The influence of the transformational leadership in the organizational trust

Orlando Manuel Martins Marques de Lima Rua
Profesor asistente en Dirección de Empresas en el Instituto Superior de Contabilidad e Administração del Instituto Politécnico do Porto (Portugal).

João Manuel Costa Araújo
Doctorando en Sociología en la Universidade do Porto (Portugal).

orua@iscap.ipp.pt, joao.c.araujo@gmail.com

Abstract
The aim of this paper is to analyze the influence of transformational leadership on organizational trust. For that we develop a case study following a quantitative methodological approach. The research was conducted at the Serralves Foundation (Porto, Portugal) to empirically test the proposed research model and its hypotheses. The empirical results confirm that transformational leadership positively influences organizational trust in all its components (benevolence, competence and integrity). These may assist cultural organizations in defining the most appropriate leadership styles that could lead to high levels of trust. As the main limitation of this study, we highlight the fact that it does not consider the leaders’ perspective on their subordinates’ behaviour.

Key words
Transformational leadership, organizational trust, Serralves Foundation.

Resumen
El objetivo de este trabajo es analizar la influencia del liderazgo transformacional en la confianza de la organización. Para ello se ha desarrollado un estudio de caso siguiendo un enfoque metodológico cuantitativo. La investigación se ha realizado en la Fundación Serralves (Porto, Portugal), con el fin de probar empíricamente el modelo de investigación propuesto y sus hipótesis. Los resultados empíricos confirman que el liderazgo transformacional influye positivamente en la confianza de toda la organización (benevolencia, competencia e integridad) y pueden ayudar a las organizaciones a definir los estilos de liderazgo más apropiados para generar un alto grado de confianza. La principal limitación de este estudio es que no contempla el punto de vista de los líderes sobre el comportamiento de sus subordinados.

Palabras clave
Liderazgo transformacional, confianza organizacional, Fundación Serralves.

1. Introduction
The lack of competitiveness is usually associated to low productivity and, in most cases, is attributed, as the cause of this relationship, to leaderships that do not promote organizational trust and commitment of human resources in achieving the organizational goals.
With an increasingly competitive and demanding external environment, characterized by systematic changes and the search for better performances, it is essential to acquire new skills and to improve communication, motivating the teams, adopting assertive attitudes and acquiring the ability to manage increasingly better organization knowledge in order to achieve leverage results.

This will require a leadership with vision and concrete actions that sediment processes which in turn ensure the implementation of comprehensive and flexible strategies. The leadership exercise firmly identifies itself as a complex reality that can lead the individual to overcome and transcendence limits, thus promoting personal development, creating a permanent dynamic incentive, and retaining the best of each individual. Organizations need committed employees who can maintain high levels of confidence.

This new leadership is reflected in the leader’s ability to listen and respect the ideas of its employees; anticipate change; stimulate creativity and knowledge; delegate; communicate in dialogue form, by applying holistic and democratic principles.

In this sense, transformational leadership has assumed a growing importance due to the results that generally obtained both at individual and organizational level.

2. Literature review

2.1. Transformational leadership

Leadership expert James MacGregor Burns first introduced the concept of transformational leadership. For this author, transformational leadership can be seen when leaders and followers are led to move to a higher level of motivation and morale. Through strong vision and personality, transformational leaders are able to inspire followers to change expectations, perceptions and motivations to work towards common goals (Cherry, 2010).

Transformational leadership refers to the process by which leaders foster the commitment of followers and induce them to overcome their self-interests in favour of the objectives of the organization, obtaining their commitment and producing major changes and high performance (Rego & Cunha, 2007).

The transformational leader must be able to identify and express a clear vision of the future for employees, providing appropriate examples and defending the organization’s goals. Furthermore, the leader must have the ability to persuade them to renounce individual goals in order to achieve a more common objective order. This type of leader shows respect for employees and is concerned with the individuality of each one (Schwepker & Good, 2010). He/She must recognize and meet the needs of their subordinates and also provide them with an environment that enables each to develop and prosper, in order to maximize and expand their potential, creating opportunities and developing organizational cultures that support individual growth. Due to the effectiveness of this leadership style, the existence of transformational leaders must be seen as an economic benefit for organizations.

