Significant predictor and outcome of interpersonal trust: Empirical evidence from Pakistan.

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The researchers and practitioners have recognized the importance of trust by considering it as an important factor for determining organizational success and employees’ well-being. The trust is a complex and multidimensional construct, a long debate is prevailing in literature regarding how trusting relationships can be created. The aim of this research is to add something to the trust literature, by finding out the significant predictors and outcomes. The second important purpose of this paper is to make it confirm that attributed charisma, inspirational motivation, intellectual stimulation, idealized influence, and individualized consideration are the important attributes of transformational leadership as reported by many renowned researchers. The total of 400 survey questionnaire were personally distributed among the respondents, of which 282 completed and ready to analysis were returned with a response rate of 70%. The entire hypotheses developed for study were supported by the empirical results. The structural equation modeling (SEM) results indicate that attributed charisma, inspirational motivation, intellectual stimulation, idealized influence and individualized consideration are attributes contributing towards transformational leadership. The survey questionnaire data also led to the findings that transformational leadership is a significant predictor of trust in managers and employees’ organizational identification is its significant outcome.

Key words: Trust, transformational leadership, organizational leadership, commitment.

INTRODUCTION

Trust in managers is strongly correlated with affective commitment or organizational attachment (Tan and Tan, 2000). Employees having continuous commitment with the organization need to remain within the organization; on the other hand, those having affective commitment with the organization want to be the part of their organization (Allen and Meyer, 1990). Committed employees have a high trust level in their employees which is the outcome of transformational leadership. Trust is highly influenced by transformational leadership and it is considered as its’ important antecedent (Dirks and Ferrin, 2002). Some mixed results were drawn by researchers like Podsakoff and his colleagues on transformational leadership and trust but employees’ trust in their leaders is positively influenced by all important transformational leadership attributes (Butler et al, 1999). Transformational leaders motivate their followers to perform beyond expectations by making them more aware of the importance and value of goals; inducing them to transcend self-interest for the good of the group/organization, and appealing to followers’ higher order needs (Bass, 1985). Transformational leadership contributes towards subordinates’ empowerment and team members’ effectiveness (Ozaralli, 2002). It is positively associated with employees’ cooperative behaviors which in turn contribute towards high organizational performance and have a positive influence on employees’ satisfaction (Bass and Avolio, 1993). In their meta-
analysis on trust and leadership, Dirks and Ferrin (2002) reported that transformational leadership is strongly predictive of trust.

The organization Identification (OI) has an association with organization citizenship behaviors, cooperative behaviors and commitment to the respective organization (Abrams et al., 1998). In addition to the direct relationship between organization identification (OI) and continuous improvement efforts, OI also has a positive moderating impact on the relationship between continuous improvement efforts and trust (Lee, 2004). Trust alone cannot always motivate the employees for cooperative behaviors remarkably (Dirks and Ferrin, 2001). It is not always sufficient for cooperative behaviors; some other factors of interest have an impact on the trust-cooperative behavior relationship (Lee, 2004). Employees who are high on organizational identification consider the organizational goals as their own and they always try to establish profound relationship with their respective organizations (Lee, 2004).

The primary purpose of this research is to scrutinize that transformational leaders are playing a key role in the development of employees’ trust in their managers. Once employees’ trust is developed then they identify themselves with their organizations and develop a sense of belongingness. This research has also taken into account that attributed charisma, idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration are the significant dimensions of transformational leadership.

LITERATURE REVIEW

The transformational leadership contributes towards subordinates’ empowerment and team members’ effectiveness (Ozaralli, 2002). It is positively associated with employees’ satisfaction and to those in-role behaviors which contribute towards high job performance (Bass and Avolio, 1993). Transformational leadership increases the confidence and motivation of followers to obtain performance beyond expectations (Bass, 1985). It is considered as a value based framework and has a positive relationship with various measures of employees’ performance and satisfaction (Moyniham et al., 2009; Park and Hal, 2008; Trottier et al., 2008). The research findings suggest that transformational leader-ship is more highly related to employees perceived satisfaction than transactional leadership (Hatler and Bass, 1988), and more positively related to the knowledge management than transactional leadership (Politis, 2001).

