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Authentic Leadership, Trust and Work Engagement

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***Abstract*—**The issue of leadership has been investigated from several perspectives; however, very less from ethical perspective. With the growing number of corporate scandals and unethical roles played by business leaders in several parts of the world, the need to examine leadership from ethical perspective cannot be over emphasized. The importance of leadership credibility has been discussed in the authentic model of leadership. Authentic leaders display high degree of integrity, have deep sense of purpose, and committed to their core values. As a result they promote a more trusting relationship in their work groups that translates into several positive outcomes. The present study examined how authentic leadership contribute to subordinates' trust in leadership and how this trust, in turn, predicts subordinates' work engagement. A sample of 395 employees was randomly selected from several local banks operating in Malaysia. Standardized tools such as ALQ, OTI, and EEQ were employed. Results indicated that authentic leadership promoted subordinates' trust in leader, and contributed to work engagement. Also, interpersonal trust predicted employees' work engagement as well as mediated the relationship between this style of leadership and employees' work engagement.

***Keywords*—**Authentic Leadership, Interpersonal Trust, Work Engagement

I. Introduction

LEADERSHIP in organizations ought to be authentic in order to be effective and successful over the long term. Philosophers, religious leaders, and thinkers from ancient times have given emphasis on the importance of authenticity and ethicality for leaders, if they are to attain effective governance in any circumstances. Leaders are obliged to demonstrate the highest moral standards and ethical demeanor in their everyday talk, actions, decision, and behaviors so that others in their organizations can follow suit. The most recent financial crisis has originated from failed corporate leaders who believed in manipulations of accounts and indulged into blatant unethical corporate practices. The shocking financial irregularities that have been uncovered in companies like Tyco International, WorldCom, Adelphia, HealthSouth, and Enron and more recently Transmile [52] etc. bring to fore the need for ethical leadership more than ever before.

Ethical perspective has been discussed in the authentic model of leadership [25]. Authentic leaders display high degree of integrity, have deep sense of purpose, and committed to their core values. They build enduring organizations that meet the needs of all stakeholders. As a result they promote a more trusting relationship in their work groups that translates into several positive outcomes such as job satisfaction, organizational commitment, intention to stay, and work engagement.

Interpersonal trust between leaders and members of the work group is central to their effective functioning. Though leaders play the primary role in establishing and developing trust, little research has examined the specific leadership practices which engender trust towards them. There are some evidences, however, to suggest that some leaders, such as authentic and transformational, seem to be more effective than others in promoting a trusting relationship with their followers [23],[29],[51],[7].

Trust in leaders is particularly important for effective functioning in organizations such as banks where tasks are complex and require high levels of interdependence, cooperation, information sharing and above all trust. To the best of our knowledge no research has been conducted in the banking sector in Malaysia which examines relationship of authentic leadership with trust and the way they contribute to employees' work attitude and behavior, such as work engagement.

II. Research Questions

As such the study intended to examine the following research questions.

1. To what extent authentic leaders promote subordinates trust in them and their work engagement?
2. How does subordinates' trust in leaders facilitate employees work engagement?
3. How does trust mediate the relationship between leadership authenticity and employees work engagement?

III. What is Trust?

Trust is manifest by one's actions – ultimately reflecting core beliefs, assumptions [60], and the depth of personal commitment [61]. Thus, trust is basically defined as the mutual understanding between two persons that vulnerabilities will not be exploited and that the relationship is safe and respectful [51],[55]. According to [19], trust is "a willingness to rely on another party and to take action in circumstances where such action makes one vulnerable to the other party".

IV. Interpersonal Trust

Over the years, trust in interpersonal relationships at work, specifically, between a trustor (the subordinate) and the trustee (the superior/leader) has been examined as a central explanatory construct in organizational studies. Interpersonal trust is conceptualized as a belief about a set of particular characteristics of another specific individual(s). These

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characteristics have typically included the dependability or reliability, caring or benevolence, competence and integrity of coworkers (lateral) and leaders (vertical)[17],[45],[48],[28],[44]. Interpersonal trust was measured within the dimensions of competence, benevolence and reliability [43],[46]. The relationship of interpersonal trust and it's mediating role with other research variables are major concerns in this study.

V.LEADERSHIP AND TRUST

Little attention has been given to leadership studies on the role of trust in influencing follower's behavioral outcomes. Trust is the building block of social exchange and role relationship. Leader member relationship needs trust. Leadership is considered trustworthy based on leadership's conduct, integrity, use of control, ability to communicate, and ability to express interest for members [63]. When trust is broken it can have serious adverse effects on a group's performance [18].

