IMPACT OF PERCEIVED AUTHENTIC LEADERSHIP ON EMPLOYEES’ POSITIVE EMOTIONS DURING ORGANIZATIONAL CHANGE

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ABSTRACT

The objective of this paper is to examine the impact of perceived Authentic Leadership style on employees’ positive emotions during organizational change, considering Trust in the leader as a mediating variable. This research is quantitative in nature and data was collected from employees of a telecom organization in Pakistan through a structured questionnaire. Out of 288 questionnaires distributed among employees in the organization’s offices in three different cities, 214 filled questionnaires were received. Structural Equation Modeling (SEM) based on Partial Least Square (PLS) was applied for testing hypotheses of the research. The results show that authentic leadership has statistically significant impact on the positive emotions of employees during an organizational change, with partial mediation of Trust in the leader. This article provides the empirical evidence of the importance of authentic leadership in shaping employees’ emotions during organizational change process. These findings are helpful for organizations undergoing change management process. This research is one of rare studies carried out to empirically test the impact of authentic leadership style on employees’ emotions in the telecom sector especially in South Asian countries including Pakistan.

Keywords: Authentic Leadership, Trust, employees’ positive emotions.

INTRODUCTION

Factors that affect work-related outcomes of the employees have been themes of interest for research (Kiefer, 2002), because these factors have direct implications, whether positive or negative, upon the overall productivity of an organization in almost every industry. One of the most common and universal contexts in all the organizations, regardless of the industry type in which they operate, type of business, size of the organization, country base and culture, is the continuous change (Kiefer, 2002). Because of this universality and constant application, research scholars, managers, and industry researchers acknowledge the importance of Change and strive hard to find out those key factors and main ingredients that make change related efforts and interventions successful. Change is always a complex process. The reaction of the employees is the main deciding factor in shaping the overall success or failure of the organizational change implementation. When the reaction of employees comes into consideration during an organizational change, perhaps the most important thing related to their reaction is their emotions associated with the change process (Bartunek et al., 2011). Different researchers and industrial practitioners have defined leadership in different ways. It
is arduously difficult to have a one common definition of leadership (Bass and Avolio, 1997). Some authors see leadership as a process of influencing followers, others as a process of leading and guiding others. Even few argue it as a personal trait and qualities of a leader. Numerous studies have suggested that a good leader always helps in alleviating employees’ concern during any organizational change. It is done because leadership influences employees’ emotions (Laschinger et al., 2008). However, most of research work up till now is more focused towards transactional or transformational leadership. There is less work done on authentic leadership and its effect upon employees’ emotions and their reaction towards any change process (Robbins and Judge, 2009).

Another factor that plays an important role in shaping employees’ reaction towards any change process is the trust in the leader (Søresen and Hasle, 2009). However, the relationship and linkage between trust in the leader and followers’ emotions and their reaction, especially during change process, is still not fully researched. In this study, therefore, we are interested to find out the effect of authentic leadership on the employees’ positive emotions of employees, how authentic leadership develops trust among the followers of authentic leader and is there any relation or linkage between trust in the leader and the arousal of positive emotions in employees during any organizational change process. Telecommunication industry is considered as a strategic and a backbone sector for Pakistan’s economy. It pumps billions of rupees in country’s economy each year. In recent years, we have seen a very rapid growth in telecom sector of Pakistan. The company under study is a leader in telecommunication sector of Pakistan from market share perspective. It has generated more than rupees 87 B in terms of revenue in 2016-2017. It has more than 15,000 workforces throughout the country and has the biggest market share in wire line telephone service; wire line Broad Band service, IP TV service etc. The first major change in leadership occurred in 1998, when company was converted into a public listed company. But perhaps the biggest change in leadership took place in 2005 when government of Pakistan decided to privatize the company in order to open telecom market for foreign investors. The next year in 2006, a UAE based telecom giant took management of this company from government. This change in leadership occurred in March 2006.

