CHAPTER I
INTRODUCTION

Indian economy has witnessed several changes in its structure. The entire decade of nineties saw enormous changes in business such as mergers and acquisitions, surge of technology driven innovations and burgeoning of global economy era. Globalization has led to remarkable transformation of the Indian economy. The 1991 government policy of tectonic economic liberalization, coupled with metamorphic liberalized policy in financial sector brought structural reforms in Indian economic and banking system (Srivastava and Nigam, 2009). The Liberalization, Privatization and Globalization (LPG) effect of reforms in India during this period, threw many new challenges on various sectors of economy, especially the financial sector which is regarded as the life line of any nation’s economy.

Indian Banking underwent profound structural changes as evident from the phenomenon growth in size, spread and activities undertaken by banks. The rapidly advancing technology has generated sweeping changes in banking organizations, and their effects are far-reaching. Following the deregulation of banks, they were faced with new and competitive operating environments, and as a consequence endeavoured both to increase operating efficiencies and develop new income streams through various structural and strategic change initiatives. Important changes in organizational structures and practices have a profound effect in the workplace.

Implicit in such dramatic change is the relatively new orientation by banks towards marketing and the adoption of a customer service orientation. In concert with these changes, organizations have increasingly greater expectations from employees to become self-regulating and self-managing. They need to change and enhance their skills that they have in order to perform effectively in new and different ways. Since all banks operate under the same legislation, it is believed that employees are the source of differentiation and competitive advantage. Getting workforce that can offer best return is now becoming need of time. Customer satisfaction, service quality perceptions, and customers’ decisions to remain loyal or to switch to another bank are significantly influenced by bank employees’ attitudes and behaviour. Employees contribute to service excellence by delivering on the promises of the bank, by creating a favourable image for the bank, by going beyond the call of duty for customers, and by promoting the bank’s products and services.
In response to these increased demands, the success and survival of the organization will invariably be determined by the quality and competence of its human resources. The success of the organization lies in the hands of their work force and managing human resource effectively is the key to success. The workplace behaviour of employees determines the success of an organization. Work force is considered to be one of the most important determinants of organizational competitiveness. Capability of an organization to properly utilize the resources put the company on competitive edge. As a matter of fact, human resource is the major driving force of exploitation of all other resources. Human resource, in fact, is considered to be the vital asset of any organization. Acquiring, maintaining and retaining best workforce is an important success factor in today's organizations. The objective of the organization is not only to acquire workforce but also looking for an efficient and effective labour force.

Successful organizations need employees who will do more than their usual job duties and provide performance that is beyond expectations. The voluntary work by employees is important for organizations. Organizations need employees' cooperation, benevolence, self-sacrifice, and at times, extra effort to enhance organizational efficiency and performance. These extra efforts of employees are termed as Organizational citizenship behaviour (OCB) which includes individuals helping their coworkers, actively participating in group meetings, providing valuable suggestions to improve unit performance, avoiding complaining about small problems and making petty complaints, demonstrate a willingness to take on new responsibilities, and representing the organization positively to outsiders etc.

Organ, Podsakoff and MacKenzie (2006) noted that OCB may contribute to organizational success by: enhancing coworker and managerial productivity, freeing up resources for more productive purposes, reducing the need to devote scarce resources to purely routine functions, helping to coordinate activities both within and across work groups, strengthening the organization's ability to attract and retain the best employees, increasing the stability of the organization's performance, and enabling the organization to adopt more effectively to environmental changes.

OCB aims to protect the organization against destructive and undesirable behaviours of its workforce which prevent the organization's healthy operations, improves incumbents’ skills and abilities and increase performance and productivity of organization by effective coordination. According to Organ (1988), high levels of
OCB lead to high levels of organizational efficiency, effectiveness and adaptability. It is considered as one of the most important factors influencing organizational effectiveness. Walz and Niehoff (2000) found the OCB dimensions enhance organizational efficiency, performance and customer satisfaction. OCB is accepted as vital subject to survival of an organization. In this respect, OCB is very closely related with organization’s competiveness, organizational learning, adaptations for environment and incumbents’ loyalty, commitment, performance and altruism. Furthermore, OCB is positively related to high job performance, productivity, efficiency, cost reduction, profitability, employees’ retention and customer satisfaction (Podsakoff, Whiting, Podsakoff, and Blume, 2009).