Generally, after an exhaustive examination of transformational leadership we can affirm that this type of leadership indicates a high potential to inspire followers to higher levels of enthusiasm, dedication, commitment and extra efforts that drive the organization to high performance and submit it to organic and adaptive transformational processes, following the environment changes. It is based on employees’ empowerment in relations of trust, loyalty, justice, and in the increase of employees’ self-efficacy, self-confidence and self-worth (Rego & Cunha, 2007).
In order to address the development needs of today’s leaders, who face a challenging and constantly changing environment, the development of transformational leadership behaviours should be seen as highly beneficial, surpassing the results of classical organizational development programs (Abrell, Rowold, Weibler & Moenninghoff, 2011).

2.2. Organizational trust
Despite the multiplicity of concepts, there is a consensus on the existence of a degree of interdependence between the one who offers trust and the one who trusts. Trust increases the efficiency and effectiveness of communication (Blomqvist, 2002), as well as organizational cooperation and collaboration (Mayer, Davis & Schoorman, 1995; Tyler, 2003). It has also been identified as a critical factor in leadership effectiveness (Tyler, 2003), employee satisfaction (Shockley-Zalabak, Ellis & Winograd, 2000), commitment (Dirks & Ferrin, 2001) and performance (Barney & Hansen, 1994).

Bibb and Kourdi (2004) state that when trust exists within an organization, different results can be achieved. To achieve individual and organizational objectives, interdependence between different people and different life experiences is necessary. This interdependence is facilitated by trust.

We cannot have absolute control over the actions of others, nor understand the motivations and interpersonal relationships of each one. People need to relate and eventually develop specific mechanisms of protection, without which they could not keep more than casual relationships. Trust is an efficient mechanism to reduce this uncertainty. Without trust, people would be confronted with the complexity of considering all possible occurrences before taking an action that involves a relationship. Trust can be defined as an individual attitude in relation to another individual or group work.

In this perspective, trust is defined as a psychological state, which depends on expectations and is related to other behaviours. Thus, trust is analyzed as the result of predisposition to trust (both at the individual or group level), the characteristics of individuals in whom you trust and situational conditions (Freire, 2008).

The idea of organizational trust has raised an interesting set of reflections and hypotheses on the role of confidence processes in the functioning of organizations. An essential idea, common to various approaches to organizational trust, is based on the fact that an organization should ensure cooperation between people with different interests, although the organization’s systems of power and authority assume, in most cases, the exercise of a unit and consistent power. The effectiveness of this exercise of power to ensure cooperation is becoming better understood as resulting not from coercion, but from the pure and simple acceptance of separate and thus, conditional exercise of power by those whose cooperation is needed (Keating, Silva & Veloso, 2010).

Mayer et al. (1995) reported that the trustworthiness of the trust depositary is dependent on three specific characteristics: competence, benevolence and integrity. These characteristics can vary independently, i.e. are separable. Conceptually, we define them as follows:

- Competence: A set of skills, competencies and characteristics that allow an individual to have influence within a specific domain. The trust depositary may be an expert in a particular technical area and is therefore reliable in matters related to this area.
- Benevolence: The propensity of the trust depositary to do good to the one who trusts, there are no selfish or egocentric motives behind this motivation.
The existence of transformational leaders must be seen as an economic benefit for organizations

- Integrity: The relationship between integrity and trust involves the perception on the part of those who trust that the trust repository adheres to a set of principles that who trust considers it acceptable.

These three factors are combined in an idiosyncratic both between individuals and between situations, i.e., their impact on reliability and trust is dependent on each situation or context (Mayer et al., 1995; Mayer & Davies, 1999).