Emotional intelligence is a prerequisite for successful leadership (Goleman, 1998) and individuals who are high in emotional intelligence would be more likely to use transformational behaviors (Barling et al., 2000). Emotional intelligence is associated with three aspects of transformational leadership, namely idealized influence, inspirational motivation and individualized consideration and contingent rewards. At the other end, active and passive management by-exception and laissez faire management are not associated with emotional intelligence (Barling et al., 2000). A transformational leader enhances their followers’ commitment to the organization (Barling et al., 1996), its goals and values (Bass, 1998) and team commitment (Arnold et al., 2001). It is evident from the previous researches that idealized influence and inspirational motivation occur more frequently among upper managers rather than middle managers and there is no difference for intellectual stimulation and individualized consideration (Bruch and Walter, 2007). Idealized influence, inspirational motivation and intellectual stimulation are more effective in strengthening subordinates’ job satisfaction among upper rather than middle managers while individualized consideration is similarly effective in both groups (Bruch and Walter, 2007).

Empowerment and trust mediate the relationship between transformational leadership and in-role performance of the followers (Bartram and Casimir, 2006). Perceived organizational support has a positive relationship with employees’ affective commitment (Eisenberger et al., 1986), organizational citizenship behavior (Moorman et al., 1998), and lower rate of turnover intention (Wayne et al., 1997). Contingent workers’ perception of justice is positively related to perceived organizational support (Liden et al., 2003).

Social exchange theory (Blau, 1964) has often been applied to the study of organization in order to understand the relationship that develops between employees and organizations (Wayne et al., 2002). This theory suggests that when employees are provided with a fair treatment from their employers and values their contribution and well-being, employees feel a high level of support from their organizations and feel to reciprocate. Perceived organizational support is linked with high job performance (Erdogan and Enders, 2007), organization citizenship behavior (Pierce et al., 2006), commitment and reduced turnover (Loi et al., 2006). The integrity of supervisor has a significant impact on the formation of trust between the employees and supervisors (Ristig, 2009). Employees’ affective attach-ment to the organization is strengthen by increased perceived organizational support, which results into a higher performance to fulfill the organization’s objective (Eisenberger et al., 1986). This is quite in accordance with the findings of Cook and Wall (1980), who had explored that trust in management, is positively correlated with measure of identification, loyalty and involvement.

Trust in managers is considered as an important factor for getting better performance and it is acknowledged that trust act as a lubricant, by smoothing relations between actors and reducing transaction cost (Creed and Miles, 1996). Trust in leaders is found to be significantly related to transformational leadership, perceived organizational
support, participative decision making, and meeting expectations of followers (Dirks and Ferrin, 2002). It is a common notion that trust is influenced by past experiences and chances of future interactions, both are relevant in the organizations. Expectations of others' beneficial actions will be enhanced by prior experiences of such behavior. If others live up to prior expectations, this good repute will further positive expectations in the future, enhance the level of trust, and promote actor's willingness to cooperate (Lewicki and Bunker, 1996; Buskens, 1999; Gautschi, 2002). If people trust others, they seek interactions with them, tend to like what they like and see what they see, to share definitions of relevance, thus furthering integration between them (Bijlsma and Bunt, 2003). Distrust creates discord, since, if others are distrusted, actors will tend to dislike what they like, tend not to share their definitions of relevance and tend to avoid interaction with them (Bijlsma and Bunt, 2003). In a nutshell, we can say that “trust begets trust and distrust begets distrust” (Bijlsma and Bunt, 2003). Trust can act as a substitute for control because it reduces transaction costs, the higher the trust in relationship, the lower the cost of monitoring and other control mechanism will be (Cumming and Bromiley, 1996; Handy, 1993; Whitney, 1993). On the other hand, Das and Teng (1998) rejected the idea that trust and control should be seen as complementary phenomenon, both contributing to the level of cooperation needed in relationship. In a study of work teams, Costa et al. (2001) found that trust between team members involves high cooperative behaviors and lack of monitoring between colleagues, which indicate that trust can act as a substitute for control. The employees who consider their managers as authoritative, trust their managers to a lower degree than employees who classify their managers as participative and democratic (Bijlsma and Bunt, 2003).

Trust triggers the passions for excellence and is considered as an essential intangible resource in modern organizations and in absence of it, severe negative consequence may follow (Greenberg and Cropanzano, 1999). Effective use of human resource management practices leading to increased procedural justice, an atmosphere of open communication and empowerment increase employees’ trust in their managers (Barney and Hansen, 1994; Gould-Williams, 2003; Schuler, 1992). Another research conducted by Moye and Henkin (2005) on employees’ empowerment and interpersonal trust in managers revealed that employees who feel empowered in their work environment tend to have higher level of interpersonal trust in their managers (Cook and Wall, 1980). Trusts between individuals and groups within an organization are considered as a significant factor in terms of the organization’s long term stability and of its employees’ well-beings. Trust-in-supervisor is positively related to employee willingness to help co-workers among employees perceiving low levels of organizational politics but not among those perceiving high levels of organizational politics (Poon, 2003).

