficacy jointly predict the performance and intention to stay of 138 financial advisors from three life insurance companies in Metro Manila. Using Partial Least Squares Structural Equation Modeling with WarpPLS 8.0, the study found that leaders best cultivate optimism and self-efficacy. Optimism strongly predicted intention to stay but did not significantly predict sales performance. Self-efficacy predicted intention to stay linearly but was related to sales performance through a curvilinear, inverted U-shaped relationship rather than a linear one. Transformational leadership had little direct effect on performance or intention to stay. Higher self-efficacy was associated with better sales performance only up to a point. Experience moderated the leadership–performance and self-efficacy–performance relationships: years of experience positively predicted the leadership–performance relationship but negatively predicted the self-efficacy–performance relationship beyond an optimal threshold. A three-dimensional Performance Zone Framework integrating leadership exposure, career experience, and sales output classified advisors into six exploratory, theory-derived zones, each requiring distinct interventions. The findings suggest that calibrated, rather than maximized, psychological capital and leadership suited to employees' career stages can support retention and productivity in commission-based sales work.

Keywords: transformational leadership, optimism, self-efficacy, financial advisor retention, PLS-SEM

Introduction

Employee retention and job performance continue to attract interest from HRM, sales management, and organizational psychology. Employees are recruited and trained for specific tasks to contribute to the organization, yet billions of financial resources are lost each year due to employee turnover. Although salary might contribute to an employee's desire to stay with an organization, it is not the only reason that keeps individuals there. This research seeks to address employee turnover and retention through an integrative application of psychological and relational perspectives on staying behavior. Two research domains – transformational leadership and psychological capital (PC)—have addressed performance and retention. The theoretical dimensions of transformational leadership behavior (TLB) encompass the extent to which managers display idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Research across levels demonstrates positive relationships between each TLB dimension and performance (e.g., Bass & Riggio, 2006; Peng, Liao & Sun, 2020; Tian, Lin, Lei, Zhang, Chen & Huang, 2020; Jiatong, Huang, Dong, He, Zhang & Chen, 2022). Research also shows that positive relationships between these leadership dimensions and employee performance predict turnover intentions and negatively affect affective organizational commitment. PC comprises four key components: hope, efficacy, resilience, and optimism (Avey et al., 2011; Luthans, Youssef, & Avolio, 2007). As with transformational leadership, hope, efficacy, resilience, and optimism are psychological resources that organizations can develop in employees. Research by Avey et al. (2011) found that each psychological capital dimension was positively associated with job satisfaction, organizational commitment, and supervisor-rated performance. In contrast, a subsequent study found that psychological capital negatively affected employee disengagement (Jancenelle, 2023). However, as with many things in life, more of a good thing is not always better. Research by Bachrach, Rapp, and Ogilvie (2023) found that extremely high self-efficacy can lead to overconfidence, which fails to make extra effort, while findings from Jancenelle (2023) identified an inverted U-shaped relationship between organizational psychological capital and market performance, whereby moderate levels of PC were shown to result in better market performance than below or above optimal levels of PC. The effects of transformational leadership on these bounded psychological resources are likely to depend on employees' motivational orientation and the stage in the career developmental continuum they currently occupy.

The life and health insurance industry suffers from high levels of turnover among its financial advisors. According to the 2024 Global Benchmarking Missions Report: Distribution Organizations, released by industry research provider Cerulli Associates, nearly three out of new entrants to the financial services workforce will fail in the first year—specifically, 27 percent will fail within the first 30 days, and an additional 45 percent will cease to be full-time financial services representatives within the first two years. Even after digging deep into the LIMRA study in 2019, Krozel (2022) found that only 15% of full-time financial services representatives remained with their hiring company after four years, with most departures occurring within the first two years. The role requires continuous, proactive client development and offers no guarantee of income. This makes for uncomfortable and stressful work, which is precisely why some of the industry's best are hesitant to become financial advisors in the first place. Looking beyond that initial challenge, those in financial services are, at best, freelance workers, with workloads and corresponding revenue-generation potential that vary daily. As with any industry, financial services professionals are expected to conduct themselves professionally, objectively, and independently at all times. While some recruits to financial services need little supervision other than to ensure no misregulation is occurring, others require an entirely different set of support, including training, mentoring, and other forms of development, as well as a total rewards program and ready access to other resources required to support their work with clients.

While many existing studies on leadership, commitment, and insurance sales examine these variables in isolation, most rely on self-reported sales data that might be at risk of common method bias, and typically employ linear explanations that do not capture the more complex, non-linear trends observed in the global business context (Bachrach et al., 2023; Jancenelle, 2023). Moreover, empirical analyses of leadership and commitment within a commission-based setting in a non-Western context, particularly in the Philippine insurance industry, are underrepresented compared with salaried Western settings studied in the existing literature.

Studies on employer-employee relations investigated how a leader’s behavior affects performance (Dyszln, 2014) and how psychological resources affect performance at work (Belete & Asgedom, 2018). Still, other studies examined the relationship between a leader’s behavior and performance through job satisfaction and/or intention to stay (Acta, 2019; Bantilan, 2017; Dimas, 2018; Ong, 2018). Articles were also published

focusing on workplace spirituality and employee engagement (Acta, 2021) and on remote work in the new normal, based on the experiences of San Beda University employees (Viernes & Pasco, 2023). However, a study used the Theory of Planned Behavior (TPB) to assess the variables that affect employees' intention to stay with the organization. The results revealed that employees perceived behavioral control had the greatest influence on their intention to stay with the organization (Saflor, Marinas, & Enano, 2024). The current study differs from previous studies in that it sought advisors' perceptions of how their leaders and psychological resources affect their performance, using objective performance measures in a sales-driven, commission-based life insurance setting. No study has been conducted in the Philippines with a similar design and purpose. Most studies on commission-based life insurance settings have followed a linear approach to test the relationship between the independent variables of leadership, psychological resources, and demographics, and the dependent variables such as retention, performance, and others, rather than considering a curvilinear relationship.

