

IMPORTANCE OF AUTHENTIC LEADERSHIP IN ORGANIZATIONS

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ABSTRACT

Authentic Leadership is crucial to the development of project-based organizations. The question of authentic leaderships has been examined from several angles but not from ethical point of view. In recent years number of corporate scandals and unethical role played by business leaders has increased considerably throughout the world. This raises the need of scrutinizing leadership from ethical point of view. Authentic

leaders possess high degree of integrity, have deep sense of purpose and are committed to core values. Therefore, they are able to promote more effective trust relationship in their work groups. This may lead to the growth of industry in better manner. The present study therefore, seeks to investigate into the question of importance of Authentic Leadership in the growth of industries. For this purpose, sample survey of employees working in selected industries is made.

I. INTRODUCTION

It is essential that Leadership in organizations be authentic so that it may become effective and successful. From ancient to modern times several philosophers, thinkers and religious preachers have put stress on the importance of authenticity and ethicality for leaders. This has been considered essential for effective governance. Leaders are required to exhibit high degree of moral standards ethicality in their daily talk, decision and actions so that others working with them may follow. Recent financial crisis have developed due to lack of Authentic Leaders who themselves indulged in manipulations of accounts and unethical practices.

The question of ethical perspective has been examined in the authentic model of leadership. Authentic leaders possess deep sense of purpose and highest degree of integrity. They are committed to their core values. They succeed in promoting more trusting relationship in their work groups. This results in several positives outcomes like job satisfaction, organizational commitment and work engagement. Interpersonal trust between leaders and members of the work group is core point in their effective functioning. Despite significant role of leadership in developing and establishing trust between management and workforce little research has been done to examine particular leadership practices which endanger trust towards workforce. However, some studies reveal that leaders like authentic and transformational, are more effective than others in encouraging trusty relationship with their workforce.

It, thus becomes clear that trust in leaders is very important for effective functioning in several organizations like banking little research has been done in this connection.

II. RESEARCH QUESTIONS

The present study seeks to examine the following points :

1. To what extent authentic leaders promote trust in subordinates and their works ?
2. How does subordinates trust in authentic leaders promote employees work engagement ?

3. How does trust mediate the relationship between authenticity of leadership and employees work engagement ?

III. NATURE OF TRUST

The basic question which arises here is what is trust ? Answer is trust is manifest by one's action – ultimately reflecting core beliefs, assumptions, and the depth of personal commitment. Trust is, Thus, basically defined as mutual understanding between two persons that vulnerabilities will not be exploited and that the relationship is safe and respectful .Trust has been further defined as "a willingness to rely on another party and to take action in circumstances where such action makes me vulnerable to the other party.

IV. INTERPERSONAL TRUST

Trust in interpersonal relationship at work, specially between a trustor (the subordinate) and the trustee (the superior/leader) has been examined as a central explanatory contract in several organizational studies over the years. Interpersonal trust is visualized as a belief about a set of particular characteristics of another specific individual or individuals. These qualities include dependability, reliability, caring, benevolence, competence, integrity of coworkers (lateral) and leaders (vertical) .Interpersonal trust was measured within the dimensions of competence benevolence and reliability .The relationship of interpersonal trust and its mediating role with other research variables are major themes in this study.

V. LEADERSHIP AND TRUST

Due attention has not been paid on the role of trust in influencing followers behavioral outcomes in leadership researches. In fact trust is the cornerstone for social exchange and role relationship. Trust is essential for leader, member relationship. Leadership based on conduct, integrity, use of control, communicative ability and concern for member is regarded as supreme quality of leadership. The breakage of trust may cause serious damage to the performance of groups. Leadership trust has been defined as a leader member relationship based on mutual respect cooperation, commitment, reliability and equality .It is also based in exchange theory, which suggests that leaders and members create a mutual reciprocal relationships .Trust makes followers of leaders to

follow the leaders actions realizing that their interest would be fully protected .Therefore, it is an important responsibility of leader to increase member involvement in promoting leadership trust. Honestly, for example, always tops the list of characteristics which the workers expect from their leaders. Leadership trust only becomes strong when the leadership adheres to organizational values and demonstrates fairness with members. It is also essential that the leader does not exploit members. Thus, organizations that create greater trust in leadership, may compete more efficiently and effectively in economic markets and maintain organizational viability