According to social identity theory, individuals classify the society in various social groups, such as gender, age group, nationality etc (Tajfel and Turner, 1985). Social identification is the perception of belongingness to a group; organizational identification is a specific form of social identification in which individuals define themselves in terms of their organizational membership (Lee, 2004). Organizational identification literature reveals that individuals who identify themselves with their employing organization tend to do those activities which are in congruence with the organizational identity and values; refrain from those activities which go against the sovereignty of organization (Ashforth and Mael, 1983). The researches showed that organizational identification has a strong positive relationship with extra-role behaviors, cooperative behaviors, and intention to stay with the employing organization (Abrams et al., 1998; Mael and Ashforth, 1995). If procedures are perceived as fair, employees will consider that they are being respected and valued by the organization and top management; consequently, they start to trust the authorities and committed to build long-term relationship with them and identify themselves with the organization (Tyler and Lind, 1992).

Developing trust of the employees is a difficult job, once the authorities are considered benevolent and trustworthy by the employees; it results in a greater work motivation in favor of the organization (Tyler, 1999). The members show a high degree of identification with the group when they have trust in their fellow members, satisfied with the group membership, and cooperate with one another (Chan, 2005). A research suggested that an organizational member’s behavior and performance is highly related to their level of organizational identification and commitment (Chan, 2005). The literature has indicated that higher identification is beneficial for both the organization and individual. For the organization, higher identification leads to better performance, lower absenteeism and turnover rates and more extra-role behaviors; for the individual manifests in enhanced job satisfaction, increased motivation and improved health and well being (Dick et al., 2004). It is argued that trustworthy behaviors of the school principal such as being open and honest with teachers, treating them as colleagues, being sensitive to their needs and setting reasonable performance standards are the key indicators of teachers’ identification with the school.

Employees want to work for the companies that recognize the importance of the home, family and personal time because the imbalance of work and family responsibilities often result in increased work stress. When there is no ample support from the organization's side, many working parents tend to quit (Glass and Estes, 1996). Organizational identity is a subset of social identity in which an individual defines himself/herself by
by the same attributes that defines his or her organization (Dutton et al., 1994; Mael and Ashforth, 1992). It is firmly supported by the literature that individuals tend to identify themselves strongly with the organizations having distinctive and positive practices, values and attributes to enhance their self esteem, perceived status and exclusivity (Ashforth and Mael, 1989). Employees with high level of organizational identification are more likely to be committed to the organization and have lower turnover intentions, because they would experience “physical loss” if they leave their organization (Mael and Ashforth, 1992; Knippenberg and Schie, 2000).

Research model and hypotheses development

The hypotheses statements are shown in Table 1.

RESEARCH METHODOLOGY

Sample and data collection

Convenience sampling technique was used for the collection of data because of time and cost factors. Self administered questionnaires were distributed among the respondents. A total of four hundred respondents were included in this study; out of total, 282 questionnaires were returned with a response rate of 70%, which is considered as quite satisfactory. The participants were from 8 different private and public sector organizations of banking, telecom, health, and higher education institutions. Out of the total, 118 responses were either incomplete or of no use to be included in the study, so they were excluded from the research. Of the participants, 45% were in management positions and the rest of 55% labeled themselves as non-management position holders. The respondents were 44% female and 56% male. There ages ranged from 25 to 48 years and 58% of the respondents had been with the organization between six months and ten years and the rest, 42% being employed for more than ten years. The qualification of respondents ranged from Intermediate to PhD and maximum responses came from master qualified people which were (227) in number.

Procedure

The survey instrument was distributed personally to the respondents for the purpose of high return rate. A brief cover letter was attached with the questionnaire, in which the author explained the purpose of the research and assurance of the confidentiality.

RESULTS AND DISCUSSION

The index fit of model is shown in Table 2. With 8 degree of freedom into consideration, most index values satisfy the general standard values for index fit. The general accepted standards for model fit are: Chi-square value (significant level > 0.05), goodness of fit index (GFI > 0.80), adjusted GFI (AGFI > 0.80), normed fit index (NFI > 0.90), comparative fit index (CFI > 0.90), and root means square residual (RMSEA < 0.05). This model fit does not meet all the standards but overall it is considered as an accepted model.

