

## HOW CAN AUTHENTIC LEADERS CREATE ORGANIZATIONAL IDENTIFICATION? AN EMPIRICAL STUDY ON TURKISH EMPLOYEES

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This research presents the empirical results of a study exploring the relationships between the concepts of *transactional* and *authentic leadership*, *trust in leader* and *organizational identification*. The sample used in the analysis (N = 232) was taken in Turkish companies that abide by *corporate governance* rules. The results of the study indicate that transactional leadership has a positive relation with trust in leader and that this relationship is *moderated* by authentic leadership. Furthermore, trust in leader, as a *full mediator*, develops organizational identification among followers. The results also identify authentic transactional leadership behaviors that promote followers' trust for their leaders and thus help to develop organizational identification. Implications and directions of future research are discussed at the end of the paper.

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**T**oday's businesses realize more and more that maintaining and developing the continuous potential of companies' workforces has become key to remaining competitive. Hence, they focus more on their employees. Grojean and Thomas (2005) suggest that the result of employee-focused efforts is the establishment of employee identification with the organization, which is referred to as organizational identification (OI) in the field of organizational behavior. OI has many benefits both for the employees and for the organization. It motivates employees to focus more on tasks that benefit the organization rather than on purely self-directed goals (Kitapçı, Çakar, & Sezen, 2005). Evidence indeed shows that people who identify themselves with an organization are more likely to behave in the best interest of the organization (e.g. De Cremer & Van Knippenberg, 2002; Kitapçı et al., 2005; Riketta, 2005). OI also decreases the incentive to leave and increases extra role behavior, job and organizational satisfaction, and job involvement (Riketta, 2005). All of these are concepts that employees can hardly experience in today's era of intense competition and ethical misconduct.

Due to its positive outcomes on employee behaviors and attitudes, understanding and analyzing OI of organizational members became one of the main topics for researchers in organizational behavior (Lane & Scott, 2007). The research in this field has usually concentrated on organizational and individual factors that develop OI (Mael & Ashforth, 1992; Riketta, 2005).

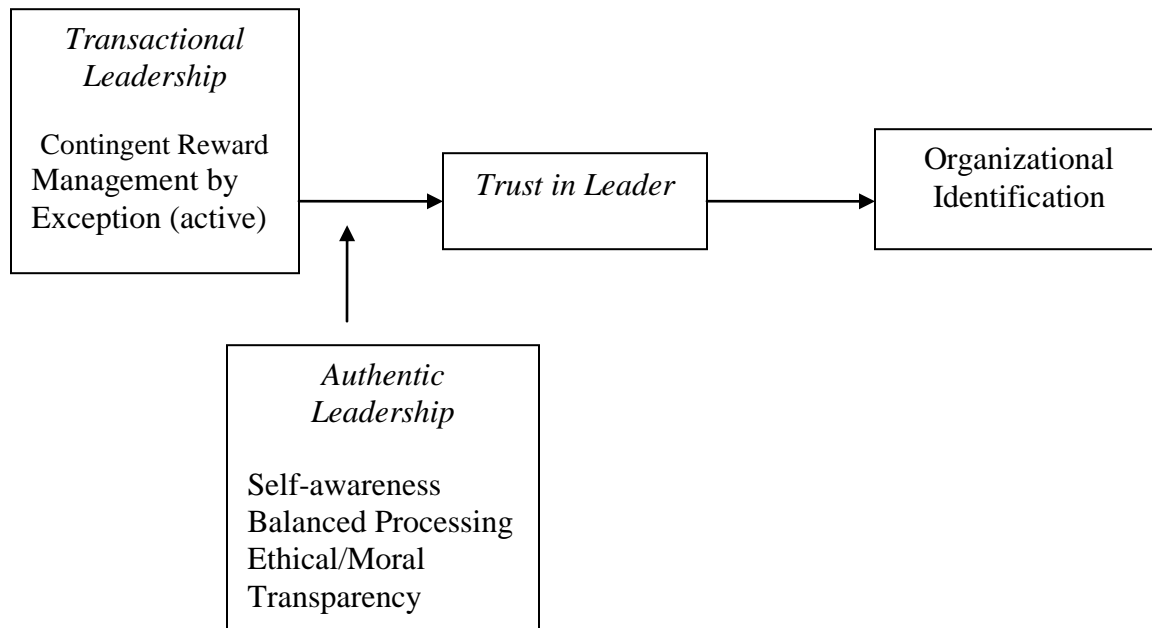
Also, the present study concentrates on one of the factors that might develop OI (i.e. leadership behaviors), but beyond that, it tries to explore *how* leaders can develop OI in followers. Researchers have often argued that leaders influence OI because of their impact on the followers' self-concepts (e.g. Mael & Ashforth, 1992; Lord & Brown, 2004). However, exactly what it is that makes leaders so influential on followers remains unknown. The aim of this study is to answer this question. It examines if transactional leaders create OI through building trust on their followers and tries to explore whether the influence of transactional leadership will be stronger on trust in leader when the leader is also authentic in his/her nature.

## Theoretical Background and Hypotheses

### Conceptual Model

This study assumes that authentic leadership behaviors moderate the relationship between transactional leadership behaviors and trust in leader, which in turn develops organizational identification for followers as exhibited in Figure 1. In other words, the study explores the moderating effect of authentic leadership between transactional leadership and trust in leader and also analyzes the mediating effect of trust in leader between transactional leader behaviors and OI.