To address these gaps in current knowledge and practice in sales enablement, the research makes three contributions. The first contribution stems from the study's use of actual production data from the insurance companies from which the sales activity is sourced—information kept strictly confidential—as the measure of sales performance. In contrast to existing research on sales enablement, this data differs significantly from self-reported sales performance from sales advisors, thereby mitigating common method bias that has affected the field. The second contribution of the research is its investigation of the possibility of a non-linear relationship between the independent variables and the sales performance outcome. This non-linear relationship was explored to ascertain the nature of the data's behavior. Robust multigroup comparisons were performed using the methodology available in WarpPLS (Kock, 2022; Kock & Hadaya, 2018). The third contribution arises from the fact that the study characterizes the sales advisors within the Performance Zones identified in the study and uses these Zones as the basis to design development interventions that go beyond the generic training often provided to sales advisors, instead delivering different levels and types of training based on the advisors' levels of perceived leadership exposure, experience, and actual sales performance.

This study examines the relationships among transformational leadership, optimism, self-efficacy, sales performance, and intention to stay among financial advisors. Furthermore, it aims to provide managers with a

practical diagnostic tool based on the findings of this study. Specifically, the study seeks answers to these research questions: 1) How do financial advisors rate their leaders on the four dimensions of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration)? 2) Does transformative leadership affect the optimism, self-efficacy, sales performance, and intention to stay of financial advisors? 3) How do optimism and self-efficacy affect the sales performance and intention to stay of financial advisors? This study investigates the relationship between self-efficacy and retail sales performance in the insurance industry. It first examines whether the self-efficacy-outcomes relationship is curvilinear and then investigates the mediating roles of optimism and self-efficacy in the transformational leadership-outcomes relationship. Finally, it examines the impact of career experience on these relationships.

This study has theoretical and practical benefits for the workplace. From a theoretical perspective, it contributes to theoretical discussions on the curvilinear relationship between psychological capital and work-related outcomes (Bachrach et al., 2023), as well as the contingent value of transformational leadership (Jancenelle, 2023) for different career stages of sales employees. From a business perspective, this study will help insurance executives, agency managers, and unit managers design zone-specific, individualized intervention approaches to improve the performance of life insurance advisors. Rather than a 'one size fits all' approach, this research will help to reduce financial advisors' turnover and improve productivity in the field. From a social-benefit perspective, the study will provide the Insurance Commission, professional accreditation bodies, and training institutions with an empirically derived classification to identify risk and to offer developmental interventions for new entrants to the industry through pre-employment training programs. Interventions can be designed to support advisors based on several variables, including their leadership style, years of experience, and performance.

Conceptual and Theoretical Framework

Theoretical Foundations

Despite the challenges and uncertainties of the financial services industry, many financial advisers remain with their chosen firms. What drives their decision to stay with their firms, and what can leaders do to ensure that their firm's relationship with financial advisers is a long-term

one? A framework for understanding these factors is provided by applying five theories from positive organizational behavior (POB), organizational psychology, and human resource management: the Theory of Planned Behavior, Psychological Capital Theory, Expectancy Theory, Bandura's Self-Efficacy Theory, and Meyer and Allen's Three-Component Model of Organizational Commitment.

Ajzen (1991) posits that individuals' intentions to stay in their jobs are predicted by three components of the Theory of Planned Behavior: attitudes toward staying (optimism), subjective norms (transformational leadership), and perceived behavioral control (self-efficacy). While optimism, subjective norms, and perceived behavioral control all predict intentions to stay, recent findings indicate that perceived behavioral control is a strong predictor of career decisions (Saflor, Wang, and Zinovieva, 2024). Thus, TPB is particularly well-suited to explaining how leadership behaviors predict employees' intentions to stay.

These two HERO components are the most consistent predictors of sales performance and the most responsive to leadership development (Avey et al., 2011). Optimism and self-efficacy are two of the four HERO components embedded in the Psychological Capital Theory (Luthans, Youssef, & Avolio, 2007). A meta-analysis of 51 samples with more than 12,000 employees found that psychological capital had strong effects on employee attitudes, behaviors, and performance. These psychological resources are state-like and can be developed through training interventions; however, recent research has shown that extremely high levels of psychological capital may even negatively affect performance (Jancenelle, 2023).

Motivation is based on three expectancies: effort-performance expectancy, performance-outcome expectancy, and outcome-value expectancy (Vroom, 1964). The expectancy chain is especially tenuous in commission-based sales, such as life insurance, because performance generates the rewards on which sales associates depend. When a leader fosters a climate that encourages high performance through path clarification and adequate feedback while instilling followers' belief in their ability to perform (self-efficacy) and nurturing an optimistic outlook, that performance is likely to translate into desired outcomes. Expectancy violations and disappointments, therefore, represent particularly potent predictors of disengagement and turnover (Hom & Kiazad, 2025).

According to Bandura's (1997) self-efficacy theory, four sources of self-efficacy information—mastery experiences, vicarious experiences, verbal persuasion, and physiological states—shape task-specific self-efficacy. Transformational leaders directly affect at least three of these sources: demonstrating task-specific self-efficacy, motivating employees through persuasive verbal messages, and helping employees view stress as energizing. While the benefits of self-efficacy are theoretically limitless, exceeding the point of optimality can lead to overconfidence and, in certain contexts, complacency, particularly when coachability is a critical competency (Bachrach et al., 2023). Research has consistently shown that affective commitment increases and turnover intentions decrease at optimal levels of self-efficacy (Albrecht & Marty, 2020).

Meyer and Allen's (1991) Three-Component Model of Organizational Commitment identified three types of commitment: affective, continuance, and normative. Affective commitment is the desire to stay with the organization; continuance commitment is the perception that there are "costs" to leaving; and normative commitment is the feeling of obligation to stay with the organization. Research has shown that affective and normative commitment are better predictors of turnover behavior and organizational performance than continuance commitment, with affective commitment generally outperforming the other two (van Rossenberg et al., 2022). Transformational leadership predicts affective organizational commitment because it increases employees' perceived job impact and work engagement (Peng et al., 2020; Jiatong et al., 2022). This is because employees perceive value in their work, and so they want to stay with the organization. Additionally, general self-efficacy increases affective organizational commitment (Albrecht & Marty, 2020) by influencing employees' beliefs about their success within the organization. In the Philippines, culture plays a significant role in driving normative commitment, as employees feel a moral obligation to reciprocate the organization's investment in them (utang na loob) and to comply with workplace norms and practices (pakikisama). This may be why some advisors remain with underperforming leaders out of a sense of obligation rather than actual engagement.