Also noteworthy is that trust can be a difficult and time-consuming process to create. It can result from repeated action over prolonged periods of time in order to achieve a slow evolution. On the other hand, once established, may easily be lost or wasted by erroneous attitudes or behaviours (Connell & Mannion, 2006).

Finally, there is a confident expectation that the vulnerability resulting from the action of the risk will not be seen as an advantage for the trusted side (Lane & Bachmann, 1996).

2.3. Conceptual framework and hypotheses
Leadership has a key role in the results obtained by the organizations. A change in leadership can lead an organization to success or condemn it to failure.

Leaders should pay special attention to impersonal forms of trust, i.e., to the institutional dimension of organizational trust, to the integrity of their actions by actively supporting the development and to the maintenance of organizational trust (Ellonen, Blomqvist & Puumalainen, 2008).

In this regard, we proceeded to the theoretical framework that led to the conceptualization of the research model (chart 1).

When trust decreases, the leadership is assumed as a differential advantage (Bibb & Kourdi, 2004), when the failed leadership and the traditional incentives do not work, organization’s trust becomes increasingly critical. In contrast to the interpersonal and social trust, institutional

Chart 1

**Conceptual framework**

![Conceptual framework diagram]

- H1: Transformational leadership → Organizational trust
- H1a: Organizational trust → Competence
- H1b: Organizational trust → Integrity
- H1c: Organizational trust → Benevolence
Organizational trust has raised an interesting set of reflections and hypotheses related to confidence.

Trust can be understood as trust in organizational structures, processes and policies to support organizational and social interaction.

The ability of leaders alone does not guarantee organizational performance of success. For the purpose of leadership is maximized it is necessary that the remaining organizational structure can trust in the leader, which makes it crucial to the effect of organizational trust (Dias, 2010).

We consider organizational trust as a fundamental aspect of leadership, as it teaches leaders to build more lasting and firm relationships between the elements of an organization.

Zand (1997) states that a leader should have as main function to solve the problems of the working group, through their knowledge and skills that can only be implemented to the extent of followers that trust on him. They are led to believe as if put in a vulnerable position in relation to the actions of their leader.

Trust and loyalty are principles without which there is no real relationship and therefore, neither teams with cohesion nor leadership with authenticity (Cotovio, 2007).

Therefore, we hypothesize that:

H1. Transformational leadership enhances higher levels of organizational trust.
H1a. Transformational leadership enhances organizational competence.
H1b. Transformational leadership enhances organizational integrity.
H1c. Transformational leadership enhances organizational benevolence.

3. Methodology

3.1. Measures

This study refers to an exploratory, descriptive and cross-cutting that has as crucial aim to analyze the influence of transformational leadership in the organizational trust, carried out at the Serralves Foundation (Porto, Portugal).

The methodology combines statistical and document analysis. First, we released the literature review, and second we proceed to the analysis and discussion of the results from the data collected from the quantitative empirical study.

The instrument used was the questionnaire, in the sense that any variable was not manipulated and all data related were collected at the same time (Bryman & Cramer, 2005), which is a common procedure in social sciences. It was constructed with the use of a five-point Likert scale ranging from “not true at all” to “very much true”, in order to better objectify the results obtained.

For assessment of transformational leadership we resorted to an instrument described in the study of Podsakoff, Mackenzie, Moorman and Fetter (1990), previously used and adapted to Portugal by Rezende (2010). The author suggests the existence of different key behaviors associated with transformational leadership rests:

- Identify and articulate a vision: five variables [(4) illustrates, for the group, a very interesting picture of the future; (12) has a clear understanding about “where we go we”; (18) Influences

1 Questions 3, 11 and 17 of the questionnaire related to transformational leadership and marked with the letter I have reversed quote.
Trust is an efficient mechanism to reduce uncertainty

others with their plans for the future; (20) is able to involve others in their ideals, and (24) are always looking for new opportunities for the organization.