Figure 1: The Conceptual Model



### Trust in Leader

Boe (2002) defines trust as “to have implicit faith in; to be confident and confined in a person or a thing” (p. 14). In terms of trust in leader, the faith and confidence Boe describes is directed at the leader. In order to clarify this concept, it is better to present some of the definitions of interpersonal trust, of which trust in leader a variant.

Nyhan and Marlowe (1997) define interpersonal trust as “*the level of confidence that one individual has in another's competence and his or her willingness to act in a fair, ethical, and predictable manner*” (p. 616). Whitener, Brodt, Korsgaard and Werner (1998) also give a similar definition of interpersonal trust: “*the expectation or belief that the other party will act benevolently and one can not control or force the other party to fulfill this expectation*” (p. 513). Mayer, Davis and Schoorman (1995) define interpersonal trust as “*the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party*” (p. 712). According to these definitions, trustors have voluntary vulnerability in a trust relationship because of the confidence they have in the trustee. Mayer and Gavin (2005) state that, in vulnerability, a certain level of risk taking is inherent. People in organizations often work interdependently. In other words, they depend on each other to achieve organizational and personal goals. Taking risks by trusting someone becomes especially crucial in such situations where dependency exists.

Borgen (2001) characterizes successful corporations as having effective social bonds featured by trust. Among these social bonds, the bond between the leader and followers is undoubtedly the most pivotal one, as the followers are very often vulnerable to their leaders' actions. They let or sometimes have to let their leaders decide over important things that affect them in the workplace. However, when they lack trust in their leaders, they might focus on self-protection and cover their backs, which will make them dedicate less time and energy to contributing to the organizational goals. In short, trust provides a mechanism for enabling employees to work together more effectively (Clark & Payne, 1997). The definitions of interpersonal trust given above also describe the characteristics of the parties in trust relationships (i.e. being dependable, fair, ethical, truthful and benevolent). The importance of these characteristics is relevant to this study and will be explored in the section about authentic leaders.

Research on organizational and individual outcomes of trust in leader presents very important results for the efficiency of organizations. Watsi, Tan, Brower, and Önder (2007) claim that, when the leader is viewed as trustworthy, subordinates will be motivated to have higher organizational outcomes such as performance, satisfaction, and lower turnover rates. This, in turn, also contributes to the leader's perceived effectiveness. Ertürk (2006), in his research conducted on Turkish academics, concludes that trust in supervisor is a mediator between organizational justice and organizational citizenship behavior (OCB) and also between organizational trust and OCB. He further concludes that people will engage in OCB because they have trust in their managers or leaders who look after them like a family. Research done by Yoon and Suh (2003) on call center employees' OCB levels in Korean travel agencies also confirms this finding. The research showed that, when employees believe their managers are trustworthy, employees tend to spend more time and energy on OCB. Employees do this, for example, by helping others, which, in turn, increases the quality of the service operations. Perry and Mankin (2007) have examined the relationships between managerial trust, organizational trust, and work satisfaction. The study is done in two different work environments: a municipal fire department and a manufacturing firm with opposing levels of trust, the former with high and the latter with low levels. Perry et al. (2007) did not find a correlation between managerial and organizational trust. They suggested that employee trust in the chief executive can be independent of trust in the organization or that trust in leader does not necessarily create organizational trust. However, interestingly, the link between organizational and managerial trust was found to be work

satisfaction. Work satisfaction seemed to reach its highest level when managerial trust is high. Furthermore, Dirks and Ferrin (2002) reported a meta-analysis that analyzes 106 studies exploring the relationships between trust in leader and 23 different constructs. They found significant and strong relationships between trust in leader and organizational commitment on the one hand, belief in the information provided by the leader and satisfaction with the leader on the other.

### **Transactional Leadership**

Goodwin, Wofford, and Whittington (2001) define transactional leaders as *“those who focus on the motivation of followers through rewards or discipline, clarifying for their followers the kinds of rewards that should be expected for various behaviors”* (p. 759). Egri and Herman (2000) suggest that the main concern of transactional leaders is the accomplishment of the subordinates’ task performance in terms of meeting organizational goals and objectives. Leaders make their followers reach these goals by providing them with contingent rewards. In simpler terms, transactional leaders give followers something they want in exchange for something the leaders want (Kuhnert & Lewis, 1987). Hence, the behaviors of transactional leaders can be seen as an exchange process of implicit bargaining (Den Hartog, Van Muijen, & Koopman, 1997) between the leader and the follower, based on their contractual obligations (Antonakis, Avolio, & Sivasubramaniam 2003). Therefore, effective transactional leaders must regularly fulfill the expectations of their followers (Kuhnert & Lewis, 1987) if they want their followers to contribute to the organizational goals. However, although transactional leadership is important for followers’ performances, it might not be enough to motivate them. Keeley (1995) claims that organizations would turn into mere marketplaces for self-serving transactions, if there was only the transactional leadership style in the workplace, since there would be no one to transform the organizations. As a result, organizations would not be able to get rid of the status quo, the bureaucracy, and traditions. In order to achieve this, an organization needs transformational leaders, according to Keeley. However, this does not imply that transactional and transformational leaders are necessarily mutually exclusive. Bass (1985) claims that both leadership styles can be observed in the same leader. In fact, he claims that, if transformational leadership is based on transactional leadership, the effect of the latter will be higher. Parallel to this view, Bass & Steidlmeier (1999) also affirm that transactional and transformational leadership are interrelated and the best type of leadership emerges when they are used together.