LITERATURE REVIEW

Leadership

Leadership style also has a greater impact on employees’ performance at the workplace and their satisfaction with their job. Leadership is an influential relationship between leader and his/her followers. According to Robbins & Judge (2009) one specific and comprehensive definition of leadership is a daunting task. Therefore there is no general definition of Leadership. Even some researchers consider leadership as a personal trait. Wang et al., 2011 explains leadership as to influence and guide followers, subordinates and coordinates their activities towards achieving a common goal without using any coercive means or ways. On the other hand, Yukl (2006) argues that a huge chunk of available definitions about leadership reflects an assumption that leadership involves a process where a particular incumbent intentionally inspires other people in order to guide them, structure their activities and facilitate them in achieving a common goal.
Transformational Leadership

Transformational leaders are those who believe in motivating their subordinates to perform even beyond leaders’ expectation. They also create a sense of need of organization’s revitalization among their followers so that this sense of need will act like an impetus for followers’ continuous push towards final goals (Wang et al., 2011). According to Yukl (2006), transformational leaders emphasize and communicate an engaging vision to their followers and subordinates in order to motivate them. These leaders articulate high level of expectation to their followers that can motivate them for discretionary efforts. Transformational leaders believe in their followers’ creativity and innovative problem solving skills. This is also done by viewing the problems from different angles for finding out new and innovative solutions (Podsakoff et al., 2006).

Transactional Leadership

Transactional leadership style finds its ground and basis from traditional and bureaucratic style of management. In this style, followers or subordinates are provided feedback or outcome on their performance, whether positive or negative. However, this feedback will be negative if the outcome deviates from what is communicated or required by the leaders (Judge and Piccolo, 2004). Transactional leaders provide necessary guidelines, line of action and effective planning to schedule followers’ work (Aydin, Sarier and Uysal, 2013). According to Goodwin et al., (2001) the original theory formulation includes two types of transactional behaviours. The first is contingent reward and the second one is passive management by exception.

Authentic Leadership

In last few years, many unwanted ethical challenges and accidents have surfaced out in the work environment that rattled the trust of various stakeholders in general and employees and investors in particular. These growing ethical challenges have forced the practitioners and academic researchers (Avolio and Walumbwa, 2009) to underscore the significance and vitality of authentic leadership in the workplace environment. According to Tomkins & Nicholds (2017) the authentic leadership supplements the work on transformational and ethical leadership to a great extent. According to Avolio & Walumbwa, 2009, authentic leadership has four main constructs. These are self-awareness, internalized moral perspective, balanced processing, and relational transparency. Therefore, authentic leadership can be defined as the degree to which the leaders show the openness and respect in their decision making by clearly providing the right information, to their followers, on which their decisions are based. Guenter et al., (2017) has described authentic leaders as the leaders who provide psychological empowerment to their followers. As a result, their followers start taking greater ownership and responsibility of their work.

The Influence of Perceived Authentic Leadership on Positive Emotions

Walumbwa et al., (2008) define authentic leadership as a leader’s behavior pattern that enhances positive psychological capacities and a positive ethical climate among the followers and on the workplace. It also nurtures a greater extent of self-awareness, balanced processing, relational transparency and internal moral perspective. In this study, emotions will be explained by using appraisal theory of emotions, which suggests that emotions are the reaction to a specific event, depending upon the importance of episode to the individual (Lazarus, 1991). Authentic leadership is a new and an emerging style of leadership. It depicts an amalgamation of several different and distinct types of leadership behavior (Walumbwa et al., 2010). Authentic leaders focus more on employees’ well-being and strive to reduce negative
emotions by getting necessary information from variety of sources before taking any decision. In this way, followers perceive that they are the part of broader decision making process and that their core interests will also be served in general and during any change in particular. Hence the chances of negative emotions among employees will be diminished. Baek-KyooJoo & Sung Jun Jo, (2017) found that employees’ perceived authentic leadership of supervisors had greater impact upon employees’ organizational citizenship behavior. Leaders having high rating of internal moral perspective among employees are considered as more trustworthy. Therefore, it is hypothesized:

**Hypothesis 1:** The perceived authentic leadership affects the employees’ positive emotions during organizational change.