Factors related to personal characteristics, organizational environment, and leadership behaviours found to predict different types of OCB (Podsakoff, Mackenzie, Paine, and Bachrach 2000). Jahangir, Akbar and Haq (2004) argued that like most behaviours, there is no single cause of OCB. It is subject to multiple antecedents. Although there are many studies that identified the factors of promoting or enhancing the OCB in organizations, very few studies examined the linkage of transformational leadership, transactional leadership, and perceived organizational support with OCB where the effect of trust in supervisor and organization as a mediator is incorporated.

1.1 THEORETICAL PERSPECTIVE OF ORGANIZATIONAL CITIZENSHIP BEHAVIOUR

Organizational citizenship behaviour (OCB) is a relatively new concept in performance analysis, but it represents a very old human conduct of voluntary action and mutual aid with no request for pay or formal rewards in return. The concept was first introduced in the mid 1980s by Dennis Organ and got the momentum in recent years. As noted by Organ (1988), the roots of OCB can be found in classical management literature, from Barnard (1938), to the Hawthorne studies (Roethlisberger and Dickson, 1939), to Katz and Kahn (1966). In the 1930s, Chester Bernard observed the phenomena of OCB, which he then termed as "extra role behaviours". Barnard (1938) described organizations as "cooperative systems" and stressed the importance of employees' "willingness to cooperate." He stated that the willingness of individuals to contribute cooperative efforts to the organization were indispensable to effective attainment of organizational goals and elaborated that
efforts must be exerted not only to perform the functions that contribute to the goals of organization but also to maintain the organization itself. Maintaining the organization could be interpreted to up-lift the organization by exercising discretionary ownership. Roethlisberger and Dickson (1939) recognized the linkage between informal organization, and collaborative efforts and what they termed, employee sentiments.

Later, Katz and Kahn (1966) noted the critical role of "spontaneous and innovative behaviours" or "performance beyond role requirements." Regarding the cooperative system, they claimed, the system would break down, were it not for the “countless acts of cooperation” exhibited by the employees. They further noted that the incentives which motivate such spontaneous, informal contributions are different from those incentives that motivate task proficiency. They defined supra-role behaviours that improve the effectiveness of an organization. According to them, supra-role behaviours include any gestures that lubricate the social machinery of the organization and do not directly adhere to the usual notion of task performance. These extra-role behaviours includes helping other workers with work-related problems, accepting others into the work group without a fuss, either putting up with or minimizing interpersonal conflict in the organization, and protecting and conserving organizational resources. Katz and Kahn coined the term "citizenship" to represent the workers that displayed these extra-role behaviours.

1.1.1 MEANING AND DEFINITIONS

Organ and his colleagues (Bateman, Smith and Near) first coined the term “Organizational citizenship behaviour” in the year 1983. Organ relied on both the notions of Barnard (1938) and Katz (1964) to develop his OCB construct. Organ (1988) defines OCB as “Individual behaviour that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization. By discretionary, it means that the behaviour is not an enforceable requirement of the role or job description, that is, clearly specifiable terms of the person's employment contract with the organization, the behaviour is rather a matter of personal choice, such that its omission is not generally understood as punishable.”
Thus, Organ’s definition of OCB includes three critical aspects that are central to this construct. First, OCBs are thought of as discretionary behaviours, which are not part of the job description, and are performed by the employees as a result of personal choice. Second, OCBs go above and beyond the enforceable requirement of the job description. Finally, OCBs contribute positively to overall organizational effectiveness.

Organ (1997) explained that OCB encompasses both the enactment of positive behaviour that aids organizational functioning (e.g., on-the-job training when it is not required, assisting a co-worker in his or her work duties, perfect work attendance) and abstaining from negative behaviours that would be detrimental to organizational functioning (e.g., arguing with co-workers, filing complaints). Such behaviours are said to “lubricate the social machinery of the organization” (Bateman and Organ, 1983). Examples of OCB include acts of helpfulness, gestures of goodwill and cooperation among organizational members, etc.