**The relationship between transactional leadership and trust in leader.** This study proposes that transactional leaders instill trust in their followers. The reason for this assumed relationship is related to the characteristics of the trustee defined by Mayer et al. (1995). These are namely, *ability*, *integrity* and *benevolence* of the trustee. Thus, leaders can create trust in their followers by exhibiting these characteristics. Integrity and benevolence are two of the main characteristics of authentic leaders, which will be explained in more detail in the following section. Ability, on the other hand, although it should probably be inherent in every type of leader, is one of the main requirements when selecting a transactional leader. Mayer et al. define ability as *“the group of skills, competencies, and characteristics that enable a party to have influence within some specific domain”* (p. 717). They include ‘specific domain’ in their definition, because the trustee might be competent in some technical area, but may have little aptitude, training, or experience in a more interpersonal area, like interpersonal communication.

In this case, the trustee might be trusted in terms of his competence to do the analytical tasks, but s/he might not be trusted in terms of initiating contact with an important customer (Mayer et al., 1995). Indeed, transactional leaders might develop trust on their followers by exhibiting different abilities. For instance, Kuhnert and Lewis (1987) suggest that the most required ability for a transactional leader is the leader's *ability* to meet and respond to the reactions and changing expectations of their followers. Bass and Bass (2008), on the other hand, suggest that the task *ability* of transactional leaders is one of the most important ones. Furthermore, their *abilities* to actively set standards for followers, to create an enabling structure (by designing of the work and resource allocation, core norms of conduct), and to set functional norms (Avolio & Bass, 2004) are also some other types of abilities that are commonly looked for in transactional leaders. Hence, based on Mayer et al.'s findings, it can be stated that all these required abilities of transactional leaders in different domains might develop trust on the followers.

Transactional leaders are more likely to create trust on followers when they are given limited power in the workplace. According to Burns (1978), there are two types of exchanges between the leader and the follower: lower- and higher-order transactions. Lower-order ones are salary increases, bonuses, and promotion, and they depend upon the leaders' control of resources (Yukl, 1981). If providing these rewards is not under the leader's direct control, the leader's bargaining power is diminished. In such situations, providing higher-order transactions, like non-tangible rewards (i.e. respect, recognition and *trust*), might be one of the only options to maintain followers' performance (Kuhnert & Lewis, 1987). In short, a transactional leader is inclined to create trust in the followers to motivate them and to actualize contractual obligations, when his/her power on lower order transactions is restricted.

Dirks and Ferrin (2002) confirmed in their meta-analysis that there is a positive relationship between transactional leadership and trust in leader ( $r = .50$ ). However, the studies they included in this meta-analysis have mainly been conducted in Western cultures. Whether or not transactional leaders create trust in their followers in a Turkish context still remains unknown. It is one of the aims of this study to explore this question. Therefore, following hypothesis is posed:

H<sub>1</sub>: Transactional leadership is positively related to trust in leader.

### **Authentic Leadership and its Moderating Role**

Authentic leadership comes from 'authenticity,' a word etymologically rooted in Greek philosophy, meaning 'to thine own self to be true' (Avolio & Gardner, 2005). Hence, Gardner & Schermerhorn (2004) explain authenticity as saying what one is really thinking and feeling, and then behaving accordingly. Therefore, authentic individuals achieve higher congruence between ideal and actual selves. Authentic leaders demonstrate transparent decision making, confidence, optimism, hope, resilience, and consistency between words and deeds. They have transparent intentions, recognize their own weaknesses, and achieve their authenticity by being aware of and accepting themselves. They are in touch with their emotions and their effects on themselves and on others.

This study poses that some of the characteristics of authentic leaders, like integrity, consistency (Whitener et al., 1998), fairness, accountability, and honesty (Gardner, Avolio, Luthans, May, & Walumbwa 2005) might increase the level of trust followers have in their transactional leaders, if their leaders also embrace these characteristics. For instance,

transactional leaders motivate followers based on contingent rewards. If transactional leaders are at the same time authentic in their natures, they will be more likely to have *integrity*—another dimension of trust defined by Mayer et al. (1995)—and to be *consistent* with providing appropriate and on-time rewards and recognitions. This consequently makes them more likely to be trusted (Jung & Avolio, 2000). Integrity refers to “*the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable*” (Mayer et al., 1995, p. 717). Mayer et al. (1995) give some examples for integrity, such as consistency of the party's past actions, credible communications about the trustee from other parties, belief that the trustee has a strong sense of justice, and the extent to which the party's actions are congruent with his or her words. Such behaviors match quite extensively with the definition of an authentic person as it was described in the previous paragraph.

Transactional leaders, who are also authentic in their natures, will display justice in their behaviors. Justice creates a supportive context which is necessary for *benevolence* (Burke, Sims, Lazzara, & Salas, 2007) which is one of the three dimensions of trust found by Mayer et al. (1995). In such contexts, ambiguity is reduced, consistency is promoted, and fairness is perceived. This which, in turn, makes the leader seem benevolent. Mayer et al. (1995) define benevolence as “*the extent to which a trustee is believed to want to do good to the trustor*” (p. 718) and “*it is the perception of a positive orientation of the trustee toward the trustor*” (p. 719). Dirks and Ferrin (2002) also claim that transactional leaders create more trust on their followers when they place less emphasis on the exchange relationship based on contract, but more emphasis on ensuring that they are perceived as having *integrity*, being dependable, and *fair*. Pillai, Schriesheim and Willams (1999) support this view and suggest that if interpersonal treatments to subordinates are perceived to be fair, subordinates' trust in leader will be enhanced.