Research indicates that trust, most specifically leadership trust, is a necessary and viable component of organizational success [10],[16],[18],[22],[33],[49],[53],[63]. Leadership trust is literally defined as a leader-member relationship based on mutual respect, cooperation, commitment, reliability and equity [12], [18]. Effective leadership trust is also based in exchange theory, which proposes that leaders and members create a mutual reciprocal relationship [56]. When followers trust leader, they are willing to be vulnerable to the leader's action—confident that their rights and interests will not be abused[28].

Leaders have a significant responsibility to increase member involvement to breed leadership trust. Honesty, for instance, consistently ranks at the top of most people's list of characteristics they admire in their leaders. It is also important that leadership trust only exists if leadership is aligned with organizational values, demonstrates fairness with members, and does not exploit members. Furthermore, organizations that experience greater trust in leadership can compete more effectively in economic markets and maintain organizational viability [63].

VI. AUTHENTIC LEADERSHIP

Authentic leaders are those who are deeply aware of how they think and behave and are perceived by others as being aware of their own and others' values/moral perspectives, knowledge, and strengths; aware of the context in character [7],[5],[23],[36],[30]. Authentic leadership theory has been advanced as an approach to leadership that includes behaviors such as transparency [7], altruistic actions [47], and behavioral consistency [23],[20].

In fact, authentic leadership theory leverages synergies from Avolio's past research on transformational[9],[2],[9] and full-range leadership[3],[6],[4] past work in positive organizational behavior [37], psychological capital [35],[38],[40], and positive approaches to leadership [39]. Rooted in ancient Greek lore and philosophy, the modern concept of authenticity has evolved during the past 80 years [21].

In the [7] leadership framework, trust is a key intervening variable linking authentic leadership to followers' attitudes and behaviors. Although research in authentic leadership is relatively new, three studies have shown that relational transparency is a key component of authentic leadership and is a significant predictor of trust in the leader [24],[29],[51].

VII. AUTHENTIC LEADERSHIP AND TRUST

Reference [36] describes an authentic leader as one who is "genuine, reliable, trustworthy, real, and veritable". Thus, trustworthiness is proposed to be an intrinsic feature of authentic leadership. In this sense, trustworthiness is also viewed as an antecedent to authenticity. That is, trustworthy leaders are seen as more authentic.

Reference [36] viewed that consistency; integrity, openness, promise fulfillment, and receptivity to suggestions and input are also some of the core components of authenticity. Moreover, reliability and dependability are usually seen to be fundamental components contributing to cognitive trust levels [45].

VIII.EMPLOYEE WORK ENGAGEMENT

Work engagement is a broad concept that comprises as core features like high involvement, affective energy, and self presence at work [11],[41]. The concept of employee engagement was first promoted by [31], [32] who described it as different from other constructs such as job involvement, commitment or intrinsic motivation.

According to Kahn employee engagement is a multi dimensional construct in that employees could be emotionally, cognitively and physically engaged. Some scholars believed that employee engagement was simply the opposite of burnout [42] as it consisted of energy, involvement and efficacy that employee brought to their role. More recent research [1],[8] has supported the notion that employee engagement is a valid and reliable concept. Studies reviewing the burnout literature argued that employee work engagement is a distinct construct characterized by vigor, dedication, and absorption in one's work [58]. Unlike satisfaction, work engagement includes a person's attachment towards his/her organization [37], it is not momentary and specific state [54] but rather more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior [57]. Vigor reflects the readiness to devote effort in one's work, an exhibition of high levels of energy while working and the tendency to remain resolute in the face of task difficulty or failure [58]. Dedication refers to a strong identification with one's work and encompasses feelings of enthusiasm, inspiration, pride, and challenge [58],[14]. Absorption is characterized by being fully concentrated and happily engrossed in one's work whereby time passes quickly and one has difficulty with detaching oneself from work [58].

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IX. EMPLOYEE WORK ENGAGEMENT AND TRUST

This study posits that the relationship between trust and work engagement is mutually reinforcing and leads to an upward spiral effect [14]. Research evidence indicates that a climate of trust leads to wide and diverse benefits for individuals who are engaged in particular organizations. Previous studies have demonstrated that increase in trust result directly or indirectly in more positive workplace behaviors and attitudes like organizational commitment and employees work engagement [18].

X. EMPLOYEE WORK ENGAGEMENT AND LEADERSHIP

When employees recognize that their immediate superiors and top management have the skillful insight and ability to augment the growth and productivity of the organization by making competent decisions, it would give them increased assurance of a more profitable future with the organization [62]. In other word, there can be an increase in work engagement amongst employees if there is a sound sense of trust in the competence and capability of their immediate supervisors. Furthermore, supervisory coaching in the form of assisting employees in locating their goals, organizing their work, highlighting drawbacks, taking a keen interest in their professional and career advancement, and offering advice as needed, has been positively related to work engagement [59].