OCB has been defined as individual behaviour that promotes the goals of the organization by contributing to its social and psychological environment (Organ, 1997; and Rotundo and Sackett, 2002). Tsui, Pearce, Porter and Tripoli (1997) emphasize that OCB is an open ended behaviour that is neither specified nor expected, and it is one example of activities that go beyond the employee’s immediate tasks.

OCB can be defined as defending the organization when it is criticized or urging peers to invest in the organization (Turnipseed and Rassuli, 2005), or a behaviour that exceeds routine expectations (Daniels et al. 2006).

Bolino and Turnley (2003) defined that good citizenship includes a variety of employee behaviours such as taking on additional assignments, voluntarily assisting people at work, keeping up with developments in one’s profession, following company rules (even when no one is looking), promoting and protecting the organization, keeping a positive attitude, and tolerating inconveniences at work.

According to Lambert (2000), OCB plays very important role for the better functioning of any organization, defined as behaviour that is something extra beyond the basic job description, is without any compensation, and is for the benefit of the organization. OCB typically refers to behaviours that positively impact the
organization or its members. OCB can be affected by instilling in employees a perception of expertise in their job tasks. Shapiro et al. (2004) said that the organizations which can manage cordial relationship with employees, their employees are more likely to engage in OCB. Neihoff and Yen (2004) summarized that as more employees engage in OCB, the organization becomes more successful.

Effective organizational functioning requires employees to not only perform their prescribed roles, but also to engage in behaviours that go beyond these formal obligations. Gautam et al. (2005) argues that citizenship behaviour within an organization may vary, with change in geographic context, OCB is enacted differently in different cultural contexts - what it means to be a ‘good citizen’ may vary. Those employees performing citizenship behaviours may likely to elicit more support from their organizations.

Smith, Organ and Near (1983) in their study noted that OCB may enhance the efficiency of an organization as the employees who help one another with work-related problems enable the manager to spend more time on productive tasks. Likewise, when employees are conscientious they free up a managers’ time, because the manager can delegate more responsibility to them, and they require less supervision. When employees engage in self-development activities that enhance their ability to do their jobs, they may reduce the need for managerial supervision. OCB may also improve organizational performance by reducing the need to devote scarce resources to purely maintenance functions (Organ, 1988), and helping to coordinate the activities of work groups.

Schnake (1991) gave three reasons why OCB are not affected by organizational influences:

- OCB are subtle and therefore hard to objectively rate, which makes for difficult inclusion in appraisals;
- Some forms of OCB may pull people away from their own work to assist another; and
- OCB cannot be contractually required (if they were required behaviours, they would be contractual behaviours, not OCB), the organization cannot punish employees for not performing them.
For this reason, OCB is commonly defined in terms of social exchange (Moorman, 1991). Moorman describes the social exchange: exchange exists outside of strict contracts, the exchange tends toward ambiguity, allowing for discretionary, prosocial acts by the employees.

1.1.2 DIMENSIONS OF ORGANIZATIONAL CITIZENSHIP BEHAVIOUR

McClelland (1961) argued that OCB can be best understood when OCB is viewed as motive based behaviours. McClelland’s work suggested that all people have some degree of achievement, affiliation, and power motives. The achievement motive pushes people to perform in terms of a standard of excellence, seeking the accomplishment of a task, challenge, or competition. The affiliation motive pushes people towards establishing, maintaining, and restoring relationships with others. The power motive pushes people towards status and situations in which they can control the work or actions of others.

![Organizational Citizenship Behaviour](image)

Fig. 1.1: Dimensions of OCB (McClelland, 1961)

Smith, Organ, and Near (1983) described OCB as having two basic dimensions: Altruism and Generalized Compliance. Altruism is helping behaviour directed at specific individuals. When individuals have specific problems, need assistance, or seek help, altruistic people go the extra mile in assisting them. Altruism can be defined in various ways:

- Being helpful to other people with little or no interest in being rewarded for one's efforts (the colloquial definition);
• Actions that benefit others with a net detrimental or neutral effect on the actor, regardless of the actor’s own psychology, motivation, or the cause of her actions. This type of altruistic behaviour is referred to in ecology as Commensalism; and

• An ethical doctrine holds that individuals have a moral obligation to help others, if necessary to the exclusion of one’s own interest or benefit. One who holds such a doctrine is known as an “altruist”.