In short, if a transactional leader is also authentic, followers will have stronger trust in him/her, because they are not only rewarded for their performance, but they are also rewarded fairly and consistently. Bass and Steidlmeier (1999), in fact, refer to this type of leaders in their theoretical work and label them as ‘authentic transactional leaders.’ In their study, transactional leaders' practices, like telling the truth, keeping promises, negotiating fairly, and allowing free choices, are considered as authentic, whereas bribes, nepotism, and abuse of authority are considered as inauthentic. Based on this information, it can be hypothesized that:

H<sub>2</sub>: Authentic leadership perceptions moderate the relationship between transactional leadership perceptions and trust in leader.

## Organizational Identification

Riketta (2005) suggests that all different definitions of OI in the literature refer to an individual's feeling of being a part of the organization, internalizing organizational values and/or feeling pride in his/her membership. OI can be considered as an overlap between the employees' image of the organization and the image of the self (Riketta & Van Dick, 2005), because people who have OI may see themselves as personifying with the organization (Kitapçı et al., 2005). In other words, via OI, the organization provides the individual with a sense of identity.

In the literature, several benefits of OI are discussed. OI, first of all, acts as an important precondition to having a high job satisfaction. Riketta (2005) presents a detailed meta-analysis of the research on OI. In this study, 96 different researches with 20,905 independent samples were analyzed. Occupational and work-unit attachment, job and organizational satisfaction, and job

involvement were correlated significantly and positively with OI. Furthermore, the intention to leave was moderately ( $r = -0.48$ ), significantly, and negatively related with OI, while in-role and extra role performance were weakly ( $r = .17$ ), but significantly, related with OI.

**Relation between trust in leader and OI: The mediating role of trust in leader.** There are some studies in the literature analyzing the relationship between trust in leader and many organizational and individual outcomes (e.g. Podsakoff, MacKenzie, Moorman & Fetter, 1990; Jung & Avolio, 2000). However, among those, studies which take OI as an outcome are very limited in number. In the study of Kitapçı et al. (2005), which was conducted on 133 middle level managers working in 35 manufacturing firms in Turkey, it was found that trust in supervisor has an effect on OI and that both trust and OI were negatively related to turnover intentions.

In the literature, there are even fewer studies in which trust in leader was specifically approached as a mediator between the leadership behaviors and OI. Nevertheless, it is possible to find some research exploring the mediating role of trust in leader between leader behaviors and some other organizational or individual outcomes, like organizational commitment, follower performance, and job satisfaction (e.g. Pillai et al., 1999; Podsakoff et al., 1990; Jung & Avolio, 2000). Although these studies do not directly explore OI as the main study concept, they prove that leader behaviors are usually related to positive work attitudes and behaviors, like performance, satisfaction, and OCB through trust in leader. It would then be logical to assume that OI, as another positive work attitude, might also be related to leader behaviors via trust in leader.

Specifically, transactional leaders design the work, allocate resources, set a clear direction, and provide necessary information about the roles, organizational values, and norms of the followers. When the followers trust their leaders, they will believe the information given to them and the direction set by the leader without question. Furthermore, they will clearly know what the organization stands for and what it means to be a member of it. This knowledge might make the follower identify him/herself with the organization, especially if the mission and values of the organization match with the followers' personality and value systems. Hence, it can be concluded that transactional leadership behaviors might develop OI and that this relationship could be mediated via trust in leader. Thus, the third hypothesis is:

H<sub>3</sub>: Transactional leadership is positively related to OI and this relationship is mediated by trust in leader.

## Method

### Sample Selection and Data Collection

Authentic leadership is a relatively new concept, which has not yet been tested well empirically. Its major characteristics are honesty, transparency, and consistency with one's self and others, as well as having both integrity and high ethical standards. Such leadership characteristics emerge only with difficulty and are hard to maintain in any type of organization. Even if the personality of the leader is authentic in his/her nature, fierce competition, internal and external pressures to be efficient, and low job security in the country might force leaders to adopt unethical and self-protecting leadership styles.

For this reason, this study chose organizations that have some control mechanisms on their leaders in order to reach leaders who are more likely to be authentic. Therefore, the organizations that were selected are those that apply *corporate governance* rules, by aiming to rule organizations in such a way that it brings benefits for all the stakeholders of the company and by requiring leaders to behave ethically and unconventionally.

In order to check the quality, efficiency, and reliability of the scales used in the main study, a pilot study was conducted at the end of March and at the beginning of April 2008 among the MBA students of the Business Administration Department at a private university in Turkey. 68 data were collected. Apart from the one of OI, all the other Cronbach alpha results<sup>1</sup> were proven to be satisfactory, which illustrated that there was a high consistency among the variables in the scales. The criticisms and no-responses to the 4<sup>th</sup> statement of OI showed that the relatively low Cronbach alpha coefficient was caused by this particular statement. Thus, it was revised so as to render it more readily understandable. In addition, some minor changes were applied to the wording of the other scales' items.

The main survey also took place in Turkey. It was distributed in three ways. Firstly, in two companies, accounting together for 29% of the respondents, data were collected in the traditional pen and paper way. Secondly, a soft copy of the survey was emailed to some of the respondents. Thirdly, due to the low response rate to the hard and soft copies, the survey was uploaded to a private survey website.