AUTHENTIC LEADERSHIP

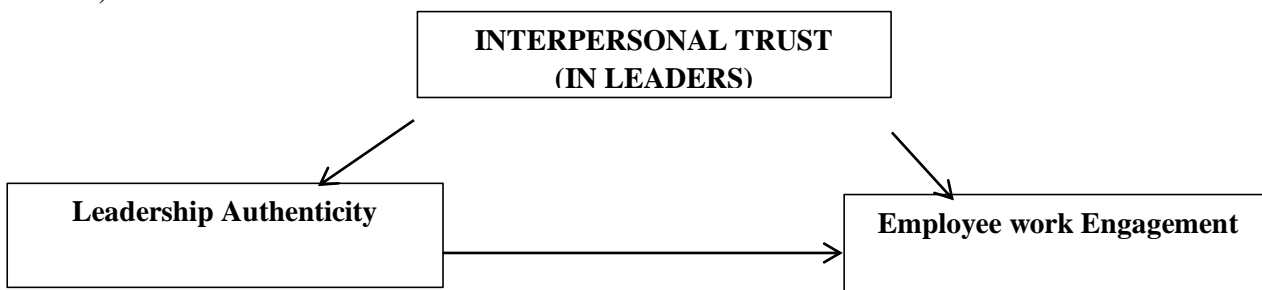
Those who are deeply aware of their thought, behavior and considered by other as being aware of their own and others moral perspectives knowledge and strength are regarded as authentic leaders. The theory of Authentic Leadership has been advanced as an approach to leadership which includes behaviours like transparency , altruiste actions and behavioral consistency .In fact, authentic leadership theory leverages synergies from Avolio's past research on transformational and full range leadership past work in positive organizational behavior psychological and positive approaches to leadership. Envisaged in ancient Greek philosophy, the modern concept of authenticity has developed during past 80 years. In leadership framework trust is a key intervening variable linking authentic leadership to followers’ attitudes and behaviours. Although research in authentic leadership is new, some studies have suggested that relational transparency is a key component of authentic leadership and is a significant factor of trust in the leader.

AUTHENTIC LEADERSHIP AND TRUST

An authentic leader is one who is "genuine, reliable, trustworthy real and veritable. Trustworthiness is an intrinsic feature of authentic leadership. Trustworthiness is also regarded as an antecedent to authenticity. Trustworthy leaders are regarded as more authentic. Consistency, integrity, openness, promise fulfillment and receptivity to suggestions and inputs are also some of the core components of authenticity. Reliability and dependability are regarded as fundamental components contributing to cognitive trust levels

THEORETICAL FRAMEWORK AND HYPOTHESES

The following theoretical framework and hypotheses, based on the literature review were developed: **Interpersonal Trust (in Leaders)**



Proposed Theoretical Framework

- H. 1. All core components of authentic leadership positively contribute to interpersonal leadership trust.
- H. 2. The Core components of interpersonal leadership trust positively contribute to employee work engagement.
- H. 3. All core components of authentic leadership has direct positively relationship with employee work engagement.

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EMPLOYEE WORK ENGAGEMENT

Work engagement is a broad concept. It comprises of high involvement, effective energy and self-presence at work. This concept was first of all promoted by ho described it as different other constructs like job involvement, commitment and intrinsic motivation. Kahn suggests that employee engagement is a multi dimensional construct in which employees may be engaged cognitively, emotionally and physically engaged. The Recent researches suggest that employee engagement is a valid and reliable concept.

Employee work engagement is a distinct construct. It is marked by vigour dedication and absorption in one's work. Work engagement includes a persons attachment towards his/her organization. It is not monetary and specific state but rather more persistent and pervasive affective-cognitive state which does not focus on any specific object, event, individual and behavior. Vigour reflects the readiness to devote effort in one's work, dedication to a strong identification and absorption is characterized by being fully concentrated and happily engrossed in one's work .

VI. EMPLOYEE WORK ENGAGEMENT AND TRUST

This study points that the relationship between trust and work engagement is mutually reinforcing and leads to an upward spiral effect. The study reveals that a climate of trust leads to wide and diverse benefits for individuals engaged in particular organizations

VII. Employee work engagement and leadership

When employees realize that their immediate superiors and top management have the skillful insight and ability to augment the growth and productivity of the organization by taking appropriate decisions, it would give them increased assurance of a more profitable future with the organization. Moreover, supervisory coaching in the form of assisting employees in locating their goals, organizing their work, highlighting drawbooks, taking keen interest in their professional and career advancement and offering advice as required, has been positively related to work engagement

H. 4. Interpersonal trust has a significant mediating effect between leadership authenticity and employee work engagement.