- Provide an appropriate model: three variables [(5) More to say, leads by doing, (8) Pro-healing to be a role model, and (26) Leads by example].

- To promote the acceptance of group goals: four variables [(16) Encourage collaboration between work groups, (22) encourages employees to be “part of a team”; (25) involves the group working for a common goal and (28) develop team spirit and attitude among employees].

- Expectations of high performance: three variables [(1) Show everyone who expects much from us, (10) insists only the best performance, and (14) Never be satisfied with being the second-best].

- Promote individualized support: 4 variables [(3) Age, regardless of the interests of others, (7) Demonstrates respect for the feelings of others, (9) behaves in a friendly manner with respect to the personal needs of employees, and (11) Treat others without considering their feelings].

- Intellectual stimulation: four variables [(19) Challenge to think about new ways to see it to them problems; (21) questioned in order to make others think; (23) stimulates the re-think the way they do things, and (27) Do you have ideas that lead to re-examine some of the assumptions about the work].

- Contingent reward behavior: five variables [(2) always gives a positive feedback when someone gets good performance, (6) Demonstrates special recognition when someone does a good job; (13) Commends when someone makes an above average job; (15) Greets personally when someone does an excellent job, and (17) often do not value the good performance].

The questions used to assess organizational trust were extracted from Mayer & Gavin (2005), validated for Portugal by Keating et al. (2010). This study resulted in a scale designed to elicit responses from people in a relation of hierarchical dependence, using as reference the line manager or the senior leadership of an organization. The scale comprises 35 variables, divided into five subscales:

- Competence: competency assessment in respect of the performance of their specific tasks (6 variables).

- Benevolence: assessment of the intentions of the referent in relation to the focal subject (5 variables).

- Integrity: evaluation of the degree to which the behavior of the referent is guided by principles and values shared and understood (6 variables).

- Propensity to trust: propensity the central individual has to rely on other people, in general not restricted to the organization to which he belongs, as well as the readiness to put themselves in a vulnerable position against the referee, without have great control of the situation (8 variables).

- Reliability: assessment of readiness to put themselves in a vulnerable position against the referee, without having much control of the situation (10 variables).
Employees of Serralves Foundation responded individually to the questionnaire distributed in the period between 5th September and 14th October of 2011.

3.2. Sample
The population of individuals corresponds to all of the organization in order to collect data.

However, Foundation’s Board decided that the employees associated with maintenance, particularly gardeners, assistants and others, regulated by the Park’s Board, and store employees, regulated by the Marketing and Development Board, were not to be part of this study since they considered that these people objectively did not perform functions directly related to the Foundation’s main activity. These workers, distributed by technical and operational areas, correspond to a total of 35 employees.

The sample, a subset of a specific and homogeneous population, was obtained by a random process, and was reduced to 58 individuals. Of these, 43 employees answered the questionnaire, and the respondents consider were 41, since two of the questionnaires had several irregularities.

In the validated questionnaires (n=41) all missing values (values not filled) were treated, with a different connotation and therefore statistically correctly treated.

The results based on the sample have a confidence level of 95% and an estimated error mean of 5%. The response rate of the sample was 70.7%.

4. Results and discussion

4.1. Introduction
To check the reliability of the variables, we estimate the overall stability and consistency through internal Cronbach’s alpha (α). For the present study, we used the scale proposed by Pestana and Gageiro (2002). The result of 0.951 obtained for all the variables of the questionnaire is considered excellent, confirming the internal consistency of the sample. We also tested for internal consistency for the set of variables that make up each of the dimensions being studied, in order to assess the reliability thereof. We found that transformational leadership and organizational trust, also presented excellent consistency values, respectively, 0.948 and 0.945.

With regards to normality tests, according to the central limit theorem, it is assumed that for samples of a size greater than 30, as is the case in this study, the distribution of the sample mean is satisfactorily approximated to normal (Maroco, 2007), as shown in chart 2.