The respondents were 232 middle-level workers who were asked to rate their department managers between the months of May and October 2008. The exact number of leaders who were rated on hard and soft copy surveys is known (56 leaders), thanks to follow-up emails and face-to-face conversations. However, it is hard to know the exact number of leaders rated by those who answered the survey online, since the names of the companies and the leaders, as well as the email addresses of the respondents, were kept anonymous. Nevertheless, the respondents' answers to the demographic questions about their company, their sector, and their leaders' genders suggest that at least 40 different leaders were rated. Based on this, it seems that in total approximately 100 different leaders were evaluated. Gender wise, there was an almost equal number of female (117) and male (115) respondents taking part in the study. 48.7% of the respondents were aged between 20 and 30 and 39.7% between 31 and 40. Most participants (73.3%) had undergraduate degrees. There were slightly more single respondents (50.4%). Twenty percent of the respondents had been working with the same leader for a period of between 7-12 months and another 20% for about 13-24 months. Out of the five categories classifying people according to their total work experience, three had very similar results: 67 respondents had been working between 13-60 months (23.9%), 66 people between 61-120 months and 67 people between 121-244 months. The majority of the leaders rated were male (67.2%). A majority of respondents worked for companies operating in the service sector (53.9%), and most respondents worked in large companies with more than 500 (42.2%) employees. Finally, most of the respondents (30.6%) came from companies that had been operating in their respective sectors between 11 to 25 years.



## Measures

**Multifactor leadership questionnaire (MLQ).** Transactional leadership was measured with MLQ, initially developed by Bass (1985). After some modifications, its 2004 version was used for the study. There are basically two components to transactional leadership: contingent reward and management by exception. Each component has 3 items. Respondents completing the survey evaluated how frequently and to what degree they had observed their leaders engaging in 6 specific behaviors. However, due to low reliability test results (0.557), the second component was eliminated after the factor analysis and transactional leadership was only represented by the 'contingent reward' factor in further analyses. *Contingent reward* refers to providing followers with material and psychological rewards based on contractual obligations and to the efforts spent to achieve a certain performance level. A five-point Likert scale (ranging from 1- Strongly Disagree to 5 - Strongly Agree) rating the frequency of observed leader behaviors was used in the study.

**Authentic leadership questionnaire (ALQ).** It was developed by Gardner et al. (2005) and has 4 components. *Self-awareness (SA)* refers to being able to "understand own talents, strengths, sense of purpose, core values, beliefs and desires" (Avolio & Gardner, 2005, pp. 324). *Balanced Processing (BP)* refers to the unbiased collection and interpretation of self-related information and both negative and positive trigger events in the leader's life. An authentic leader does not exaggerate nor ignore the reality. Authentic behaviors are guided by the values, emotions, beliefs, thoughts, and feelings of the leader, and not by external pressures or contingencies. *Relational Transparency (RT)* indicates that the leader displays trust, openness and self-disclosure in his/her relationships. The *Ethical/Moral (E/M)* dimension refers to the degree to which the leader sets a high standard for moral and ethical conduct by his/her own decisions and behaviors. Self-awareness and ethical/moral dimensions are each composed of 4 items, relational transparency of 5 and balanced processing of 3. Thus, in total, there were 16 ALQ items.

**Organizational trust inventory (OTI).** The 8-item OTI scale, developed by Nyhan and Marlowe in 1997, was used to measure the trust levels between the employee and the supervisor.

**Organizational identification.** It was measured by the use of the 6-item Mael and Ashforth scale, developed in 1992. In total, 36 items and 10 demographic questions were utilized for this survey. The reliability test results of contingent reward, ALQ, the trust inventory, and OI were found to be 0.706, 0.901, 0.949, and 0.76 respectively and are thus considered to be high (Hair, Anderson, Tatham, & Black, 2006). The survey was conducted in Turkish. All the scales were translated by the author and backtranslated by an independent translation firm. Subsequently, the author and two other scholars in the field of organizational behavior, one of whom is bilingual (English-Turkish), compared and worked on the two translations until it was agreed that the English and Turkish versions were equivalent in meaning. The same procedure was followed for the translation of ALQ. In this case, however, instead of using a group of expert scholars, the author of the scale, Prof. Bruce Avolio, was contacted directly by email to check the backtranslation. According to Prof. Avolio, 3 statements out of 16 posed some minor problems, which were duly addressed. The scale took its final form when Prof. Avolio approved all the statements after receiving clarification about each statement and after being presented with 3

options for each translation. As the scale had not been translated into Turkish before, Prof. Avolio also asked the author to send the Turkish version and the English backtranslation to the publisher of ALQ, so it could be included in the database for future use by other researchers.

## Results

Apart from the reliability tests, KMO test and Bartlett's test of sphericity were applied at the beginning of each factor test in order to calculate if the data were appropriate for the factor analysis (Sipahi, Yurtkoru, & Çinko, 2006). For all the data, the KMO results were high<sup>2</sup>, Bartlett's tests were significant and Cronbach alpha results gave high consistencies<sup>3</sup>. The factor analysis for transactional leadership (contingent reward), OI and trust in leader gave a one-component solution, and the factor analysis for authentic leadership a four-component one. Although the composition of the items for authentic leadership was not totally identical to the original composition of the items defined by Gardner et al. (2005), there was a considerable match between them, so it was even possible to label each factor with its original name<sup>4</sup>. Also, Cronbach's Alpha was calculated for each factor of authentic leadership. The first three factors provided high consistencies (0.82, 0.7, 0.845 respectively), while the reliability of the fourth factor was found to be lower (0.687), but still acceptable (Hair et al. 2006).

## Hypotheses Testing

H<sub>1</sub>: Transactional leadership is positively related to trust in leader.

A simple regression analysis for this hypothesis exhibits that there is a significant, positive, and strong relation ( $r = 0.66$ ;  $p = 0,00$ ) between transactional leadership and trust in leader and that transactional leadership can explain 44% of trust in leader. Thus, *H1 is supported* (Table 1).