The five theories are additive, not mutually exclusive. The Theory of Planned Behavior (TPB) helps explain staying intentions, Psychological Capital Theory (PCC) reveals developable psychological resources, Expectancy Theory explains the special value of these resources in contexts like commission-only sales, and Bandura links Transformational leadership

to psychological development through Mastery, and Meyer and Allen's Commitment model explores the attitudinal (affective) and moral roots of Commitment. Together, these five theories provide a rich framework for conceptualizing how TL influences employee Retention and Performance through psychological, experiential, and Commitment-based approaches, which are increasingly common in studies of sales management (Peng et al., 2020).

Hypothesized Relationships

The proposed model includes both mediation and moderation effects. On the one hand, the research argues that transformational leadership is positively associated with two important outcomes: sales performance and intention to stay. On the other hand, the transformational leadership paths are further mediated by two critical outcomes: optimism and self-efficacy, which predict sales performance and intention to stay. Years of experience also moderates the leadership–outcome and self-efficacy–performance relationships.

This mediation is particularly strong for experienced supervisors, as they possess the operational tools to translate inspirational supervision into sustained commitment and behavior (Bass & Riggio, 2006; Peng et al., 2020; Tian et al., 2020). In addition, experienced supervisors are more likely to hold realistic expectations regarding the effort employees will expend and the resulting performance (Vroom, 1964).

Specifically, when experienced supervisors perceive that followers' motivation is inspired, they intend to engage in supervisory behaviors (motivation → inspirational supervision → behavioral intention to supervise, MI-IS-BI). Inspired supervision will also enhance followers' continuous learning behaviors through experienced supervisors' motivational efforts (IS-CL). Moreover, experienced supervisors are likely to expect that when followers engage in continuous learning behaviors, their performance will lead to enhanced subsequent rewards (effort—performance—reward expectations, EPRE).

Optimism may enhance retention more than performance, since it is not the same as the skill required to perform tasks or the disciplined effort needed to establish a high level of performance. Learning Optimism yields its greatest benefits when combined with realistic cognitive accuracy, as opposed to unrealistic optimism (Seligman, 2006). Under conditions of

repeated rejection, however, learned optimism rapidly erodes and, as much as anything else, diminishes affective commitment.

Self-efficacy is considered a mediator of the leadership-performance relationship (Joshi et al., 2011). However, this relationship is expected to be curvilinear, i.e., an inverted U-shape. Very low levels of self-efficacy led to inaction, optimal levels of self-efficacy led to adequate effort and calibrated risk-taking, and very high levels of self-efficacy led to overconfidence, complacency, and poor performance (Çetin & Aşkun, 2018; Bachrach et al., 2023; Dunning, 2011; Mignault Amable, 2000).

For the intention to stay, self-efficacy is positively related at all levels, but just slightly exceeding calibrated confidence (Albrecht & Marty, 2020). Longer exposure to selling financial products and services can therefore allow the leadership and self-efficacy effects to work out more fully, as newer advisers are less equipped to serve clients and build referral networks than more experienced ones. While the marginal effect of self-efficacy on sales performance is likely to decline, if not reverse, as advisers become more experienced, the effect of transformational leadership is expected to remain strong or even increase. Veteran advisers are better positioned to translate inspirational supervision into operational actions, foster affective and normative commitment to serving clients, and link sales performance to client outcomes.

The Performance Zone Framework

Building on the empirical and theoretical foundations of this research, the study proposes a three-dimensional Performance Zone Framework that classifies advisors based on perceived exposure to transformational leadership, industry tenure, and confirmed sales production. The framework yields six zones: Peak Performers (long tenure, strong leadership exposure, and high production, anchored by deep affective and normative commitment); Steady Climbers (moderate tenure with rising output, representing the highest return-on-investment for development); Rising Talent (early-career advisors with potential to mature under supportive supervision); Untapped Veterans (experienced advisors constrained by weak leadership rather than ability); Potential Loss (mid-career advisors facing stagnation and the highest turnover risk); and At-Risk Advisors (early-career personnel most vulnerable to the industry's seven-month attrition cliff).

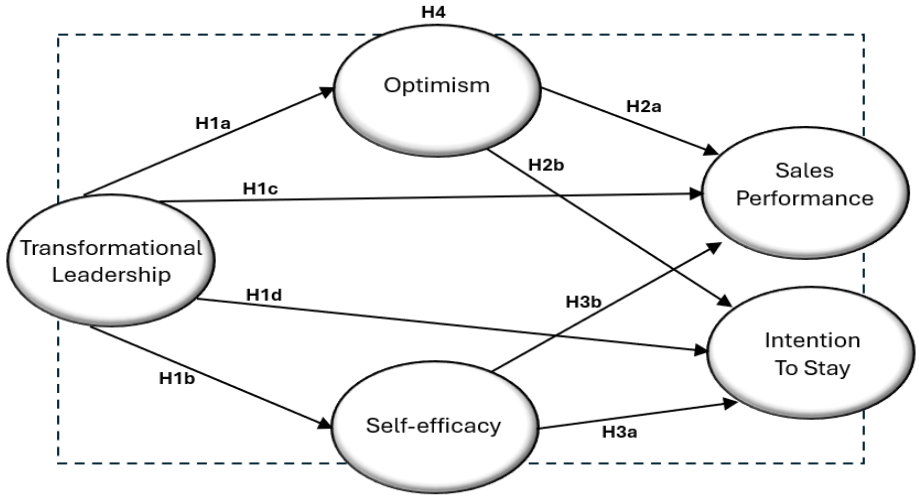
Each zone reflects a distinct combination of resources and risks, requiring tailored interventions rather than uniform training. The framework also serves as a diagnostic tool for commitment dynamics: Peak Performers and Steady Climbers exhibit the strongest commitment through internalized mission alignment; Untapped Veterans show stronger normative than affective commitment, driven by obligation; and Rising Talent and At-Risk advisors remain in the formative stage of their careers, where leadership investment most strongly determines whether emotional bonds take root.

Two of the most persistent problems in sales management and human resources are addressed through the Performance Zone Framework. The Framework not only provides a way to discriminate among the levels of investment required by different groups of advisors, but also offers a more refined understanding of underperformance. Some less-than-optimal performance is likely to occur in almost any sales leadership environment. Interventions can be developed based on three readily observable characteristics of sales leaders: the extent to which they operate in various performance zones, the number of years of experience they have, and their sales performance. The Framework suggests a proactive retention mindset that is increasingly supported by research from Salesforce and positive organizational psychology (Avey et al., 2011; Luthans et al., 2007; Peng et al., 2020; Tian et al., 2020).