The other class of citizenship behaviour is **Generalized Compliance**, which is a more impersonal conscientiousness: doing things “right and proper” for their own sake rather than for any specific person. Generalized compliance is the general workplace behaviour and understood by various aspects, such as:

• Punctuality: How punctual you are at work?
• Sincerity towards work: Are you working sincerely, or taking unnecessary breaks, wasting time in speaking with fellow colleagues, etc.?
• Honesty: How honestly you perform your work without cheating?
• Work Commitment: How committed and involved you are in your work? Do you have a feeling that this is my company or my work?

Later **Organ (1988)** identified five dimensions of OCBs: Altruism, Courtesy, Civic Virtue, Conscientiousness and Sportsmanship, and explains how each helps to improve efficiency in the organization:

(i) **Altruism**: It means helping or helpfulness. Altruism consists of voluntarily actions that help others with an organizationally relevant task such as voluntarily helping orientation of a new employee, sharing sales strategies, teaching employees useful knowledge or skills, showing employees how to accomplish difficult tasks. It is a selfless concern for the welfare of others. Such as helping new colleagues and freely giving time to others. It is typically directed toward other individuals but contributes to group efficiency by enhancing individuals’ performance.
(ii) **Conscientiousness:** Initially, it was called "generalized compliance". Conscientiousness is the discretionary behaviour on the part of employees that goes well beyond the minimum role requirements of the organization in the areas of attendance, obeying rules and regulations, not taking extra breaks, working extra long days. More conscientiousness for an employee means more responsibility and less supervision (Podsakoff, Ahearne, and MacKenzie, 1994).

![Diagram of Dimensions of OCB (Organ, 1988)]

(iii) **Sportsmanship:** Sportsmanship is defined as willingness to tolerate the inevitable inconveniences and impositions of work without complaining. Good sportsmanship includes people who do not complain when others inconvenience them and also who maintain a positive attitude even when things do not go their way. Sportsmanship people are not offended when others do not follow their suggestions. They are willing to sacrifice their personal interest for the goodness of the work group, and do not take the rejection of their ideas personally. It improves the amount of time spent on constructive endeavours in the organization.
(iv) **Courtesy**: It is the discretionary behaviour on the part of an individual aimed at preventing work-related problems with others from occurring. Such as advance notices, reminders, and communicating appropriate information. It helps in preventing problems and facilitating constructive use of time. A courteous employee avoids creating problems for co-workers, and reduces intergroup conflict (*Podsakoff and MacKenzie, 1997*).

(v) **Civic virtue** – It represents a commitment to the organization as a whole. Civic virtue is the behaviour on the part of an individual that indicates his/her responsibility participated in, or is concerned about the life of the company. It concerns the degree to which an employee responds in the correct way to how the organization governs. This behaviour shows willingness to participate actively in managerial events, to monitor organization’s environment for threats and opportunities, to look out for organization’s best interest. These behaviours reflect an employee’s recognition of being a part of organization.

Largely based on Organ’s (1988) five-dimension taxonomy, *Williams and Anderson (1991)* proposed a two-dimensional conceptualization of OCB: Organizational citizenship behaviour – individuals (OCB-I) include behaviours that are aimed at other individuals in the workplace, and organizational citizenship behaviour-organizational (OCB-O) include behaviours directed at the organization as a whole. Altruism and courtesy are actions aimed at other employees and thus fall under the umbrella of OCB-I. Conscientiousness, civic virtue, and sportsmanship are behaviours intended for the benefit of the organization and can subsequently be considered as OCB-O.