Table 1: Regression Results between Transactional Leadership and Trust in Leader ( $N = 232$ )

Independent Variable	<i>B</i>	<i>SE B</i>	$\beta$
Transactional Leadership	.641	0.47	.668**

Note.  $R^2 = .446$  ( $p < .01$ ).

\*\* $p < .01$ .

H<sub>2</sub>: Authentic leadership moderates the relationship between transactional leadership and trust in leader.

Before testing this hypothesis, a collinearity test between the two leadership styles was performed to look for a potential correlation between them. For this purpose, the *systematic way* defined by Hair et al. (2006) was followed. The results illustrated that there was no collinearity between transactional and authentic leadership. Hence, they could be considered as two different concepts.

The moderating role of authentic leadership was tested with a step-wise regression analysis to see whether the effect of transactional leadership on trust in leader changes when it interacts with authentic leadership. Before the regression analysis, the distributions of the

independent variable (transactional leadership) and the moderator (authentic leadership) were examined to decide how the variables should be centered. Centralizing the independent and moderating variable was necessary to avoid an increase in the standard error of beta coefficients that prevents possible significant relationships. The variables did not have normal distributions. Therefore, in order to centralize the variables, their standard deviations were divided by their median values, after which the result was extracted from the variables. These centralized variables were multiplied with each other in order to find their interaction terms. Finally, the dependent variable (trust in leader) was regressed on the centered independent variable, the centered moderator and their interaction terms, which were then entered into the analysis separately and in successive steps. According to the results exhibited in Table 2,  $\Delta R^2$  for all three models, also the interaction term in the third model, is found to be significant. This means that authentic leadership does have a moderating role between transactional leadership and trust in leader. However,  $\Delta R^2$  is only 0.01 for the third model, where the interaction term is, and this means that the explanatory power of the moderator was low and authentic leadership as a moderator explains 1.1% of the trust in leader variance. Thus, based on these findings, *H2 is supported*.

H<sub>3</sub>: Transactional leadership is positively related to OI and this relationship is mediated by trust in leader.

For the first part of the hypothesis, the Pearson Analysis was performed and the results showed that there is a significant, positive, but somewhat moderate relation ( $r=0.269$ ;  $p=0,00$ ) between trust in leader and OI. For the mediation effect, the steps proposed by Baron and Kenny (1986) were followed. *Step (1)* establishes that the dependent variable (DV) is significantly correlated with the independent variable (IV). The DV is regressed on the IV to estimate and test the path (c) between them. This establishes that there is an effect to be mediated. *Step (2)* establishes that the IV is significantly correlated with the mediating variable (MV).

Table 2: Step-wise Regression Analysis of Authentic Leadership (as the moderator) and Transactional Leadership on Trust in Leader

Constructs	<i>B</i>	<i>SE B</i>	$\beta$
<b>Step 1</b>			
Constant	4.276	.049	
Transactional Leadership	.627	.048	.672***
<b>Step 2</b>			
Constant	5.383	.134	
Transactional Leadership	.284	.057	.304***
Authentic Leadership	.658	.076	.531***
<b>Step 3</b>			
Constant	5.227	.147	
Transactional Leadership	.019	.121	.021
Authentic Leadership	.558	.085	.450***

Transact.*Authent	-.125	.051	-.361*
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Note.  $R^2 = 0.452$  for Step 1:  $\Delta R^2 = 0.147$  for Step 2:  $\Delta R^2 = 0.011$  for Step 3. \*  $p < .05$ , \*\*\*  $p < .001$

Subsequently, the MV is also regressed on the IV to estimate and test the path (a) between them. Step (3) establishes that the MV affects the DV. It is not sufficient just to correlate the MV with the DV because the mediator and the outcome may only be related because of the joint influence of the IV. Therefore, the IV must be controlled in establishing the effect of the MV on the DV (path b). The DV is regressed both on the IV and MV simultaneously in order to estimate and test path b. Step (4) determines whether the MV completely mediates the relationship between the IV and the DV. In order to establish this, the effect of the IV on the DV, while the MV is controlled (path c), should be zero. The effects in both steps three and four are estimated in the same equation. Table 3 exhibits the results for each of these steps. It shows that transactional leadership can explain 44% of trust in leader. Thus, both concepts have a positive and significant relationship with each other. In addition, transactional leadership also has a positive, significant, but weak relationship with OI. When OI was regressed on both transactional leadership and trust in leader, the beta coefficient of transactional leadership went down to .127 in the third regression analysis from .250 in the second. Furthermore, it became insignificant. This supports the assumption that transactional leadership does not have any effect on OI when trust in leader is controlled. Although the explanatory power of trust in leader on OI is low, it has a fully mediating role between transactional leadership and OI.

An additional mediation (SOBEL) test was done to verify the previous regression analyses for H3 by applying an interactive calculation tool for mediation tests, which was created by Preacher and Leonardelli (2001). The SOBEL test calculates the critical ratio to understand whether the indirect effect of the IV on the DV via the mediator is significantly different from zero. The SOBEL test coefficient ( $Z = 2.132$ ,  $p < .05$ ) confirmed that the association between transactional leadership and OI was mediated by trust in leader. Therefore,  $H_3$  is supported.