Figure 1 depicts the conceptual framework, which includes all hypothesized channels, such as the mediation pathways via optimism and self-efficacy, the curvilinear link between self-efficacy and sales performance, and the moderating effects of experience.

Figure 1.

Conceptual framework showing hypothesized relationships among transformational leadership, optimism, self-efficacy, sales performance, and intention to stay, with years of experience as a moderator.



Methodology

Research Design

The research adopted a quantitative, cross-sectional research approach that involved survey data and verifiable company data (sales) and analyzed the direct, indirect, moderating, and curvilinear relationships among the three core constructs. To address the methodological limitations mentioned earlier, the study utilized Partial Least Squares Structural Equation Modeling (PLS-SEM), which enabled the analysis of moderate-sized samples (Hair, Risher, Sarstedt, & Ringle, 2019) and did not require multivariate normality. Importantly, PLS-SEM was used with WarpPLS™ to test nonlinear relationships among the variables (Kock, 2022). This feature is not available in the alternative covariance-based approach to PLS-SEM. As a result, common method bias, which poses the greatest threat to single-source, self-reported data (as commonly adopted in marketing and management research), is substantially mitigated.

Participants and Samples

A total of 138 financial advisors from three of the largest life insurance companies in the Philippines, operating in Metro Manila, participated in the study. To determine the adequate sample size, two

methods were employed using WarpPLS 8.0. The inverse square root method yielded a minimum sample size of 146 (95% confidence level, power of 0.70; minimum path coefficient of 0.180), while the gamma-exponential method yielded a minimum sample size of 134. Hence, the actual sample size of 138 is sufficiently adequate, exceeding the gamma-exponential criterion and approaching the threshold established by the inverse square root method. The advisors have an average tenure in the life insurance industry of more than 10 years, ranging from less than 1 year to over 15 years across all categories. Their ages cluster around 23 to 32 years, which aligns with the demographics of recruitment practices in the Philippine insurance industry. The majority of them possess a bachelor's degree or higher.

Measurement of Constructs

All constructs examined in this study—transformational leadership, optimism, self-efficacy, and intention to stay—were specified as reflective measurement models, consistent with the scale-development traditions of the instruments employed (Bass & Avolio, 2004; Scheier, Carver, & Bridges, 1994; Chen, Gully, & Eden, 2001). Measures for transformational leadership behavior (TL) were adapted from the Multifactor Leadership Questionnaire (Bass & Avolio, 2004). Optimism was measured with a six-item scale from the Life Orientation Test–Revised (Scheier, Carver, & Bridges, 1994). The items had good composite reliability (0.920) and explained a relatively large amount of variance for the latent construct (AVE = 0.697). Self-efficacy was measured using a six-item scale from the New General Self-Efficacy Scale (Chen, Gully, & Eden, 2001). The items had good composite reliability (0.918) and explained a substantial amount of variance in the latent construct (AVE = 0.531). A five-item scale drawing of items from multiple sources that measures turnover intention (Hollenbeck, 2003; Rich, Lytle, & Larimer, 1992; Wiener & Vallenini, 2003) was used to measure employees' intentions to stay with their supervisor (reverse-coded)—the items remain interchangeable, highly intercorrelated indicators of a single reflective latent trait. The items had good composite reliability (0.888) and explained a large amount of variance for the latent construct (AVE = 0.726).

Rather than relying on self-reported data, the analysis uses actual insurance premium sales (in Philippine pesos) extracted from each insurer's internal records over the past 12 months, converted to an annualized premium equivalent. This data was provided on a strictly confidential basis. While no method is completely immune to common method bias, the use of company-verified sales data represents a marked improvement over typical

research methodologies. Also incorporated into the analysis are each insurer's years of industry experience, measured in years and standardized to Z-scores to create interaction terms.

Data Collection, Ethics, and Analysis

The survey data were collected using electronic questionnaires that were distributed at the sales offices (insurance agencies) and completed online by individual respondents. The survey was voluntary and confidential, and participants were assured that their data would not be disclosed to the company's top managers. Using data from the survey, a measurement model has been evaluated for indicator reliability, internal consistency reliability, convergent validity, and discriminant validity (Hair et al., 2019). Moreover, the discriminant validity has been checked by applying the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT) criterion (Henseler et al., 2015; Dijkstra & Henseler, 2015). For the structural model with significant paths, bootstrapping with 1,000 resamples has been applied to test the significance of the path coefficients. Furthermore, R-squared values (Falk & Miller, 2015) and Q-squared values (Dennis, 2003) of the endogenous constructs have been computed, and the effect sizes of the endogenous constructs have been assessed by applying Cohen's f-squared (Cohen, 1988). The data analysis was performed using WarpPLS 8.0 to identify and test non-linear relationships, particularly curvilinear relationships. The evaluation of moderation and mediation effects was realized by using interaction terms and calculating indirect effects. The model fit was assessed using the Average Path Coefficient (APC), Average R-squared (ARS), Average Collinearity Tolerance (AVT), and Tenenhaus Goodness-of-Fit (TGOF).

To assess the potential threat of common method bias (CMB) arising from the use of single-source, self-reported data for the predictor and mediator constructs, a full collinearity assessment was conducted following Kock (2015). All variance inflation factors (VIFs) were evaluated against the conservative threshold of 3.3; the average full collinearity VIF obtained in this study (AFVIF = 1.812, reported below) falls well within this threshold, suggesting that common method bias is unlikely to be a serious contaminant of the results. Procedural remedies were also incorporated into the survey design, including assurances of respondent confidentiality and psychological separation of construct blocks within the questionnaire, consistent with recommended practice (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Results and Discussion

Measurement Model Results

All reflective constructs in the measurement model have adequate reliability and validity, consistent with their a priori specification (see Measurement of Constructs). Composite reliability ratings ranged from 0.888 (intention to stay) to 0.920 (optimism), far beyond the 0.70 threshold (Hair et al., 2019). Cronbach's alpha scores ranged between 0.807 and 0.901. The average variance retrieved exceeded the 0.50 criterion for all constructs. Discriminant validity was validated by both the Fornell-Larcker criterion and the Heterotrait-Monotrait ratio (HTMT), with all square root AVE values exceeding cross-construct correlations and all HTMT ratios falling below the 0.85 threshold. These psychometric findings are consistent with recent leadership and psychological capital research in the Asian workplace setting (Jiatong et al., 2022; Tian et al., 2020), demonstrating the adapted instruments' cross-cultural applicability.