According to *Inkeles (1969)*, OCB construct consists of three categories, namely obedience, loyalty, and participation:

- **Obedience**: It involves respect for orderly structures and processes. It reflects employees’ acceptance of the necessity for and desirability of rational rules and regulations governing organizational structure, job descriptions and personnel policies.

- **Loyalty**: It includes serving the interests of the community as whole and the value it embodies. In an organization, loyalty is identification with and
allegiance to an organization’s leaders and the organization as a whole, transcending the interests of individuals, work groups and departments. It also includes defending the organization against threats, contributing to its good reputation, and cooperating with others to serve the interest of the whole.

- **Participation:** It entails active and responsible involvement in community self-governance and keeping oneself well informed about issues affecting the community as well as exchanging information and ideas with other people. In an organizational context, it refers to interest in organizational affairs and taking responsibility for organizational governance. It also includes attending non obligatory meetings, sharing informed opinions and new ideas with others.

Since Organ (1988) introduced the concept of OCB into organizational research, it has tended to be conceptualized in terms of positive contributions to the colleagues and to the organization, which implies an active positive contribution. Yet the operationalization of OCB (Farh et al., 1997) reveals a different picture. There are two types of citizenship behaviours exist in the OCB measures:

- Active positive contributions or commissions (e.g., helping others) and
- Avoiding to engage in behaviours that are harmful to others or to one's organization (e.g., not abusing others’ rights).

This latter behaviour that tends to be labeled as omission is a passive behaviour that is based on the moral rule “Do no harm,” or more specifically “Do no harm through action.

Podsakoff et al (2000) identified almost 30 different forms of behaviours and classified them into seven common dimensions: Helping behaviour, sportsmanship, organizational loyalty, organizational compliance, individual initiative, civic virtue and self development.

Thiagarajan and Kubendran (2012) identified the various factors that influence the employees towards OCB. Primary data was collected with the help of structured questionnaire from 103 middle and top level executives of two leading private sector banks in Tamil Nadu, India. The study was a descriptive one. Fifteen questionnaires were distributed for the purpose of pre-testing the questionnaire's contents. Type of
sampling method used was simple random sampling. It was found that most of the employees in two private sector banks exhibit their citizenship behaviour through helping behaviour, sportsmanship, organizational loyalty, organizational compliance, individual initiative, and civic virtue. Organizations should give importance and encourage those employees who exhibit this sort of citizenship behaviour in the organization for the organization’s future growth and continuous development.

1.1.3 RATIONALE BEHIND ORGANIZATIONAL CITIZENSHIP BEHAVIOUR

Global competition highlights the importance of innovation, flexibility, responsiveness, and cooperativeness for long-term organizational success. Innovative and spontaneous behaviours, and vitality are revealed as important construct in protecting organization in an ever-changing environment. As a necessity, organizations will become more dependent on employees who are willing to contribute effective organizational functioning, regardless of their formal role requirements. Employee behaviours like citizenship behaviours become more important and even crucial for organizations survival.

Each dimension of OCB offers a different rationale for the relationship of OCB and operational efficiency of an organization. Altruism or helping co-workers make the work system more productive because one worker can utilize his or her slack time to assist another on a more urgent task. Acts of civic virtue may include offering suggestions for cost improvement or other resource saving ideas, may directly influence the efficiency of an organization. To a lesser extent, conscientiousness employees, as well as those who avoid personal gain or other negative behaviours, demonstrate compliance with policies of company and maintain predictable, consistent work schedules, and ultimately increasing the reliability of the services. As reliability increases, the costs of rework are reduced, making the unit more efficient (Berry and Parasuraman, 1991).

The dimensions of OCB also impact the services provided to customers in the following ways: Altruism encourages teamwork and cooperation, and allowing employees to increase the pool of available knowledge. Such teamwork would facilitate the more complex customer service tasks to be accomplished more quickly. Fast service is a valued component in the minds of customers. Davis (1984) has found
that customer satisfaction is directly affected by employee cooperation behaviours in retail and service organizations. Conscientious employees increase the reliability of the service and such reliability will help retain customers and increase word-of-mouth marketing (Berry and Parasuraman, 1991). Finally, taking part in unit meetings or providing ideas that enhance customer service would qualify as acts of civic virtue, as long as they are not part of employees' official duties.

