TRANSFORMATIONAL LEADERSHIP AND TRUST: A CASE STUDY

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Abstract: According to previous research, an employee's trust in his/her leader has been linked to: increased individual efficiency and commitment; increased organizational performance; effective team and organizational functioning where the tasks are complex and unstructured. Considering these findings concerning the positive influence of trust on various aspects of organizational performance, we used relevant theories in literature relating to trust in organizational settings and transformational leadership to devise our research framework that aimed at gaining a better understanding of leadership behaviors leading to higher degrees of trust by followers in their leader. The results of our pilot study in a Romanian small-to medium-sized enterprise show that leader's behaviors such as enforcing observance of organizational rules, professional objectivity in employee appraisal processes, keeping promises and commitments, fairness, as well as leader's professional competency are essential for achieving higher degrees of trust in intra-organizational relationships. In assuming the inherent limitations of a pilot case study leading to the necessity to further the methodological developments and follow-up studies, our research confirmed obvious relationships between the targeted domains, transformational leadership and trust. Also, our findings confirmed that the trust element in organizational leadership has a critical impact on building long-term employee commitment and drive for achieving higher individual and organizational performance and success.

Introduction

From a behaviorist perspective, leadership means respect, trust, and teamwork. A literature review regarding trust revealed Shockley-Zalabak, Ellis, and Cesaria (2000) defined trust as the organization's willingness, based on its culture and communicational behaviors in relationships and transactions, to be appropriately vulnerable if the organization believes that another individual, group, or organization is competent, open, honest, concerned, reliable, and identifies as having common goals, norms, and values (p.8). This paper focuses on trust in transformational leadership of intra-organizational relationships. Based on the current transformational leadership and trust literature, a methodological approach was developed and tested in a Romanian small- to medium-sized enterprise.

Theoretical background

Trust and organizational interdependences

Many researchers accentuate trust as important in a range of organizational activities, such as teamwork, leadership, goal setting, performance recognition, and generally in mediation relating to collaborative behavior (e.g., Axelrod, 1984; Gambetta, 1988; Mayer, Davis & Schoorman, 1995; McAllister, 1995).

Employee confidence in their leader has been linked to individual results, such as increased productivity and commitment to the organization and greater job satisfaction (Flaherty & Pappas, 2000). Trust is also correlated with organizational performance features, such as sales and profit, or lower employee turnover (Davis, Schoorman, Mayer & Tan, 2000) and enables initiation of cooperative behavior between parties (Gambetta, 1988). Trust in leaders is particularly important for effective team and organizational operations, where the tasks are complex and unstructured and require high levels of interdependence, cooperation, and information sharing (Creed & Miles, 1996; Zand, 1972).

Early research has defined trust as a specific individual feature, as Rotter (1967) stated, "an expectancy held by an individual or a group that the word, promise, verbal or written statement of

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another individual or group can be relied upon" (p. 651). This approach ascribes to trust a meaning of faith, expectancy, or feelings that were deeply rooted in an individual's personality. In order to determine proper conditions for trust development, Rotter considered, in his initiative demographic, factors (family status, socioeconomic status, religion, and similar) and sociometric factors (dependence on others, gullibility, humor, popularity, and others).

Starting from another premise, Swan, Trawick Jr., Rink and Roberts (1988) rated trust as an emotional trait, associating it to a feeling or an emotion rather than to a cognitive or personality trait.

McAllister (1995) argued that these cognitive and affective approaches towards trust were complementary and should not be regarded as antagonistic. The cognitive dimension of trust is based on rational thinking, grounded on facts, while the affective dimension resides on the emotional perspective of the relationship. Thus, McAllister appreciates that cognition-based trust contributes to the development of the affective one being in close contact with the latter.

In addition, Zand (1972) made an important contribution to research on organizational trust by introducing various concepts, such as influence, mutual control, and vulnerability. According to Zand (1972), Golembiewski and McConkie (1975), and Boss (1978), groups with a high level of trust show greatly significant differences in their performance level than the low-trust groups. Lendenmann and Rapoport (1980) followed this idea, underlining that groups focusing on trust are more likely to be effective than those lacking it.

Transformational leadership

There are numerous studies identifying the types of leadership behavior that increase efficiency. Transformational and transactional behaviors are often used to examine performance. Literature generally supports relationships between transformational leadership, transactional leadership, and leader effectiveness (Avolio, 1999; Bass, 1998). This "full range theory" includes both kinds of transformational and transactional styles.