Model Fit and Quality Indices

The structural model met the required indices for model fit and quality. The average path coefficient was 0.215, which is statistically significant ($p = 0.002$). The average R-squared was 0.36 ($p < 0.001$), and the adjusted R-squared was 0.342 ($p < 0.001$), exceeding Cohen's (1988) threshold of 0.26 for moderate to strong explanatory power. Multicollinearity was acceptable, with an average block VIF of 1.537 and an average full collinearity VIF of 1.812, both well below the desired cutoff of 3.3. As noted above, this average full collinearity VIF also serves as the primary diagnostic for common method bias in this study. The Tenenhaus Goodness-of-Fit was 0.565, well over the 0.36 criterion for a substantial effect, indicating good overall model fit. The Simpson's Paradox Ratio of 1.0 confirmed that no path deviated from its anticipated direction, and the R-squared Contribution Ratio of 1.0 confirmed that all predictors contributed positively to explained variance.

Structural Model and Direct Effects

Based on the structural model results, the research found not only direct and mediated effects of transformational leadership on financial advisors' psychological well-being but also moderated effects. As predicted, transformational leadership had strong direct effects on the two key psychological mediators, namely optimism ($\beta = 0.754$, $p < .001$; $f^2 = 0.568$; $R^2 = 0.57$) and self-efficacy ($\beta = 0.277$, $p < .001$; $f^2 = 0.072$; $R^2 = 0.11$). Specifically, transformational leaders can exert strong positive effects on

employees' optimism, which in turn predicts employees' psychological well-being (Avey et al., 2011; Peng et al., 2020). Moreover, although the impact of transformational leadership on self-efficacy was significant but modest, this finding is consistent with Bandura's (1997) argument that self-efficacy can be based on multiple sources, especially those related to actual mastery experiences, not solely on inspirational leaders.

Contrary to expectations, transformational leadership had no significant direct effects on sales ($\beta = 0.085$, $p = 0.155$) or intention to stay ($\beta = 0.119$, $p = 0.077$), with an f^2 of 0.052. Consistent with the logic put forth by Peng et al. (2020), mediation and moderation effects became the focus of analysis. According to Seligman (2006), optimism should strongly predict intention to stay ($\beta = 0.464$, $p < 0.001$; $f^2 = 0.258$) but only slightly predict sales ($\beta = 0.116$, $p = 0.082$) when optimism is grounded in disciplined effort. Self-efficacy predicted only intention to stay ($\beta = 0.176$, $p = 0.016$; $f^2 = 0.072$), with the linear path to sales being essentially zero ($\beta = -0.013$, $p = 0.441$). See Fig. 2. This pattern is consistent with self-efficacy's effects on turnover (Albrecht & Marty, 2020). The model explained about 33% of the variance in sales and 43% of the variance in the intention to stay.

Figure 2.

Final structural model showing path coefficients, R-squared values, mediation effects, and moderation effects.

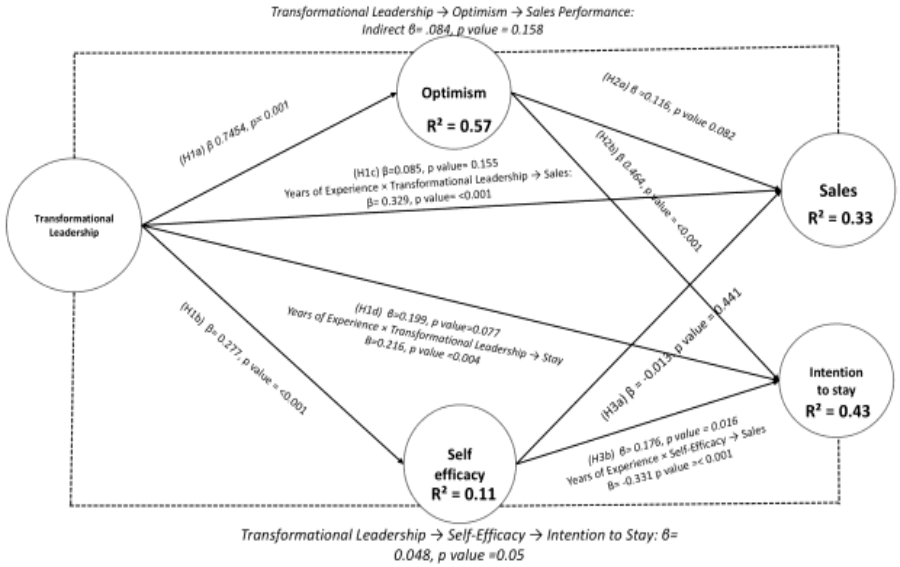


Table 1.

Path Coefficient of the Sales Performance and Retention Model

Path	Path Coefficient (β)	p-value	Effect Size (f^2)	Interpretation
(H1a) Transformational Leadership → Optimism	0.754	< 0.001	0.568	Significant. Large effect. Transformational leadership strongly enhances optimism.
(H2a) Optimism → Sales Performance	0.116	0.082	0.006	Not significant at 0.05. Weak relationship.
(H1c) Transformational Leadership → Sales Performance	0.085	0.155	0.005	Not significant. Minimal direct effect.
(H1d) Transformational Leadership → Intention to Stay	0.119	0.077	0.052	Marginally significant. Small to moderate effect.
(H1b) Transformational Leadership → Self-Efficacy	0.277	< 0.001	0.072	Significant. Moderate effect. Transformational leadership boosts self-efficacy.
(H2b) Optimism → Intention to Stay	0.464	< 0.001	0.258	Significant. Large effect. Optimism promotes intention to stay.
(H3a) Self-Efficacy → Sales Performance	-0.013	0.441	0.002	Not significant. Negative and weak relationship.
(H3b) Self-Efficacy → Intention to Stay	0.176	0.016	0.072	Significant. Moderate effect. Self-efficacy improves retention.

Table 1.

Continued.