When workers voluntarily attend and actively participate in meetings (civic virtue), they may enhance an organization's responsiveness by aiding the dissemination of valuable information, and when employees demonstrate a willingness to take on new responsibilities (sportsmanship) or learn new skills, they may improve organization's ability to adapt to changes in its environment. Employees, who exhibit helping others, enhance structural social capital by strengthening network ties, thereby improving information transfer, organizational learning, and execution of organizational activities. Cognitive social capital may increase when employees attend meetings that are not required (civic virtue), thus acquiring useful knowledge about organizational activities and developments, and gaining a better understanding of the organization, its mission, and its culture (Organ et al., 2006). Employees, who share their opinions and ideas with their coworkers, enhance cognitive social capital by simplifying the creation of shared language and narratives within the organization. Relational social capital is enhanced when employees build trust by helping co-workers with work-related problems.

Individually, OCB are frivolous, but in aggregate, OCB benefit both the organization and its employees in numerous ways. One can see the benefits of having a group of employees who are dedicated to the company. According to Chen et al. (2008), the mere presence of OCB (specifically altruism, conscientiousness, and sportsmanship) indicated a lower turnover rate. These dedicated workers will stay with the company longer, produce more products of higher quality, and help the company succeed in many other ways. OCB will foster a better work environment within the organization. This environment, in turn, would elicit greater employee dedication, which yields greater productivity, and lowers turnover.
Allen and Rush (1998) pointed out a benefit of OCB to the employee: performance of OCB “may produce an affective response and hence enhance a managers’ liking for a subordinate”. According to them, some of the benefits of OCBs that can accrue to an organization include: improved co-worker and managerial productivity, superior efficiency in resource use and allocation; reduced maintenance expenses; and improved organizational attractiveness for high-quality new recruits. OCB is behaviour that, although not a part of job of employee, but play a very important role for the functioning of an organization.

Organ et al., (2006) claimed that OCB may have beneficial effects for those who exhibit them, such as enhanced evaluations and receipt of promotions and raises, and employees may be motivated to engage in those behaviours for creating a favourable impression. Such behaviour (i.e. OCB) might enhance coworkers’ or supervisors’ productivity, help coordinate activities, increase the stability of organizational performance, and help the organization attract and retain employees.

1.1.4 ANTECEDENTS OF ORGANIZATIONAL CITIZENSHIP BEHAVIOUR

Different variables have been examined in the effort to determine the antecedents of OCB. Some antecedents of OCB are job satisfaction, perceptions of organizational justice, POS, trust, organizational commitment, personality characteristics, task characteristics, and leadership behaviour, etc. These antecedents of OCB have been analyzed at both individual and organizational levels.

- **Job Satisfaction**: One of the most vital antecedents of OCB is job satisfaction. Organ and Ryan (1995) conducted a meta-analysis of 28 studies and found a modest relationship between job satisfaction and OCB. This relationship of job satisfaction and OCB was stronger than the relationship between job satisfaction and in-role performance.

- **Trust**: Trust has been verified to be an important predictor of OCB (Konovsky and Pugh, 1994). Trust serves as a trigger to increase OCB. MacKenzie et al. (2001) found that trust in manager was positively related to helping behaviour and sportsmanship. By contrast, Podsakoff MacKenzie, and Bommer (1996) have shown a weak correlation between trust in leaders and certain dimensions of OCB. Korsgaard et al. (2002) reported a positive correlation between trust in
manager and OCB. Thus, where employee-organizational relationships are characterized by a high-level of trust, employees are expected to express a higher level of OCB.

- **Organizational Support**: Shore and Wayne (1993) found that POS was a better predictor of citizenship behaviours. Eisenberger et al. (1990), Settoon et al. (1996); and Wayne et al. (1997) supported the notion that higher the level of POS, more likely is the individuals to perform extra-role behaviours (OCB) that are beneficial to the organization. Eisenberger et al., (2001) found that employees with higher level of POS felt more obligated to help the organization reach its objectives, and thus, engaged in more organizationally spontaneous behaviours, a form of OCB.