**The Influence of Trust on Emotions**

Trust can be defined as a psychological state that involves the intention to take risks on the basis of positive expectations about the intention of another person. Many research scholars such as Søresen and Hasle (2009). This same definition is also used for this research work. According to the Søresen & Hasle (2009), trust of the employees in the leader is one of the most crucial factors in successful implementation of any organizational change. A study conducted by Ballinger, Schoorman, and Lehman (2009) shows that the sentimental reaction of the followers upon the departure of a leader is partly influenced by the quality of leader follower relationship. Since organizational change always brings high level of uncertainty and ambiguity among employees, importance of trust amplified even more. A distrusted leader only enhances anxiety and negative emotions among followers during uncertain organizational change. Hence, it is hypothesized:

**Hypothesis 2:** Trust in the leader affects employees’ positive emotions during organizational change.

**The Mediating Role of Trust**

Leaders gain their followers’ support by developing trust through their actions especially during crunch time and organizational change process. For this they need to show a consistency in their words and actions. Relational transparency, a main dimension of authentic leadership, helps authentic leader to build trust among his/her followers by taking decision according to his / her self-belief (Walumbwa et al., 2008). Other dimensions of authentic leadership such as self-awareness and internalized moral perspective also help authentic leaders to act according to their values while understanding the impact of their personality on the followers. Few empirical research studies have also suggested that authentic leadership style develops trust directly at individual level (Wong et al., 2010).

**Hypothesis 3:** The perceived authentic leadership affects the employees’ trust in their leader

**Hypothesis 4:** Trust in the leader mediates the relationship between perceived authentic leadership and the employees’ positive emotions during an organizational change

**RESEARCH METHODOLOGY**

**Research Design & Procedure**

This research study is quantitative in nature and based on post-positivism philosophy. Moreover, it is cross sectional in nature. A questionnaire was designed with the help of measuring scales available in different previous research works. For introducing diversity, we contacted employees from different departments and having different reporting lines.
Population and Sampling
Population in this study includes employees posted in larger cities, having minimum 2 year company experience. All departments are included. Target population is around 1100 to 1200. For this study, we have a sample size of 214, based on convenience and quota sampling.

Constructs and Measures
Perception of Authentic Leadership is the predictor variable. Authentic leadership is a second-order construct because it comprises of four first-order constructs. These first order constructs are balanced processing, relational transparency, internalized moral perspective and self-awareness. The specific measure of perceived authentic leadership has been obtained from the Authentic Leadership Questionnaire developed by Avolio, Gardner, & Walumbwa (2007). It is useful in measuring the authentic leadership behavior of a leader. Employees were asked to give their opinion against each statement about the leadership style of their direct boss. In this study, trust refers to the degree to which employees are willing to take risk on volunteer basis at the hands of his / her direct boss. We used six items scale that is based on Schoorman and Ballinger’s (2006) proposal. According to Schoorman et al., (2007) it is the most comprehensive measurement of trust construct to date.

Framework

![Conceptual Framework]

Figure 1: Conceptual Framework

Hypotheses
Hypothesis 1: The perceived authentic leadership affects the employees’ positive emotions during organizational change.

Hypothesis 2: Trust in the leader affects employees’ positive emotions during organizational change.