As can be seen from the table above, for a significance level of 0.05, the inexistence of statistical evidence means that the variables under study do not follow a normal distribution.

Chart 2
Tests of normality

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>statistic</td>
<td>df</td>
<td>Sig.</td>
</tr>
<tr>
<td>Transformational leadership</td>
<td>0.143</td>
<td>0.043</td>
</tr>
<tr>
<td>Organizational trust</td>
<td>0.081</td>
<td>0.200</td>
</tr>
</tbody>
</table>
In the case of transformational leadership, although the probability of significance value is slightly below the level of significance indicated (0.043) in the Kolmogorov-Smirnov test, it presents a normal distribution as the value of the Shapiro-Wilk test does not reject the hypothesis null of normality for this variable.

4.2. Correlation’s analysis

We observed the correlations between overall transformational leadership and organizational trust, as well its components. For this, we used the Spearman correlation coefficient. The intensity thereof is measured according to Bryman and Cramer (2005).

As shown in chart 3, we have observed the following correlations:

- Transformational leadership appears positively and moderately related to organizational trust ($r=0.652, p<0.05$), to competence ($r=0.621, p<0.05$), to integrity ($r=0.615, p<0.05$) and to benevolence ($r=0.576, p<0.05$), as expected.

- The organizational trust has a positive and very high relationship with integrity ($r=0.921, p<0.05$), appears positively and highly correlated with benevolence ($r=0.828, p<0.05$) and with competence ($r=0.705, p<0.05$), and positively and moderately related to transformational leadership ($r=0.652, p<0.05$), as expected.

4.3. Linear regression

The regression is born of the attempt to relate a set of observations of certain items generally designated by $X_k$ ($k = 1... p$) with the readings of a certain magnitude $Y$. In the linear regression case, underlies a relationship type: $Y = a + b_1 X_1 + b_2 X_2 + ... + b_p X_p$. 
When trust decreases, the leadership is assumed as a differential advantage

Based on the linear regression model we verified the existence of a relationship between the linear variable types, without however revealing a perfectly homogeneous configuration. We can also verify that the indicated value of the coefficient of determination represented by $R^2$ equals 0.517. According to Maroco (2007), when $R^2 > 0.500$, we consider acceptable the adjustment between model and data. So we can confirm that, in the present study, there is an adjustment between transformational leadership and organizational trust (chart 4).

![Chart 4](chart4.png)

**Model summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.719</td>
<td>0.517</td>
<td>0.504</td>
<td>0.42502</td>
</tr>
</tbody>
</table>

We have made also the multiple linear regression analysis, according to the conceptual framework, relating transformational leadership, competence, benevolence and integrity (chart 5).

![Chart 5](chart5.png)

**Model summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.851</td>
<td>0.723</td>
<td>0.700</td>
<td>0.33072</td>
</tr>
</tbody>
</table>

The coefficient of determination $R^2$ equals 0.723, so we can say that 72.3% of the transformational leadership variability is explained by competence, benevolence and integrity. We can thus see that the regression model is adjusted ($R^2 > 0.500$).

We have made also the multiple linear regression analysis, according to the conceptual framework, relating transformational leadership, competence, benevolence and integrity (chart 6).

![Chart 6](chart6.png)

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10,010</td>
<td>3</td>
<td>3,337</td>
<td>30,505</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>3,828</td>
<td>35</td>
<td>0.109</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13,838</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In chart 6 we have obtained $F$ value equal to 30.505 ($p<0.001$), therefore we can rejected $H_0$ in favour of $H_1$ and therefore confirm that the model is significant. However, a simple comparison of the regression coefficients to assess the importance of each independent variable in the model is not valid. The question is to recognize that all independent variables contribute equally to the model. Firstly, the independent variables have different magnitudes. Thus, for the importance of the model variables to be compared, it is necessary...
When leadership failed organization’s trust becomes increasingly critical to use standard variables in the model’s adjustment or standardize the regression coefficients.