VIII. RESEARCH METHOD

1. Sample and Procedure

Purposive random sampling method was employed in this study. It is a sampling technique in which participants are chosen arbitrarily for their unique characteristics or their

experiences, attitudes and perceptions. It is a non-probability sample that confirms to certain criteria (15). to participate in this study, the respondents should have a length of service of not less than one year, their immediate superior or managers under assessment should also have at least one year at their position. The set criterion was to ensure that employees have a fair perception of their leaders, but the specific proportion or population and sample ration for this study was neglected because it was very difficult to obtain a precise list of the number of total employees from the participating organizations.

II. Instrumentation

Standardised tool (Authentic Leadership Questionnaire (ALQ) (4) : Interpersonal Trust scales (ITS) (44), (46) and Utrechts work Engagement Scale (UWES) (58), were used to collect data : A5-point Linkert Scale ranging from 'strongly agree' to 'strongly disagree' was used. The original ALQ comprised of 19 items. It was slightly modified base on the lower Alpha value and poor factor loading in the pilot study. The modified final versions of the instrument consisted of 14, 15 and 9 items respectively in ALQ ITS and UWES.

IX. RESULTS

A. Background Characteristics of Sample

The sample consisted of 395 employees (Males = 179, Females = 216) drawn from seven banks and their branches located around Noida, India. They represented several job positions such as clerks (23%), Supervisors (16%), Executive Officers (47%) and Managers (14%). 47% of them had worked with the current employer between 1 to 4 years. In terms of age distribution 14% belonged to 20-25 years age group, 25% to 26-30 years, 20% to 31-35 years and the rest between 35 and 51 years. In terms of academic qualification 23% had diploma and 37% had a university degree. Few (7%) had masters degree and the rest were secondary school graduates.

TABLE I
MEANS, STANDARD DEVIATIONS, AND CRONBACH'S ALPHA (N=395)

Variable	Factor	No. of Item	Mean	Std. Dev	Alpha
Authentic Leadership	Relational	4	3.55	.81	.91
	Transparency	5	3.54	.82	
	Action	3	3.55	.78	
	Balance Processing	2	3.49	.83	
	Self Awareness				
Interpersonal Trust	Leader's Competence	6	3.50	.83	.94
	Leader's Benevolence	5	3.54	.77	
	Leader's Reliability	4	3.45	.80	
Employee Work Engagement	Vigorous	3	3.57	.90	.91
	Dedication	3	3.78	.85	
	Absorption	3	3.62	.89	

TABLE II
CORRELATIONS COEFFICIENT AMONG THE COMPONENTS OF AUTHENTIC LEADERSHIP, INTERPERSONAL TRUST AND EMPLOYEE WORK ENGAGEMENT

Variables	1	2	3	4	5	6	7	8	9	10
Rel. Trans										
Auth. Act.	.64*									
Bal. Proc.	.70*	.59*								
Self-Awar.	.66*	.66*	.66*							
Reliability	.60*	.55*	.55*	.44*						
Competence	.62*	.55*	.55*	.44*	.77*					
Benevolence	.55*	.55*	.55*	.44*	.77*	.77*				
Vigor	.44*	.44*	.44*	.33*	.44*	.44*	.44*			
Dedication	.44*	.44*	.44*	.33*	.44*	.44*	.44*	.77*		
Absorption	.44*	.33*	.44*	.33*	.44*	.44*	.44*	.66*	.77*	

** Correlation is significant at the 0.01 level (2-tailed).

TABLE III
DISPLAYS THE GOODNESS OF FIT STATISTICS FOR THE MEASUREMENT MODEL.
ALL THE INDICES SATISFIED THE RECOMMENDED LEVEL OF THRESHOLD

Variables	χ^2/df	GFI	TLI	CFI	RMS EA
Authentic Leadership	2.607	.949	.946	.962	.064
Interpersonal Trust	2.299	.939	.962	.970	.057
Employee Work Engagement	2.569	.972	.973	.986	.063

X. STRUCTURAL MODEL

(26), (13) The structural model analysis 'identifies how the latest variables in the model are related to each other. Therefore, three main variables : authentic leadership, interpersonal trust, employee work engagement (with 10 summated) latest constructs were used to investigate the direct and indirect relationship in this study.