Hypothesis 3: The perceived authentic leadership affects the employees’ trust in their leader

Hypothesis 4: Trust in the leader mediates the relationship between perceived authentic leadership and the employees’ positive emotions during an organizational change

DATA ANALYSIS
Multivariate Analysis
This paper applied structural equation modeling (SEM) based on partial least squares (PLS) for testing the hypotheses. The Partial Least Square approach escapes two vital problems. First is related to non-unique or otherwise improper solution. The second one relates to the use of small sample size. Unlike co-variance based technique, PLS is insensitive to the sample size and
generates result with sufficient accuracy even with small sample size. Therefore, Partial least square is a powerful method of analysis because of its minimum requirements of variable measurement scales and sample size. The responses obtained are 214, which is sufficient for performing statistical analysis through structural equation modeling based on PLS. The measurement model is evaluated by assessing its validity and reliability. Through validity, we check whether our constructs are really measuring what we are interested to measure. Reliability means whether constructs are measuring those in a consistent and stable way. Hence, this gives researcher a surety that variables are accurately and consistently measure the theoretical concepts.

**Demographics**

Demographic distribution analysis is performed on basis of working experience in the company under study and results are shown in Table 1. Questionnaire was distributed among 288 employees of 08 different departments, out of which 214 employees provided their candid response. The response rate is 74.3%.

**Table 1: Demographics**

<table>
<thead>
<tr>
<th>Work Experience (In years)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-6</td>
<td>42</td>
<td>19.6</td>
<td>22.0</td>
<td>22.0</td>
</tr>
<tr>
<td>7-11</td>
<td>47</td>
<td>22.0</td>
<td>24.6</td>
<td>46.6</td>
</tr>
<tr>
<td>12-16</td>
<td>60</td>
<td>28.0</td>
<td>31.4</td>
<td>78.0</td>
</tr>
<tr>
<td>17-22</td>
<td>27</td>
<td>12.6</td>
<td>14.1</td>
<td>92.1</td>
</tr>
<tr>
<td>23 and above</td>
<td>15</td>
<td>7.0</td>
<td>7.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>191</td>
<td>89.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>23</td>
<td>10.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>214</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For this research study, we use Likert scale which is the most common scale in these conditions. The meaning against each value is given below. These meanings are applicable in the case of measuring authentic leadership (and its four constructs i.e. self-awareness, relational transparency, internalized moral perspective and balanced processing) and trust. Value of 1 indicates “Strongly Disagree”, whereas Value of 5 indicates “Strongly Agree”. The positive emotion of employees during organizational change is measured with following meaning. Value of 1 indicates “Not at all”, 2 indicates “Rarely”, 3 indicates “Sometimes”, and 4 indicates “Usually” and 5 indicates “Most of the time.”

**Table 2** shows correlation among different variables. Since, authentic leadership is the second order construct, therefore its four first order construct were also taken into consideration.

**Table 2: Correlation**

<table>
<thead>
<tr>
<th></th>
<th>Self-Awareness</th>
<th>Relational Transparency</th>
<th>Moral Perspective</th>
<th>Balanced Processing</th>
<th>Trust</th>
<th>Positive Emotions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Awareness</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relational Transparency</td>
<td>.570</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moral Perspective</td>
<td>.591</td>
<td>.512</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Processing</td>
<td>.618</td>
<td>.523</td>
<td>.480</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>.557</td>
<td>.648</td>
<td>.608</td>
<td>.662</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Positive Emotions</td>
<td>.322</td>
<td>.252</td>
<td>.137</td>
<td>.252</td>
<td>.392</td>
<td>1</td>
</tr>
</tbody>
</table>
Measurement Model

Figure 2 shows measurement model for this study. Primarily, we checked relationship between perceived authentic leadership with the positive emotions of employees during an organizational change. We also checked the mediating effect between exogenous and endogenous variables. As authentic leadership is a second order construct, comprising of four first order constructs (Self-Awareness, Internal moral perspective, relational transparency and balanced processing) therefore, we created first order model and performed all the necessary tests. Since, it is a reflective model therefore we checked item reliability for each item, construct reliability, Discriminant validity and convergent validity.