One behavioral category relating to the above is 'contingent rewards' that "refers to leader behaviors focused on clarifying role and task requirements and providing followers with material or psychological rewards contingent on the fulfillment of contractual obligations" (Antonakis, Avolio & Sivasubramaniam, 2003, p. 265). This is typical behavior of a transactional leader focused on task-oriented behaviors (Colbert and Witt, 2009; Yukl & Van Fleet, 1992). In contrast to this behavior type, which includes clarification, explanation, or information giving as behaviors, there are also leaders who focus on relationship-oriented behaviors (Yukl, 2010).

These behaviors are linked to the notion of transformational leadership (Bass, 1998). Behaviors, such as training employees, emphasizing the collective mission, and motivating by challenging, are essential in a transformational leader. Through these behaviors, transformational leaders pass core values and beliefs to the followers and create a climate in which employees are willing to work beyond the required standards and transcend their own interest for those of the team to which they belong (Podsakoff et al., 1990; Harter, Schmidt & Hayes, 2002).

A salient factor in the relationship between transformational leaders and their employees is trust; this link was observed in several studies (e.g., Dirks & Ferrin, 2002; Dirks & Skarlicki, 2004). Dirks and Skarlicki (2004) stated that a leader, characterized by an effective transformational style, was likely to gain the confidence of their subordinates. The four components of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Avolio, 1997), contribute to cognitive trust strengthening and boost affect-based trust, especially.

Leader fairness

Firstly, fairness is generally viewed as a key dimension in terms of ethical leadership style (Brown, Treviño & Harrison, 2005; DeHoogh & DenHartog, 2008; Treviño, Brown & Hartman, 2003). Brown, Treviño, and Harrison (2005) described fairness as being fair, trustworthy, and honest. In brief, leaders, who are fair, treat others with respect, without favoritism, and consciously aim to choose the appropriate response. Secondly, ethical leaders provide subordinates with a voice, listen to their input, and allow them to share in decision-making on issues that concern their tasks (Brown et al., 2005). De

Hoogh and Den Hartog (2008) labeled this "dimension power sharing". Thirdly, fair leaders work transparently, clarify expectations, and communicate openly so that followers understand what is desired and expected of them, which has been labeled "role clarification" (De Hoogh & Den Hartog, 2008).

Genuine concern

The first component of transformational leadership, i.e. individualized consideration, possibly embodies the most visible way in which a leader can create a relational connection with his followers. This kind of behavior indicates socio-emotional support in respect of employees and involves recognition of their differences and individual concerns. Leaders, who individually distribute their genuine concern regarding their followers' problems, entrust them with various opportunities and care for their welfare. Therefore, subordinates feel impelled to respond to these efforts in the same manner, by initiating a social exchange, thus reinforcing the foundations of affective trust. Explicitly, Treviño, Weaver, and Reynolds (2006) argued that, ''because leaders are caring, relationships with ethical leaders are built upon social exchange and norms of reciprocity'' (p. 967).

Goal-oriented leadership

Goal-oriented leadership theory advocates that conscientious subordinates are able to perform effectively when leaders help them to understand the organizational goal priorities accurately. Notably, the research of Colbert and Witt (2009) concluded that conscientiousness was related more strongly and positively to performance among workers who perceived that their supervisors effectively set goals and defined roles, responsibilities, and priorities than among workers who did not perceive this type of goal-focused leadership. Colbert and Witt (2009) also suggested that the relationship between employee conscientiousness and performance is likely to be stronger among workers who perceive that their supervisors exhibit high levels of goal-focused leadership (p. 791).

The present study explores trust in an actual manufacturing company in relation to transformational leadership, identified within the organization, in more detail to show how exactly leader behaviors influence the perceptions of their subordinates. We suggest that, apart from the extensive transformational leadership, the particular dimensions of fairness, genuine concern, and goal-focused behavior will promote employees trust in their leader.