## Results and Discussions

First, the results of the study indicate that all the transactional leadership behaviors that were included in the analysis influence trust in leader. This illustrates that rewarding employees based on their efforts, performance level, and contractual obligations causes followers to develop trust in their leaders. Specifically, trust is created by behaviors such as assisting followers in exchange for their efforts, expressing satisfaction when the followers meet expectations, and making clear what followers can expect to receive when performance goals are achieved. The reason that these behaviors create trust can be linked to benevolence, one of the trust dimensions defined by Mayer et al. (1995). By considering the individual needs of their followers, transactional leaders act *benevolently*. The results that were obtained support the study of Dirks and Ferrin (2002), who reported a significant relation ( $r = 0.50$ ) between transactional leaders and trust in leader. However, the correlation between these two concepts in the present study is stronger ( $r=0.66$ ). This might be due to cultural differences (American vs. Turkish) between the respondents in both studies or it could be explained by the fact that transactional leadership is only represented by 'contingent reward' in the current study. The findings that were obtained equally confirm the study of Gillispie and Mann (2000), who found a significant relation between contingent rewards and trust in leader.

Second, the regression analyses illustrate that authentic leadership does have a moderating role between transactional leadership and trust in leader. In other words, followers will trust transactional leaders more if they also possess authentic leadership characteristics. The reason for this is that such leaders will be consistent in providing both material and psychological rewards and recognition. Furthermore, they will execute contracts fairly and reliably. Such behaviors will increase the trust followers have in their leaders (Whitener et al., 1998; Jung & Avolio, 2000). However, the explanatory power of authentic leadership is found to be low ( $\Delta R^2 = 0.011$ ), which means that the moderating effect authentic leadership has on the relationship between transactional leadership and trust in leader is not high. This means that the respondents have trust in their transactional leaders, because they provide them with help and recognition in exchange for their efforts and because the leaders in question clarify the expectations when performance goals are reached. Whether the leader is ethical, fair, honest and/or transparent, while displaying these behaviors, changes the respondents' trust levels only slightly. Nevertheless, the results support the view of Jensen and Luthans (2006), who suggest that employees' work-related attitudes could be impacted positively, if their leaders are seen as authentic.

Table 3: Multiple Regression Models Testing the Transactional Leadership - Trust in Leader - OI Chain

	<i>B</i>	<i>SE B</i>	$\beta$
<b>1<sup>st</sup> Regression</b> (OI is regressed on transactional leadership)			
Constant	3.050	.185	
Transactional Leadership	.194	.050	.250***
<b>2<sup>nd</sup> Regression</b> (trust in leader is regressed on transactional leadership)			
Constant	1.650	.175	
Transactional Leadership	.641	.047	.668***
<b>3<sup>rd</sup> Regression</b> (OI is regressed on both transactional leadership and trust in leader)			
Constant	2.803	.162	
Transactional Leadership	.908	.134	.127
Trust in Leader	.149	.094	.185*
<b>SOBEL Test</b>		<b>Z = 2.132</b>	<b>P &lt; .05</b>

Note.  $R^2 = 0.446$  for the First Regression,  $\Delta R^2 = 0.063$  for the Second Regression,  $\Delta R^2 = 0.081$  for the Third Regression. \*  $p < .05$ , \*\*\*  $p < .001$

Third, the results show that transactional leadership has a low explanatory power on OI. This could be due to the fact that there are many factors other than leadership behaviors affecting OI. For instance, Ricketta (2005), in his meta-analysis, found that organizational tenure, age, and job level are the antecedents to OI. In addition, Mael and Ashforth (1992) distinguish between organizational antecedents to OI (e.g., organizational distinctiveness, organizational prestige and intraorganizational competition) and individual antecedents (e.g., tenure, satisfaction with the organization, and sentimentality). Nevertheless, trust in leader develops OI of followers albeit weakly ( $\Delta R^2 = 0.006$ ). Epitropaki and Martin (2005) point out that transactional leaders usually follow the existing system, avoid risk, and clarify the performance expectations and tasks for the followers. By providing necessary information about the followers' roles, organizational values, and norms, transactional leaders help followers to be more involved in their work and the organization, which, in turn, levels up their OI. However, since transactional leaders concentrate mainly on goals and rewards rather than on providing information, the effect they have on OI might not be very high. Parallel to this view, Mignonac, Herrbach and Guerrero (2006) suggest that, in today's business world, the relationship between employer and employee became transactional rather than relational, which causes identification to be lost easily. The exchange and contractual process between the leader and the follower in transactional leadership does not necessarily aim to change the follower's personal values or to develop identification, a deep sense of trust and commitment or strong emotional attachment to the leader (Jung & Avolio, 2000). A transactional leader works on the current needs of followers and satisfies those needs once the pre-determined performance goals are reached. Hence, this contractual exchange between the leader and the follower may not necessarily have a big impact on the followers' OI levels.

Fourth, one of the most important findings of this study is the fully-mediating role of trust in leader between transactional leadership behaviors and OI. Although the explanatory power of trust in leader on OI is low ( $R^2 = 0.08$ ), the fully-mediating role of trust in leader between transactional leadership and OI shows that transactional leaders facilitate the perceptions of trust in leader, which consequently makes followers identify with the organization. A possible explanation for this, as has been explained in this study before, might be the link between transactional leadership actions and the *ability* dimension of trust. The transactional leader's ability to design the work and clarify the expectations and roles, as well as his ability to introduce the organizational norms and values to followers effectively, positively affects followers' trust in their leaders. Thus, followers who trust their leaders also believe in the information the leader provides about their work and the organization. This might make them more involved with what they do and more attached to their organization. Moreover, it might cause followers to identify with the organization. The fact that trust in leader fully mediates this relationship shows that there is only one condition for a transactional leader to create OI, which is to build followers' trust for him/her. The previous analyses confirm that leader behaviors do not have a big impact on OI and it seems that the limited effect of transactional leadership on OI occurs *only* when the leader is trusted. Furthermore, if the leader possesses authentic leadership characteristics, this relationship will be even stronger.