In measurement model (Figure 2), The $R^2$ value of employees’ positive emotions during change and trust in the leader are available inside their respective circles and found to be .463 & .626 respectively. This shows that the perceived authentic leadership can explain 46.3% variation occurs in the positive emotions of employees whereas 62.6% variation in the trust can be explained by our exogenous variable.

![Measurement Model](image)

Figure 2: Measurement Model

Composite Reliability

It is also referred as internal consistency. It exhibits the extent to which all the indicators of a specific construct measure the same latent variable. It means that all the indicators that explain a particular construct should be highly correlated. For good reliability, every individual item should have a loading of .707 or more. It is because the square of .707 is .50, that means that...
shared variance between the construct and its measure is more than the error variance (Barclay et al., 1995).

*Figure 2* (measurement model) depicts the composite reliability of each item (latent variable). All items have value higher than .70 except three items in exogenous variable. Those three items are BP4, MP2 and MP3. Their respective values are 0.681, .643 and .527. Since first two values are nearer to 0.70 marks, therefore, they were kept in the analysis whereas MP3 was omitted from the model.

*Table 3* shows composite reliability of each construct. Every construct has strong composite reliability (minimum benchmark is .70)

**Table 3: Factor loadings for indicators of latent constructs**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach’s alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Authentic Leadership</td>
<td>.944</td>
<td>.950</td>
<td>.572</td>
</tr>
<tr>
<td>Trust</td>
<td>.894</td>
<td>.919</td>
<td>.655</td>
</tr>
<tr>
<td>Employees’ Positive Emotions</td>
<td>.856</td>
<td>.898</td>
<td>.642</td>
</tr>
</tbody>
</table>

**Convergent Validity**

Convergent validity refers to the amount of variance which a latent variable extracts from its indicators, through which it is measured, in comparison to the amount of variance due to measurement errors. Convergent validity is measured through Average Variance Extracted (AVE). This measure has been developed by Fornell and Larcker (1981). Average variance extracted value for each variable should be greater than .50. This can be interpreted that if AVE is greater than .50 then more than 50% variation in the construct is due to its own indicators. *Table 3* shows the convergent validity of each variable. AVE for each variable is sufficiently high than .50

**Discriminant validity**

Discriminant validity refers to the extent to which a given construct is discriminating from other constructs (i.e., the extent to which a particular construct makes up the research model really measure different thing). Therefore, each construct should share more variance with its own measures as compared to the measure of variance it shares with other constructs of the model. This has also been recommended by Fornell & Larcker (1981).

*Table 4* shows discriminant validity for each construct. This table is called Fornell and Larcker matrix. In order to check Discriminant validity, the diagonal value should be higher than all the values appearing off-diagonally in respective columns and rows. It is apparent that the diagonal values are highest as compared to other off-diagonal values in other rows and columns.

**Table 4: Discriminant Validity Results**

<table>
<thead>
<tr>
<th></th>
<th>Authentic Leadership</th>
<th>Positive Emotions</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic Leadership</td>
<td>.779</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive Emotions</td>
<td>.644</td>
<td>.819</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>.741</td>
<td>.633</td>
<td>.811</td>
</tr>
</tbody>
</table>
Hypotheses Testing

We can test our first three hypotheses by considering the above Table 5 that was generated with the help of bootstrapping method. Our first hypothesis tells that perceived authentic leadership affects the positive emotions of employees during an organizational change. The Table 5 shows that there is a significant relationship exists (level of significance is .002) between authentic leadership and positive emotions of employees. Therefore hypothesis 1 is accepted.