Table 3 represents the regression weights to test the hypotheses of the study. After structural equation modeling (SEM), the results make it confirmed that attributed charisma, inspirational motivation, intellectual stimulation, idealized influence and individualized consideration are significant predictors of Transformational Leadership with p value (0.00). This research confirmed Bass and Avolio (1997) attribution of transformational leadership. The leadership style characterized by transformational leadership attributes is significantly associated with team members’ trust in their leader/manager (Gillespie and Mann, 2004). All the transformational

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Table 1. Hypotheses statements.

<table>
<thead>
<tr>
<th>Hypotheses statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Attributed charisma is a significant dimension of transformational leadership.</td>
</tr>
<tr>
<td>H2 Inspirational motivation is a significant dimension of transformational leadership.</td>
</tr>
<tr>
<td>H3 Intellectual stimulation is a significant dimension of transformational leadership.</td>
</tr>
<tr>
<td>H4 Idealized influence is a significant dimension of transformational leadership.</td>
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<tr>
<td>H5 Individualized consideration is a significant dimension of transformational leadership.</td>
</tr>
<tr>
<td>H6 Transformational leadership has positive significant relationship with trust in managers</td>
</tr>
<tr>
<td>H7 When employees trust their managers, then they identify themselves with the organization</td>
</tr>
</tbody>
</table>
Table 2. Index of the fit of the model.

<table>
<thead>
<tr>
<th>Index of fit</th>
<th>P</th>
<th>Chi-sq/(df)</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>179.91</td>
<td>0.000</td>
<td>8.538</td>
<td>0.954</td>
<td>0.941</td>
<td>0.901</td>
<td>0.081</td>
</tr>
</tbody>
</table>

Table 3. Regression weights (results of hypotheses tests).

<table>
<thead>
<tr>
<th>Paths</th>
<th>Estimate</th>
<th>S.E</th>
<th>CR</th>
<th>P-Value</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charisma-transformational leadership</td>
<td>0.746</td>
<td>0.025</td>
<td>29.433</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Inspirational motivation-transformational leadership</td>
<td>0.941</td>
<td>0.031</td>
<td>30.425</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Intellectual stimulation-transformational leadership</td>
<td>0.632</td>
<td>0.032</td>
<td>19.632</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Idealized influence-transformational leadership</td>
<td>0.613</td>
<td>0.026</td>
<td>23.162</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Individual consideration-transformational leadership</td>
<td>0.916</td>
<td>0.032</td>
<td>28.500</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Transformational leadership-trust</td>
<td>0.414</td>
<td>0.038</td>
<td>10.756</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Trust-organizational identification</td>
<td>0.771</td>
<td>0.088</td>
<td>8.785</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Figure 1. Model of transformational leadership, trust in managers and organizational identification.

leadership practices (attributed charisma, idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) are significantly associated with trust in managers (Butler et al., 1999).

Table 3 and Figure 1 also shows a significant relationship between the transformational leadership and trust in managers having \( \beta = 0.54 \) with \( p \) value 0.00. There is also a significant relationship between trust in managers and organizational identification. The reason might be that employees having a high trust in their managers identify themselves with their respective organizations and considers the organizational objectives as their own.

Trust and organizational identification (OI) have positive relationship (Figure 2), and is also strongly supported with Beta (\( \beta = 0.46 \)). This hypothesis is supportive of the Tyler and Lind (1992), research findings; which states that when fair treatments are prevailing in the organizations; their employees consider that they are being respected by the organization and top management. Consequently, employees start to trust the authorities and become committed to build long term relationship with their organizations and identify themselves with their organizations. Once trust is developed, it results into a greater work motivation in favor of the organization (Tyler, 1999).

Conclusion

The study has analyzed the relationship among transformational leadership trust in managers and organizational identification. Many renowned researchers of the
transformational leadership literature have highlighted the important dimensions of this leadership style. This research make it confirmed that attributed charisma, inspirational motivation, intellectual stimulation, idealized influence and individualized consideration have strong positive relationship with transformational leadership which shows that these are its important antecedents. A leader/manager exhibiting transformational leadership attributes is considered as trustworthy by their followers/subordinates. Businesses are becoming competitive because of globalization. Organizations are in the need of discovering new tactics for the sake of outperforming their competitors in such a volatile and rapidly changing market. Leaders should give a serious importance to the followers trust building because trusting employees will not leave the organization even at the time of crisis. Creating trust climate is really expensive and time consuming job, but once it is developed it leads to organizational identification and continuous improvement efforts of the employees; which are considered as the sources of competitive advantage.

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