### **Managerial Implications**

The study shows that trust in leader is a very important concept that contributes to the efficiency and effectiveness of the organization, because it has an influence on many

organizational and individual outcomes, such as performance, satisfaction, turnover rates, and OCB (e.g., Watsi, et al., 2007; Ertürk, 2006). Leaders who realize this importance will try to adopt strategies that develop trust, and the present research might help them to define these strategies by pointing out specific trust-building behaviors. Accordingly, leaders who want to foster a relationship of trust with the employees can learn a lot from the transactional leadership style. They will achieve this goal by recognizing employees when they meet expectations, offering help to them, and clarifying what followers can expect to receive when performance goals are achieved. This last point deserves special attention, especially in countries where job opportunities are limited and economic instability forces people to choose jobs with stable financial returns.

As far as the authentic leadership style is concerned, the positive elements that a manager wanting to create trust among his employees can distill from this leadership style are transparency, self-awareness, and balanced processing. This means that a manager should be aware of how her/his actions impact others and should know when it is time to re-evaluate his/her positions, if s/he strives to create trust. Transparent behaviors, like displaying emotions in line with feelings, knowing and admitting mistakes, and encouraging everyone to express their ideas, are found to have an impact on the trust followers have for their leaders. Since it has been shown that authentic leadership has a moderating role between transactional leadership and trust in leader, a manager who wants to be trusted could combine characteristics from both leadership styles. His/her transactional actions should be consistent, ethical, transparent, and fair. This is a finding that might be very useful for the manager of the future, as there has been a general uneasiness and failure of employees to identify with their organization since scandals like Enron started to shake the business world about 10 years ago. The current economic and financial crisis did not help to restore faith.

From the analysis, it also became clear that the correlation between the concepts of transactional leader and trust in leader was stronger in Turkey than in the U.S. This might suggest that a Turkish manager who adheres to the transactional leadership style will be more successful in creating trust on his/her followers than an American manager who does this. Although this might be something that requires further research, leaders in multinational companies should take this finding into account. They might like to adopt appropriate leadership styles depending on the country where they work.

The literature of this study also points out the importance of OI for the effectiveness and efficiency of organizations. The study has tried to define specific transactional leadership behaviors that affect OI. However, the results show that this relation is not very strong. Therefore, leaders who want to develop OI among their employees should also find some other ways to achieve it, e.g., developing organizational prestige (Riketta, 2005). Nevertheless, the results indicated that credible and trustworthy managers with authentic and transactional leadership characteristics could be able to create OI. These findings equally suggest that a company that wishes its employees to identify with their organization should look for leaders who can build trustworthy relations with their followers.

### **Limitations of the Study and Future Suggestions**

The first limitation of the study is the data collection method that was used to gather data. Although collecting data through the internet increased confidentiality and was instrumental in reaching many respondents quickly, tracking the numbers of leaders who were rated was

difficult, since more than one respondent might have rated the same leader. However, it was obvious that additional questions about the leader would raise fear and unwillingness to respond to the questionnaire among the respondents. Indeed, some potential respondents who were contacted to give information for the study were suspicious and did not want to take part in the research even online, in spite of the fact that they were not required to give their own names and email addresses, nor the ones of their respective companies.

The sampling criteria chosen for the data could also be considered as a limitation. It was enough for a person to be working for a company applying *corporate governance* rules to be included in the sample group. This single requirement gave rise to a heterogeneous sample group of people that work in many different companies and in different sectors. It made it possible to reach a broad evaluation of many different leaders, but it also implies that the results cannot be generalized to single industry settings. To do that, the study should be replicated in specific sectors.

*Authentic leadership* is still such a novel and ambiguous concept that any research on it will necessarily be new in Turkey. However, the amount of empirical studies on authentic leadership is also low worldwide. Therefore, this research will also contribute to the world literature. It would be particularly interesting to focus new research in this field on the relations of authentic leadership with organizational (e.g., performance, commitment, OCB) and individual outcomes, (e.g., well-being, burnout, job alienation). Furthermore, Fields (2007) suggests that higher levels of work unit performance will have a positive effect on follower consensus about the leader authenticity and integrity. Future researchers should also explore this or include 'unit performance' as a variable in their research to confirm or disconfirm this claim. In addition, there is a need to test the reliability and validity of the scale used in this study in different cultures and different samples.

Future research could also examine the conditions (moderators) under which these variables influence the reported outcomes. In that case, the moderators could be organizational, like organizational climate and culture, and/or individual, like propensity to trust. Moreover, future research can also look into the influence processes of leadership styles by using more accurate research techniques to assess the style of the leader (e.g., observations, diaries, more field experiments), instead of surveys. In such cases, organizing a simulation that extends over several weeks might be very beneficial.

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<sup>1</sup> Cronbach alpha results for the research concepts in the pilot study: Transactional Leadership: 0.70, ALQ: 0892, Trust in Leader: 0.931, OI: 0.599.

<sup>2</sup> KMO results for the study concepts: Contingent Reward: 0.663, Authentic Leadership: 0.899, Trust in Leader: 0.993, OI: 0.784

<sup>3</sup> Cronbach alpha results for the study concepts : Transactional Leadership: 70.6, Authentic Leadership: 0.901, Trust in Leader: 0.949, OI: 0.76.

<sup>4</sup> 1<sup>st</sup> Factor: SA, SA, SA, SA, SA, BP, 2<sup>nd</sup> Factor: BP, BP, RT, RT, 3<sup>rd</sup> Factor: RT, RT, RT, E/M, 4<sup>th</sup> Factor: E/M, E/M, E/M