XI. THEORITICAL FRAMEWORK AND HYPOTHESES

Based on the literature review the following theoretical framework and hypotheses were developed.

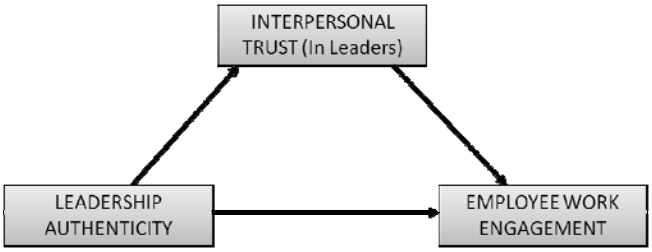


Fig 1 Proposed Theoretical Framework

H1: All core components of authentic leadership positively contribute to interpersonal leadership trust, i.e., subordinates' trust in their leader.
H2: The core components of interpersonal leadership trust positively contribute to employee work engagement.
H3: All core components of authentic leadership has direct positively relationship with the employee work engagement.
H4: Interpersonal trust has a significant mediating effect between leadership authenticity and employee work engagement.

XII. RESEARCH METHOD

A. Sample and Procedure

The study was conducted in the banking sector in Malaysia. A total of 800 survey questionnaires were distributed to the bank employees both in HQs and branch offices located around Kuala Lumpur. Out of that 395 (almost 50%) valid questionnaires were returned.

Purposive random sampling method was employed in this study. It is a sampling technique in which researchers choose participant arbitrarily for their unique characteristics or their experiences, attitudes, or perceptions, etc. It is a non-probability sample that conforms to certain criteria [15]. To participate in this study, the respondents (employees) 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 make sure that the employees have a fair perception of their leaders. But the specific proportion of population and sample ratio for this study was neglected as it was difficult to obtain a precise list of the number of total employees from the participating organizations.

B. Instrumentation

Standardized tools such as Authentic Leadership Questionnaire (ALQ), [4]; Interpersonal Trust Scales (ITS), [44],[46]; and Utrechet's Work Engagement Scale (UWES), [58] were used to collect data. A 5-point Likert 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.

XIII. 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 Kuala Lumpur, Malaysia. They represented several job positions such as clerks (23%), supervisors (16%), executive officers (47%), and managers (14%). 47 percent of them had worked with the current employer between 1 to 4 years, another 20% between 5 to 9 years and the rest for more than 9 years. Furthermore, 66% of them had worked with their current supervisor between 1 to 2 years and the rest for more than 2 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 master's degree and the rest were secondary school graduates.

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

Variable	Factor	No. of Item	Mean	Std. Dev.	Alpha
Authentic Leadership	Relational Transparency	4	3.55	.81	.91
	Authentic Action	5	3.54	.82	
	Balance Processing	3	3.55	.78	
	Self Awareness	2	3.49	.83	
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	
	Dedication	3	3.78	.85	.91
	Absorption	3	3.62	.89	

Table II presents the correlation coefficients among the study variables. The recommended inter-item correlation coefficient (r) is between ''0.3 to 0.8'' in order to avoid multicoliniarity. Thus all the r values in the table ranged from 0.30 to 0.77 (p<0.01).

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.	.67**	.62**	.60**							
Reliability	.60**	.56**	.57**	.47**						
Competence	.62**	.58**	.57**	.47**	.77**					
Benevolence	.56**	.57**	.55**	.47**	.72**	.71**				
Vigor	.48**	.41**	.40**	.30**	.44**	.44**	.47**			
Dedication	.48**	.42**	.45**	.36**	.44**	.46**	.45**	.75**		
Absorption	.46**	.36**	.40**	.36**	.40**	.44**	.44**	.67**	.75**	

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

B. Confirmatory Factor Analysis (CFA)

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	RMSEA
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

XIV. STRUCTURAL MODEL

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

In the structural model the value of coefficient paths were statistically significant ($p < 0.01$). The fit indices like $\chi 2/df = 2.389$; RMSEA = .059; GFI = .966; TLI = .976 and CFI = .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<.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 (vigor, dedication, and absorption). The standard path coefficient of 0.35 was significant (p<.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<.01) in the mediated model from 0.60 (p<.01) in the unmediated model. Therefore, the result suggested partial mediation effect of interpersonal trust between authentic leadership style and employee work engagement and thus partially supporting H4. Figure 2 and 3 respectively displays the unmediated and mediated model.