Methodology

The presented research was conducted as a pilot case study within a Romanian SME, operating a baby car seat business in North-Eastern Romania. Since beginning, the company has focused on creating high quality, simple, and reliable products, by working on internal specifications to exceed international safety standards. With more than eight years of experience, the company has claimed three international patents and set new safety standards in products they have introduced to the market. The factory occupies 1000 square meters and has more than 30 workers that manufacture 66 000 harnesses per month. In order to guarantee the highest possible quality level, a significant investment has been made within the Romanian standards,SR EN ISO 9001:2008 and ISOTS 16949:2009 quality frameworks, to achieve the certifications and provide a foundation for better customer satisfaction, staff motivation, and continuous improvement.

Intended as exploratory and descriptive (Yin, 2009), the research methodology was based on an integrated approach aimed at investigating the degree of employees' trust in their leader and their attitude towards various topics relating to leadership. The instruments were designed to minimize the researchers' potential interference with respondents' behaviors and the approach was primarily focused on corresponding aspects of the studied themes: trust as a key ingredient of transformational leadership.

Success of transformational leadership was measured by the intensity of employees' perception of their leader as being motivational, fair, and unbiased in interactions with each employee, as well as having potential to induce satisfaction and respect through applying work methods.

A combination of qualitative and quantitative methods was used, as follows:

- Stage I – semi-structured interviews, focus groups, secondary data analysis (company documents, statistical reports, and similar records) and direct structured observations were

conducted to debate and test key themes and variables related to trust and transformational leadership.

- Stage II – a survey based on a structured questionnaire that included the main variables identified and tested in Stage I.

For both the qualitative approach and testing of the quantitative instrument (Stage I) we used a group of five management representatives that agreed to participate in the study (non-parametric sampling approach; Henry, 1990). The participants were instructed to consider their leader's competencies and behaviors in frequent work-related interactions. The group demographics were: all male, average age of 32.6 years (ranging from 23 to 38 years old), and average job tenure of 2.88 years (ranging from 9 months to 4 years). Following the testing of the structured questionnaire, a calibration of the instrument was performed accordingly.

In Stage II of the study, a survey was conducted using the calibrated instrument with all 32 personnel employed at the time, occupying various operating positions in the company (response rate = 100%). The group demographics were 13 male (40.6%) and 19 female (59.4%), and average age of 33.2 years old (ranging from 22 to 55 years old; SD = 8.57), with a majority (53.1%) being high school graduates with an average job tenure in the firm of 2.77 years (ranging from 6 months to 4 years; SD = 1.16).

The design of the quantitative instrument was based on 40 closed questions, adapted for use in this study from the Multifactor Leadership Questionnaire (MLQ) Form 5X (Bass & Avolio, 1995) and Trust in Supervisor Questionnaire developed by McAllister (1995). These questions were grouped in a series of 10 items to measure the following dimensions: 1) leader fairness, 2) inspirational or transformational leadership style, 3) genuine concern, and 4) goal-oriented leadership in connection with employee trust.

The variables comprised ordinal data. A seven point Likert scale was used to measure the variables' intensity, from "1 = not at all" to "7 = totally" (Nunnally, 1978). The validation involved both face and content approaches. Sampling limitations were that data related to a single point in time only and "elitist bias", "acquiescence", and "save face" types of errors were possible.

Data Analysis and Results

Cronbach's alpha coefficient was calculated for all variables, as follows:

1) *Leader fairness* - Fairness ($\alpha = 0.814$) was assessed using 10 items measuring a leader's correctness and ethical behavior. Sample items included "Does his job professionally" and "He keeps his promises and commitments".

2) *Inspirational leadership* - Inspirational leadership ($\alpha = 0.907$) was assessed using 10 items measuring a leader's ability to inspire and create a sense of direction and purpose for their employees. Sample items included "Represents a role model for me" and "Offers a clear vision of what we can achieve in the future".

3) *Genuine concern* - Authentic concern ($\alpha = 0.903$) was assessed using 10 items measuring a leader's intuitive feel for the needs of their people. Sample items included "Shows concern for achieving my well-being" and "Offers a clear vision of what we can achieve in the future".

4) *Goal-oriented leadership* - Cronbach's α was 0.905 for this dimension, which indicated a high level of internal consistency for the scale in this specific sample. Respondents revealed how the leader sets clear and specific goals based on experience, which they regard as achievable. Sample items included "Clearly explains the results I can get" and "Grants recognition/rewards when I achieve my work goals".

The success of transformational leadership in terms of the intensity of employees' perception of their leader scored very high (ranging between 5.99 and 6.60) in all criteria. Means, scale variances, standard deviations, and inter-item correlations are presented in Table 1.