In the structural model the value of coefficient paths were statistically significant ($P < 0.01$) The fit indices like $X^2/df = 2.389$; $RMSEA = 0.059$; $GFI = 0.966$; $TLI = 0.976$ and $CFI = 0.983$ satisfied the criterion. Therefore no modification was required in the theoretical model. The AMOS result further revealed that the standard path coefficient between authentic leadership and interpersonal trust was significant (.80, $p < 0.01$) supporting H1. Positive relationship was also observed between the components of interpersonal trust and employee work engagement. The standard path of coefficient was 0.32 ($p < 0.01$) that strongly supported H2. Likewise, the structural equation model showed that the authentic leadership was positively related to employee work engagement and its major components (vigour, dedication and absorption). The standard path coefficient of 0.35 was significant ($p < 0.01$) supporting H3. Finally, AMOS output indicated that the direct standard path coefficient between leadership authenticity and employee engagement was significantly reduced to 0.35 ($p < 0.01$) in the mediated model from 0.60 ($p < 0.01$) in the unmediated model. Therefore, the result between authentic leadership style and employee work engagement and thus partially supporting H4. Figure 2 and 3 respectively displays the unmediated and mediated model.

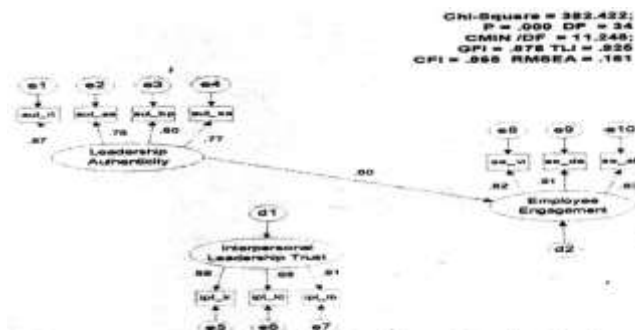


Fig. 2 Unmediated model: Showing direct effect of authentic leadership on employee work engagement

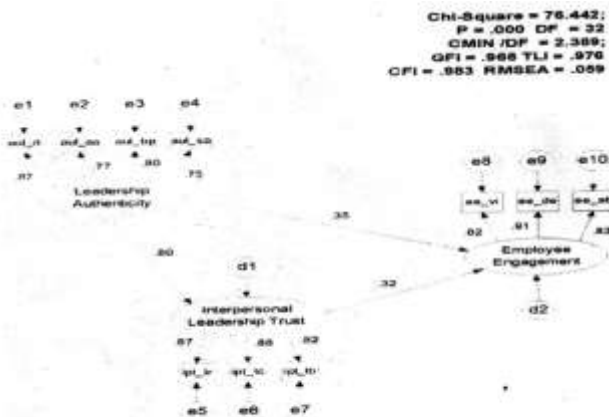


Fig. 3 Mediated model: Showing mediating effect of interpersonal trust between authentic leadership on employee work engagement

high levels of independence as well as cooperation, information sharing and trust. Secondly, majority of public scandals, fraudulent cases, financial crises and others are very critical issues being discussed in financial industry.

All four hypotheses were supported by the findings of the present study. Firstly, authentic leadership promoted subordinate trust in leader (H1). Secondly, subordinates trust in leader contributed to work engagement. Thirdly, subordinates trust in leader contributed to work engagement and finally, impersonal trust partially mediated relationship between authentic leadership and employees work engagement (H4). The results are in line with previous findings (36) (14). Even if studies in authentic leadership is relatively new, three recent studies have supported that relational transparency, authentic action, balanced processing and self-awareness are key components of authentic leadership and are predictors of trust in the leader (24), (29), (51). In a employee engagement survey (27) it was indicated that immediate supervisors and leaders have a significant influence over the employees level of commitment and engagement to an organization. This relationship suggested that higher the leadership authenticity the more the subordinates develop positive attitude towards their work. The characteristics of an authentic leader include coaching in the form of assisting employees in locating their goals, organizing their work, highlighting draw books taking a keen interest in their professional and career advancement and offering advice as required. These attributes are positively related to work engagement (59).

We may, thus, conclude that the study supported authentic leadership theory. Authentic leaders create trusting relationship with their subordinates and employees enjoy working in such organizations. Organizations that are recognized as great place to work for (34) put great emphasis on quality of relationship between employees and their leaders, between employees and their jobs and among employees loyalty commitment and willingness to organizational goals and priorities. If leaders are seen as transparent, acting to espoused values and not displaying self protective motives than they develop trusting relationship with their employees. This in turn contributes to positive employees work outcomes like work engagement.

XI. DISCUSSION

It is generally believed that a proper and great place to work is the place "where people trust the people they work for, take pride in what they do and feel enthusiastic about the work they do." The main intent of the present study was to conduct investigation and confirm some of the observations. It also aimed at examining the linkages between authentic leadership, interpersonal leadership trust and subordinates work attitude. The study of banking sector was chosen due to various reasons. Firstly, trust in leaders is specially important for effective functioning in banks. In banks tasks are complex and require

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