Through the beta (β) standardized coefficients analysis we observed which are the variables with the greatest contribution to the behaviour of the dependent variables (chart 7). Thus, we conclude that competence is the variable that most contributes to transformational leadership (β=0.621). Transformational leadership is more enhanced by competence than by benevolence or integrity. This had already been confirmed by the correlations analysis performed. We can also say that benevolence is influenced by transformational leadership, contrary to integrity, which is not influenced.

Chart 7
β coefficients of the regression model

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.388</td>
<td>.349</td>
<td>1.110</td>
<td>.275</td>
</tr>
<tr>
<td>1</td>
<td>Competence</td>
<td>.523</td>
<td>.093</td>
<td>.621</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>.306</td>
<td>.113</td>
<td>.333</td>
</tr>
<tr>
<td></td>
<td>Integrity</td>
<td>.021</td>
<td>.109</td>
<td>.025</td>
</tr>
</tbody>
</table>

a. Dependent variable: transformational leadership.

4.4. Hypotheses’ analysis

H1. Transformational leadership enhances organizational trust
The Spearman correlation between transformational leadership and organizational trust has a positive value and moderate \( r=0.652 \) for a significance level of \( p<0.05 \). As expected, transformational leadership enhances organizational trust positively.

H1a. Transformational leadership enhances competence
Between transformational leadership and competence the Spearman correlation is positive and moderate \( r=0.621 \) for a significance level of \( p<0.05 \). As expected, transformational leadership positively enhances competence.

H1b. Transformational leadership enhances integrity
The Spearman correlation between transformational leadership and integrity has a positive value and moderate \( r=0.576 \) and a significance level of \( p<0.05 \). As expected, transformational leadership positively enhances integrity.

H1c. Transformational leadership enhances benevolence
We observed a Spearman correlation coefficient of \( r=0.615 \) and a significance level of \( p<0.05 \). As expected, positive transformational leadership enhances organizational benevolence.

We conclude that all hypotheses are accepted, confirming that transformational leadership presents an evident relationship with organizational trust, enhancing this one positively. This is reinforced by the linear and multiple regression models performed on the existence of an adjustment between transformational leadership and organizational trust.
5. Conclusions

5.1. Introduction

The Serralves Foundation is an organization of reference in the Portuguese cultural context and presents considerable notoriety and reputation in the international cultural context, reason why we select for this exploratory study.

In the presented case study we discuss the influence that transformational leadership plays in organizational trust, as evidenced by its dimensions (competence, integrity and benevolence), as being meaningful and relevant. This influence has a clear impact on the performance of organization’s employees. However, we should limit the results to the institution analyzed, as it is difficult to generalize to other institutions. This case study should be regarded as a starting point for further investigations.

We can conclude that the conceptual framework is a tool of great interest to analyze the underlying issues of the themes studied. Therefore, we consider this study a relevant instrument to improve organizations’ management.

Our results arouse interest in comparison with similar organizations, to carry out any comparative studies that lead to conclusions that will reinforce those found in this organization.

5.2. Limitations and future studies

This study has some limitations that future studies can take into account.

We recommend some prudence in the analytical generalization of the results of this study; these should be carefully interpreted, limiting them to the context of the present research. Strictly speaking, all direct comparisons with existing studies in this area or former trends for studies in other contexts should take into account their specificity.

Since this is a case study that proposes an exploratory model of the themes studied, we consider appropriate to extend the study to other cultural organizations, thereby increasing the amplitude of the population and the sample, to thereby confirm and validate the model as exploratory with the aim of consolidating the results presented here and then if so generalizing them.

Finally, we consider important to analyze other types of leadership, as well as other dimensions besides organizational trust such as organizational commitment, to study how leadership can influence employees’ behaviour to achieve organizational goals.

6. Bibliography


The influence of the transformational leadership in the organizational trust