Combining the scores in Table 1 with the qualitative data from individual interviews, direct observations, and focus groups, illustrated the main leadership characteristics for this case study were: proving competence in business activity, showing respect for employees, following the rules,

objectivity, honoring promises and commitments, correctness, and cultivating a sense of security and certainty at the workplace.

Table 1: Descriptive statistics, reliability estimates, and inter-item correlations matrix

Variables	$\bar{x}$	s^2	SD	α	1	2	3	4	5	6	7	8	9	10
Leader fairness	6.60	16.77	0.65	0.814	0.443	0.291	0.417	0.399	0.382	0.298	0.435	0.505	0.405	0.270
Inspirational leadership	5.99	77.83	1.17	0.907	0.483	0.566	0.632	0.557	0.563	0.548	0.569	0.500	0.634	0.568
Genuine concern	6.12	71.29	1.13	0.903	0.598	0.592	0.516	0.659	0.536	0.690	0.360	0.575	0.532	0.431
Goal-oriented leadership	6.25	59.55	1.01	0.905	0.606	0.584	0.594	0.646	0.550	0.607	0.469	0.542	0.539	0.403

α = Cronbach's alpha coefficient

Source: Author

Further, we performed inter-group correlations for the four series of 10 items, with results as follows (mean inter-correlations): 0.814 for fairness; 0.907 for inspirational leadership; 0.903 for genuine concern, and 0.905 for goal-oriented leadership. This construct is congruous to previous empirical findings (Avolio, Zhu, Koh & Puja, 2004; Liu, Siu & Shi, 2010). The overall Cronbach's alpha was 0.816. Combined, these results supported the behavior scales from the aggregation of leadership characteristics in respect to the level of trust granted by subordinates. Results from the inter-item correlation indicated a reliable aggregation (0.443 for fairness, 0.483 for inspirational leadership, 0.598 for genuine concern, and 0.606 for goal-oriented leadership).

The correlation intensities are consistent with previous work in this area (Van Knippenberg & van Knippenberg, 2005). Our analysis showed positive and significant correlations between leader fairness and the three other dimensions as follows: $r = 0.557$, $r < 0.01$ (2-tailed) for inspirational leadership, $r = 0.446$, $r < 0.05$ (2-tailed) for genuine concern, and $r = 0.448$, $r < 0.05$ (2-tailed) for goal-oriented leadership.

A leader's professionalism is an inspiring factor for subordinates, and this translates to a high degree of trust regarding a leader's competence to fulfill job requirements effectively. In addition, genuine concern and equitable behavior, as part of a leader's fairness, positively correlated, showing a strong relationship underpinning trust as a mediator between employees and their leader.

Results for the four dimensions of leadership, explored through the present study, show that relationships between fairness, genuine concern, and goal-oriented characteristics are sufficiently supported by trust within the organization.

Conclusions

The study found significant correlations between various aspects of transformational leadership style and subordinates' trust in their leader. Namely, employee trust in their leader's behavior was based on a leader's correctness, ability/competence, proficiency in creating a sense of security, and relationships at work. Especially, inspirational leadership was linked significantly and positively to employees' trust in their leader, as reflected in results of the variable correlations performed in this case study.

The research also showed that respect and fairness (respecting the rules, professional objectivity in assessing, and honoring promises and commitments), and competence are essential features that generate a high degree of trust among employees. A leader's competence was regarded important in terms of the future success of the organization and workplace or job certainty and stability. Stability and professional conduct were linked to a leader's capacity to behave in accordance with the specifics of the leadership profile (competence in business activity, respect for employees, following the rules, objectivity regarding employee evaluation, honoring promises and commitments, correctness, cultivating a sense of security and certainty, and equitable distribution of tasks and resources). Furthermore, as presented in this research, goal-oriented leadership aspects such as job security and

continuity (r = 0.433, r< 0.05, 2-tailed) and a leader's cooperation (r = 0.469, r< 0.01, 2-tailed) are pivotal in terms of producing trust throughout the organization.

Finally, assuming the inherent limitations of a pilot case study, the conclusions are relevant in this study's case only and should not be generalized. Nevertheless, obvious relationships were evident among the targeted domains of transformational leadership and trust, indicating a need for further methodological development and follow-up studies.

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