In the second hypothesis, we assume that trust in the leader affects the positive emotions of the employees during organizational change. Table 5 again shows that there is a significant relationship between Trust in the leader and positive emotions. Therefore, we also accept our second hypothesis. Third hypothesis in our research study tells us that perceived authentic leadership affects the trust in the leader of the followers. Again the same table shows that there is a significant relationship between authentic leadership and positive emotions of employees. Therefore, we shall also accept third hypothesis.
**Mediating role of trust between perceived authentic leadership and positive emotion**

In fourth hypothesis, we assume that trust in the leader mediates the relationship between perceived authentic leadership and employees’ positive emotions during. For checking this hypothesis, we need to consider the structural mode again with bootstrapping. Here, we need to calculate the indirect effect first (path coefficient between authentic leadership to trust multiply by path coefficient of trust and positive emotions). Second column from left side of Table 5 (Original Sample) shows that direct effect between authentic leadership and positive emotions of employees during organizational change is found to be .409. After introducing mediating variable (trust in the leader) in our analysis, the total effect between authentic leadership and positive emotions has increased to .654 (.409 + .791*.310). It is important to check whether this indirect effect, due to the introduction of mediating variable, is statistically significant. This can be checked by running bootstrapping. The Table 5 shows that the indirect relationship between authentic leadership, trust and positive emotions are statistically significant having t-value 2.342 and level of significance is .020. This shows that indirect effect is significant. Therefore, we can conclude that trust in the leader is mediating the relationship between perceived authentic leadership and positive emotions of employees during organizational change. Therefore, fourth hypothesis is also accepted.

**CONCLUSION**

This research study has the aim to determine whether there is any existence of authentic leadership and the impact of perceived authentic leadership on the positive emotions of the employees during an organizational change. We were also interested to study the mediating role of trust in the leader between perceived authentic leadership and employees’ positive emotion during organizational change process. Perceived authentic leadership is our exogenous variable (predictor), trust in the leader is the mediating variable, whereas employees’ positive emotion during organizational change is the endogenous variable (criterion). The selection of variable i.e. trust as a mediating variable is done after thorough study of literature.

A questionnaire was designed in which measures were taken from previous research studies in order to measure perceived authentic leadership, trust in the leader and positive emotions of employees during an organizational change. For adding more and more diversity in our responses, all the departments and both managerial and non-managerial employees were contacted. 288 questionnaires were distributed, out of which 214 responses were collected. The total response rate was 74.3%.

In this research study, we use SPSS for descriptive statistics (such as demographics and frequencies etc) and PLS Smart 3.0 for checking and analyzing research hypotheses. Measurement model (Figure 2) and Structural model (Figure 3) are used to check the composite reliability and validities (convergent & discriminant) of all constructs Composite reliability is more reliable and robust measure as compare to Cronbach’s alpha therefore it is considered in the analysis. However, Cronbach’s alpha is also mentioned in the table. Composite reliability of all construct is more than 0.89. Fornell and Larcker matrix is used to check the discriminant validity of the latent constructs.

As we saw in data analysis chapter (Table 5) and same is proved from previous literature too that perceived authentic leadership has a significant effect on the positive emotions of the
employees during any organizational change process. Similarly, we also find out that there is a significant relationship between perceived authentic leadership and trust in the leader. Then we concluded that there is statistically significant relationship between trust in the leader and the positive emotions of the employees during any organizational change. Perhaps, the most valuable hypothesis is also found accepted, when we found that that trust in the leader mediates the role between perceived authentic leadership and positive emotions of the employees during organizational change process. The mediating role can be checked through multiple ways. Here we not only analyzed (Table 5) the change occurred in the path coefficient but also checked whether this change in path coefficient is significant or not. Since, change was considerable as well as statistically significant therefore we concluded that there is a mediating effect of trust in the leader between our exogenous variable (perceived authentic leadership) and endogenous variable (positive emotions of employees during an organizational change).

Limitations

- This research is a case of the company under study therefore we cannot generalize study’s result to the other telecom companies.
- Research will be conducted only in major areas where a large numbers of employees are working. For instance, Karachi, Islamabad and Lahore
- This research cannot be generalized for other industries too.
- Due to time availability and financial resources, only a limited number of respondents will be considered from each department

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