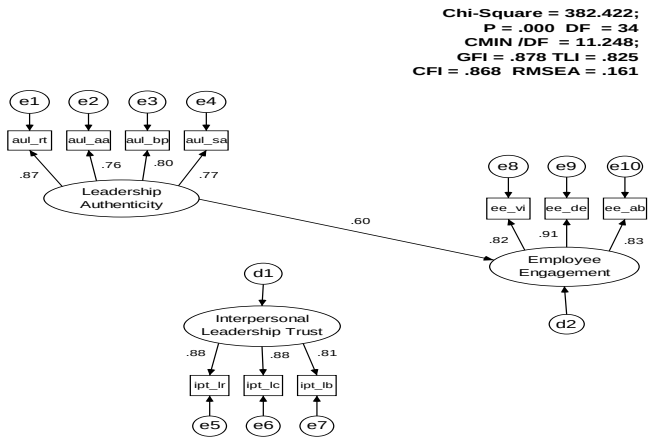


Fig. 2 Unmediated model: Showing direct effect of authentic leadership on employee work engagement

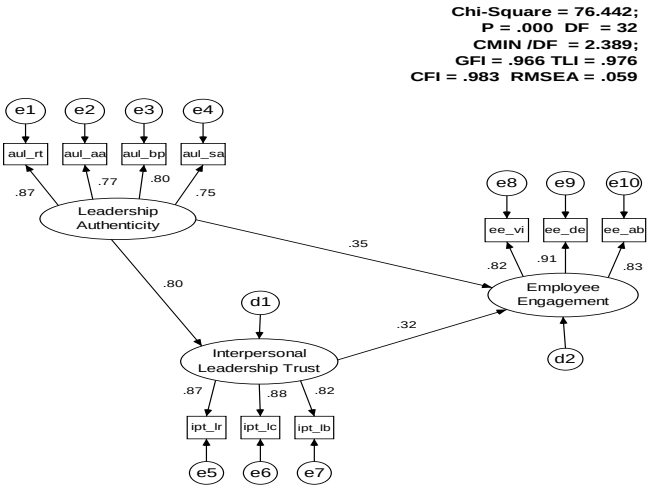


Fig. 3 Mediated model: Showing mediating effect of interpersonal trust between authentic leadership on employee work engagement

XV. DISCUSSION

It is believed that a great place to work is one where people trust the people they work for, take pride in what they do, and feel enthusiastic about the work they do. This study was conducted to investigate and confirm some such observations. Essentially it aimed to examine the linkages between authentic leadership, interpersonal leadership trust and subordinates' work attitude, namely work engagement in Malaysian banking sector.

Banking sector was chosen for the study because of few reasons: First, trust in leaders is particularly important for effective functioning in organizations such as banks where tasks are complex and require high levels of interdependence, cooperation, information sharing and above all trust. Second, most of the public scandals, fraudulent cases, financial crises, recessions and so on, are very critical issues being discussed of late in the financial industry.

Findings of the study supported all four hypotheses of the study. First, authentic leadership promoted subordinate trust in leader (H1). Second, authentic leadership contributed to employees' work engagement (H2). Third, subordinates' trust in leader facilitated their work engagement (H3). Finally, interpersonal trust partially mediated the relationship between authentic leadership and employees' work engagement (H4). The results are in line with previous findings. For example, [36] had argued that in order for a leader to be perceived as more authentic by the follower, there must be a level of trust between the leader and the followers. Reference [64] had earlier reported that components of leadership authenticity like leader's relational transparency and authentic action were positively associated with subordinates' trust in leader. Interpersonal trust between subordinates and leaders also significantly predicted employees' work engagement. Previous evidence indicates that employees are more likely to engage in their work when they have developed a high level of organizational trust [14]. Although research 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 significant predictors of trust in the leader [24],[29],[51]. In one widely used employee engagement survey [27], it was indicated that immediate supervisors and leaders have a significant influence over the employee's 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 authentic characteristic of a leader include coaching in the form of assisting employees in locating their goals, organizing their work, highlighting drawbacks, taking a keen interest in their professional and career advancement, and offering advice as needed. These attributes are positively related to work engagement [59].

To conclude, findings of the study supported authentic leadership theory. Authentic leaders create trusting relationship with their subordinates and employees enjoy working in such organizations. According to [34] organizations that are recognized as great place to work for put great emphasis on quality of relationship between employees and their leaders, between employees and their jobs, and among employees. The centrality of these three relationships influences employees' loyalty, commitment, and willingness to organizational goals and priorities. If leaders are seen as transparent, acting according to espoused values, and not displaying self protective motives then they develop trusting relationship with their employees which in turn contribute to positive employees work outcomes such as work engagement.

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