Path	Path Coefficient (β)	p-value	Effect Size (f^2)	Interpretation
Moderating Effect → Outcome				
Years of Experience × Optimism → Sales	0.064	0.222	0.025	Not significant. Weak effect. Moderation not supported.
Years of Experience × Transformational Leadership → Sales	0.329	< 0.001	0.132	Significant. Moderate to large effect. Years of experience enhances the impact of leadership on sales.
Years of Experience × Transformational Leadership → Stay	0.174	0.017	0.03	Significant. Small effect. Tenure strengthens impact of leadership on intention to stay.
Years of Experience × Self-Efficacy → Sales	-0.331	<0.001	0.059	Significant. Self-efficacy's effect on sales weakens as experience increases.

Note: Mediation results: Optimism did not significantly mediate the TL → Sales Performance link (indirect β = 0.084, p = .158; no significant mediation). In contrast, Self-Efficacy partially mediated TL → Intention to Stay (indirect β = 0.048, p < .05; total β = 0.167, p < .001).

Indirect (Mediated) Effects

The mediation research examined whether optimism and self-efficacy influence the outcomes of transformational leadership. The indirect effect of transformative leadership on sales performance through optimism was weak and not significant (β = 0.084, p = 0.158), indicating that higher optimism induced by inspirational leadership does not translate into meaningful sales performance without additional mechanisms. The relationship between transformative leadership and intention to stay, mediated by self-efficacy, was statistically significant but partially mediated (β = 0.048, p = 0.05). These mediation results show that optimism

and self-efficacy contribute to the leadership effect on retention, but they do not properly convert leadership influence into measurable sales success. This pattern complements the broader meta-analytic finding that psychological capital reliably predicts attitudes such as commitment and well-being but predicts objective performance more modestly (Avey et al., 2011) and highlights the importance of moderation analysis to identify when and for whom leadership effects strengthen or weaken.

Taken together, these results indicate that the mediating role of psychological resources in this model is confined to the retention pathway; neither optimism nor self-efficacy meaningfully channels transformational leadership's influence into sales performance through linear mediation (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002).

The Curvilinear Pattern in Self-Efficacy

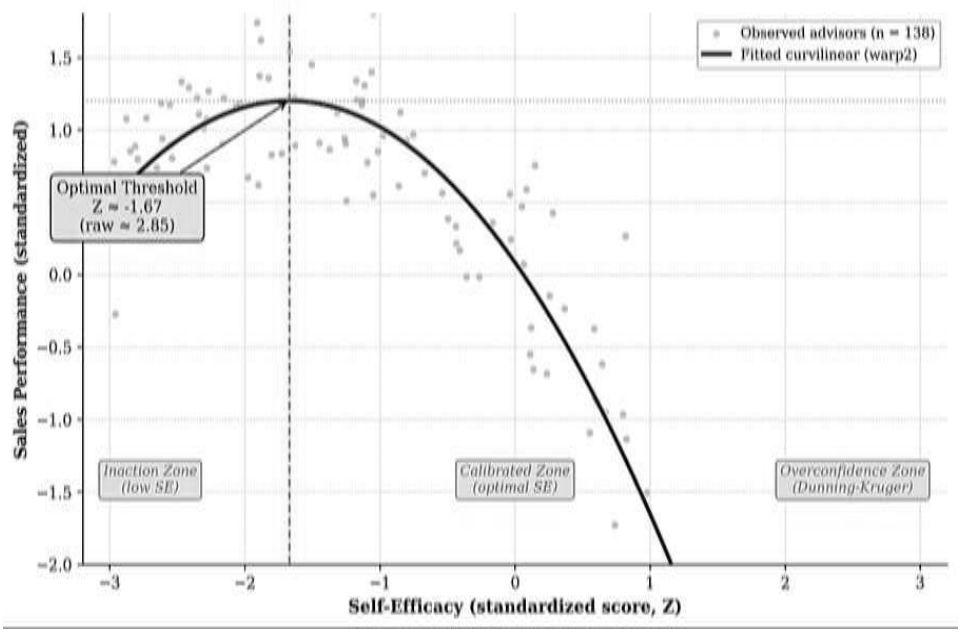
Results from the WarpPLS™ estimation indicate a curvilinear inverted-U-shaped relationship between self-efficacy and sales performance. Findings show that sales performance increases with self-efficacy until an optimal threshold, then plateaus or declines. Based on the asymptote estimate, the optimal threshold point is $Z \approx -1.67$, which corresponds to a raw score of approximately 2.85. A linear path coefficient is reported to be near zero because the estimator averages the two sides of a curved relationship, the ascending left side and the descending right side.

This turning point was identified through graphical inspection of the fitted quadratic curve generated by the WarpPLS warp2 estimation (Kock, 2022), plotted against standardized (Z-score) self-efficacy and sales performance values (Figure 3), locating the point at which the fitted curve transitions from an ascending to a descending slope. The linear coefficient ($\beta 1$) and quadratic coefficient ($\beta 2$) underlying this fitted curve, along with the raw mean and standard deviation of the self-efficacy scale in this sample, are reported in [author to insert exact values from the WarpPLS warp2 output]. Interpreting $Z \approx -1.67$ against the sample's own distribution—rather than as an absolute indicator of low confidence—is important, since financial advisory is a self-selecting occupation in which practicing agents may skew toward higher baseline self-efficacy, compressing the upper end of the distribution. A formal statistical test of inflection-point significance (e.g., Lind & Mehlum, 2010) was not conducted in the present study; this finding is noted as a limitation and a direction for future research (see Limitations and Future Research).

Three behavioral zones were observed. These consisted of the ‘Inaction Zone,' where, although advisors were well-intentioned, low self-efficacy impacted their lack of prospect activity and poor client experience. The ‘Calibrated Zone’ consisted of those who were closely approaching the optimal level of self-efficacy; here, advisors displayed sufficient confidence to pursue prospects yet sufficient humility to listen and learn from experience. In the ‘Overconfidence Zone,’ the dynamics of the Dunning-Kruger effect (Dunning, 2011) dominated among those high in self-efficacy yet lacking supporting competence. These findings are consistent with curvilinear self-efficacy (Bachrach et al., 2023) and curvilinear psychological capital (Jancenelle, 2023) findings from multiple countries and represent the first empirical application of these concepts in the previously understudied commission-based sales environment of Philippine life insurance distributors who operate as commission-based sales agents for commission-based employers.

Figure 3.

Curvilinear Relationship between Self-Efficacy and Sales Performance: Inverted U-shape with optimal Threshold



Qualitative interviews with senior management at one insurance company provided insights into these findings. One manager noted that the

financial advisors who were most confident in their selling abilities were often the same ones who failed because they became complacent, assuming that their extreme confidence was also equivalent to complete competence for lifelong learning. Another manager noted that the most successful selling agents in the insurance agency were not the most confident agents but the most coachable. These findings from the field provide a managerially relevant interpretation of the inverted U-shaped effect observed in learning behavior in this study using WarpPLS.

Moderation by Years of Experience

Four moderation tests were conducted with years of experience as the moderator, and three were significant at $p < 0.05$. Specifically, results indicated that years of experience positively moderated the effect of transformational leadership on sales performance ($\beta = 0.329$, $p < 0.001$; $f^2 = 0.132$, moderate-to-large effect) and the effect of transformational leadership on intention to stay ($\beta = 0.174$, $p = 0.017$; $f^2 = 0.030$, small effect). In addition, results indicated that years of experience negatively moderated the effect of self-efficacy on sales performance ($\beta = -0.331$, $p < 0.001$; $f^2 = 0.059$, small-to-moderate effect). Conversely, experience did not significantly moderate the effect of optimism on sales performance ($\beta = 0.064$, $p = 0.222$). Two of the significant moderations involved transformational leadership, indicating that supportive leadership had a stronger effect on outcomes as advisors accumulated more years of experience with the agency.

The negative moderation of self-efficacy suggests that, as financial advisors gain more experience, self-efficacy may become a comparatively weaker predictor of performance. One plausible, theory-consistent explanation is that early in advisors' careers, higher levels of self-efficacy may enhance performance by driving their prospecting activity and tenacity when they do not yet have a customer base. However, as they become tenured, the marginal value of higher self-efficacy may decrease. Extremely high self-efficacy might decrease performance by fostering complacency, closing advisors off to further learning, or leading them to dismiss constructive feedback. This scenario would be consistent with a curvilinear relationship with sales performance, as found by Bachrach et al. (2023) in a different context, who reported that excessive confidence can lower effort under certain conditions. In contrast, the increasing leadership effect on tenured advisors is consistent with broader sales management research indicating that experienced salespeople are better able to translate

inspirational supervision into strategic action (Peng et al., 2020; Tian et al., 2020).

These interpretations are offered as theory-consistent explanations for the observed interaction effects. This study tested statistical moderation instead of directly examining the underlying behavioral or cognitive mechanisms, so the explanatory narratives above should be regarded as plausible interpretations rather than directly confirmed processes.

The Three-Dimensional Performance Zones

Based on the combinations of leadership exposure, career experience, and sales performance, the framework yielded six distinct advisor zones. Table 2 summarizes the zone definitions, defining conditions, and approximate sales ranges observed in the sample.

Table 2

Performance Zone Classification Based on Tenure and Transformational Leadership Exposure

Zone	Defining Conditions	Tenure / Leadership	Sales Range (PHP)
Peak Performers	High experience and strong leadership exposure	≥ 4 yrs / TL ≥ 4.92	≥ 643,851.65
Steady Climbers	Moderate experience with strong leadership	2.1–3.9 yrs / TL ≥ 4.63	400,000.00–643,851.64
Rising Talent	Low experience with strong leadership exposure	≤ 2 yrs / TL ≥ 4.20	180,247.88–400,000.00
Untapped Veterans	High experience with weak leadership exposure	≥ 4 yrs / TL < 4.20	180,247.88–643,851.64
Potential Loss	Moderate experience with weak leadership exposure	2.1–3.9 yrs / TL < 4.20	180,247.88–400,000.00
At-Risk	Low experience with weak leadership exposure	≤ 2 yrs / TL < 4.20	< 180,247.88

Note. TL = Transformational Leadership composite score. Tenure is measured in years of service. Sales figures are reported in Philippine pesos (PHP) and represent annual sales performance ranges. Performance zones were derived from the intersection of tenure categories (low: ≤ 2 yrs; moderate: 2.1–3.9 yrs; high: ≥ 4 yrs) and transformational leadership exposure thresholds.

Zone boundaries in Table 2 were derived by standardizing years of industry experience and transformational leadership exposure (with sales performance as a cross-check) into Z-scores and applying conventional standard-deviation bands (e.g., $Z \geq +1.5$, $+1.0 \leq Z < +1.5$, $0 \leq Z < +1.0$, $-1.0 \leq Z < 0$, and $Z < -1.0$) to define zone cutoffs, following the same Z-score standardization procedure used for the curvilinear self-efficacy analysis reported above. While this SD-banding approach is more distribution-sensitive than an arbitrary median or quartile split, it remains a researcher-defined categorical banding rather than an algorithmically derived clustering solution (e.g., k-means clustering or latent profile analysis). The Performance Zone Framework is therefore best characterized as an exploratory, theory- and distribution-informed classification scheme intended as a practitioner diagnostic heuristic, in the tradition of applied management typologies such as RFM (Recency, Frequency and Monetary) customer segmentation, rather than as a statistically validated typology. Future validation using cluster-analytic or latent-profile methods is recommended (see Limitations and Future Research).

Discussion of Findings

These results contribute to our understanding of financial advisor performance and retention in three important ways. Firstly, the curvilinear relationship between self-efficacy and sales performance indicates that excessive confidence in one's ability can negatively affect sales. This challenges the conventional wisdom about performance and underscores the Dunning-Kruger effect (Dunning, 2011). The relationship observed here mirrors that reported by Bachrach et al. (2023) and Çetin and Aşkun (2018). It explores the same concept within the Philippine insurance industry, but using company-verified sales numbers rather than self-reported measures.

Second, the findings have practical implications for the design of effective advisor training and development. As psychological resources predict intent to stay among new advisors, stress management training benefits from these findings. Consistent with previous research, strong initial self-efficacy predicted longer tenure and intent to stay, yet self-efficacy declined as advisors accumulated years of experience. These findings suggest career-stage-based leadership development rather than the standard one-size-fits-all approach currently practiced in the industry (McLean & Sisley, 2018). Future interventions should draw on the sales management literature, in which the unit manager functions as a developmental coach, yet whose efforts have diminishing returns as salespeople experience higher levels (Peng et al., 2020).

Third, the research proposes a three-dimensional Performance Zone Framework that delineates six zones in which professional salespersons operate over time. While self-efficacy partially mediated the leadership–intention-to-stay relationship, optimism was strongly predicted by transformational leadership and, in turn, robustly predicted intention to stay directly; formal mediation testing of the optimism pathway was conducted only for the leadership–sales performance link, where it was not significant. Together, these results imply that transformational leaders build advisors' psychological resources—particularly the confidence and positive outlook needed to persist in a demanding, commission-based environment—primarily through pathways that support retention rather than sales performance.

The model fit index (GOF) for the structural model was 0.565. The intent to stay, as explained by life insurance advisors, accounted for about 43% of the variance. Using valid psychological measures alongside relevant work outcomes and integrating data from corporate databases addresses the common method bias inherent in most advisor research. The framework can be likened to current positive organizational psychology perspectives, especially those that focus on calibration rather than the optimization of organizational resources (Bachrach et al., 2023) and on predictors of employees' intended duration with their organization (Jancenelle, 2023). In human resource management, employee engagement and employee development require a tailored approach rather than a standardized strategy (Hom & Kiazad, 2025). Moreover, the findings may have implications for customer service, where insurance specialists can learn how to sustain service quality over time (van Rossenberg et al., 2022).

Conclusion

The study examines the impact of transformational leadership, optimism, and self-efficacy on the sales performance and intention to stay of financial service providers. The sample consisted of 138 financial advisers from three of the largest Philippine life insurance companies. A survey on transformational leadership, optimism, and self-efficacy was used as the independent variables, with firms' sales performance data as the dependent variable. Partial least squares structural equation modeling (PLS-SEM) was employed with WarpPLS™ to test the proposed mediation-moderation model. The findings reveal that transformational leadership positively predicts optimism and self-efficacy among financial service

providers; however, its effects on sales success and intention to stay are relatively small. While optimism positively predicts intention to stay, it does not predict sales performance. Self-efficacy exhibits an inverted U-shaped relationship with sales performance: as self-efficacy increases, sales performance initially rises but levels off or declines above a certain threshold. Years of experience have a much greater impact on the performance of experienced sales managers than on salespeople's self-efficacy regarding those managers. However, the use of calibrated confidence levels rather than maximal confidence and the tailoring of a manager's approach to the salesperson's career stage continue to be important for retaining and driving salespeople's performance in commission-based sales. Years of experience amplify the performance results of experienced managers, while they diminish salesperson self-efficacy. However, the manager's confidence levels and approach to the salesperson's performance still need to be calibrated and tailored to the salesperson's career stage. The three-dimensional Performance Zone Framework provides a structure for describing six segments or zones within a Performance Zone and explains the types of interventions appropriate for each segment. The model is supported by substantial data and the endorsement of senior executives at two of the largest life and health insurance companies in the Philippines.

Limitations and Future Research

However, there are several limitations in this study. First, the sample consisted only of life insurance advisors in Metro Manila, limiting generalizability to other regions of the Philippines and other emerging market countries. Moreover, the study has a cross-sectional design, which precludes causal inferences about the effects of psychological resources. A longitudinal approach would enable the researcher to observe the increase and decrease in these resources over the career span of an insurance salesperson. Further, although the number of participants in the study was adequate for applying the WarpPLS™ method of Kock and Hadaya (2018), which uses gamma-exponential distributions, it is actually less than would be required under an inverse-square-root distribution. Future replications should include more cases. The company-verified sales records provided strong assurance of the quality of the dependent variable; however, the measures of the predictors were all provided by the advisors themselves, who may have reported on less flattering aspects of themselves less accurately than on more positive ones.

Additionally, the turning point identified in the curvilinear self-efficacy–sales performance relationship was derived through graphical inspection of the fitted quadratic curve rather than through a formal statistical test of inflection-point significance (e.g., Lind & Mehlum, 2010); future studies should apply such formal tests to confirm the statistical significance and precise location of the turning point. Similarly, the six-zone Performance Zone Framework was constructed using Z-score standardization with standard-deviation-based categorical banding rather than data-driven cluster derivation; future research employing k-means clustering or latent profile analysis would strengthen the framework's psychometric validation.

There are several potential paths for future research. First, this study could be replicated in other rapidly growing life and health insurance markets in emerging economies, such as Indonesia, Vietnam, and Thailand. Although the general principles of the Performance Zone Framework and the curvilinear self-efficacy pattern are very likely to transcend cultures, further study in different contexts would test the limits of generalizability. Moreover, the Performance Zone Framework and the model of self-efficacy's effects could be applied to other commission-based industries, such as real estate, pharmaceutical sales, automotive sales, and banking, since these industries share similar variables, including income volatility, exposure to rejection, and self-directed prospecting for clients. Third, the model would be strengthened by a longitudinal design, which would allow researchers to follow advisors over time as they move through the Performance Zones and identify the reasons they move from one to another. Finally, it would be useful to investigate whether the curvilinear and moderating effects found in this study are unique to transformational leadership or generalize to other servant, authentic, and transactional leadership styles, given that many insurance salespeople are transactional in style and also have a life and health insurance practice.

Practical Implications

For practitioners, the study suggests a shift away from uniform agent development programs and toward customized, zone-matched interventions that account for both psychological preparedness and career stage. Insurance firms are encouraged to integrate the Performance Zone Framework, understood as an exploratory diagnostic heuristic rather than a validated psychometric typology, into their CRM and HRIS systems to enable real-time zone classification, attrition-risk monitoring, and targeted intervention deployment. Such an approach has the potential to minimize the seven-month turnover rate that has long plagued the Philippine

insurance market while also increasing the productivity of advisors who stay.

Disclosure on the Use of Generative AI

To fulfill the transparency requirements of this journal, the author reports the use of generative AI in this paper's development: AI was used for language editing, grammar correction, and sentence improvement, and for generating structural and curvilinear visualization figures from the author's existing datasets. The author developed the rest of the research design, data collection, analysis, interpretation, results, and conclusions. The author reviewed all the AI-suggested changes and takes full responsibility for the content of the final document. None of the AI tools were used to generate original research data, testable hypotheses, or new theoretical frameworks.

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