- **Organizational Justice or Fairness**: Fairness or justice perceptions refer to whether or not employees feel organizational decisions are made equitably and with the necessary employee input (called procedural justice) and whether or not employees perceive that they are fairly rewarded given their level of training, tenure, responsibility or workload (called distributive justice). Perceptions of fairness are positively related to OCB (Moorman, 1991). Organizational justice creates the norm of reciprocity, which means that when employees are treated fairly, they in return treat their authorities fairly, and that leads to substantial increase in OCB (Alexander and Ruderman, 1987).

- **Personality Characteristics**: In terms of personality characteristics, conscientiousness, agreeableness, and positive and negative affectivity garner the maximum support as antecedents of OCB (Podsakoff, MacKenzie, Paine, and Bachrach, 2000). Conscientiousness, in particular, has been found to have a strong relationship with the general compliance component of OCB (Organ et al., 2006). Barrick and Mount (1991) found that in public sector organization, number of agreeable employees is more than private sector. Agreeable employees exhibit higher degree of OCB.

- **Task characteristics**: Task characteristics such as feedback, routinization, and intrinsic satisfaction are found to be significantly related to altruism, courtesy, conscientiousness, sportsmanship, and civic virtue. Positive relationships were found between both task feedback and intrinsic satisfaction and OCB, while a
negative relationship was found between task routinization and OCB (Todd, 2003).

- **Leadership**: Leadership behaviours have also been found to be an important predictor of OCB. TFL behaviours, including articulating a vision, providing an appropriate model, fostering the acceptance of group goals, high performance expectations, and intellectual stimulation, have significant positive relationships with Organ’s dimensions of OCB. Two types of behaviours representative of transactional leadership: contingent reward behaviour and non-contingent punishment behaviour have significant relationships with Organ’s dimensions of OCB. Additionally, both the supportive leadership and leader role clarification aspects of the path-goal theory of leadership are positively related to OCB. A positive association between TFL and OCB has been supported empirically (Jiao, Richards and Zhang, 2010; Asgari, Silong, Ahmad and Samah, 2008; and Podsakoff et al., 1990). It is showed that transformational leaders display more citizenship behaviours such as altruism, conscientiousness, sportsmanship, courtesy, and civic virtue, as well as imbue their subordinates with these same values.

- **Role perceptions**: Role perceptions include perceptions such as role conflict and role ambiguity, both of which have been found to be negatively related to OCB. On the other hand, role clarity and role facilitation are positively related (Podsakoff et al., 2000). However, since both role ambiguity and role conflict are known to affect employee satisfaction, and satisfaction is related to OCB, it is likely that at least a portion of the relationship between ambiguity, conflict and OCB is mediated by satisfaction.

### 1.1.5 CONSEQUENCES OF ORGANIZATIONAL CITIZENSHIP BEHAVIOUR

It is noted that empirical research regarding the consequences of OCBs has focused on two main areas: organizational performance and success, and managerial evaluations of performance and reward allocation.

- **Organizational Performance and Success**: Podsakoff and MacKenzie (1994) surveyed an insurance agency and found that the OCB’s civic virtue and
sportsmanship were both significantly related to indices of sales performance. **Podsakoff, Ahearne, and MacKenzie (1997)** examined paper mill workers and found that helping behaviour was significantly related to product quality. **Walz and Niehoff (2000)** examined 30 different restaurants and found that helping behaviour was significantly related to operating efficiency, customer satisfaction, and quality of performance. **Podsakoff, Whiting, Podsakoff and Blume (2009)** found that OCBs were positively related to unit-level performance and customer satisfaction. They also examined the relationship between OCBs and performance at the group level and found a positive and significant relationship between OCB and performance at the group level.

- **Managerial Evaluations and Reward Allocations:** With regard to the relationship between OCBs and managerial evaluations, **Podsakoff et al. (2000)** found that OCBs uniquely accounted for 42.9% of the variance in managerial performance evaluations. Altruism or helping, sportsmanship, conscientiousness and civic virtue were significantly related to performance evaluations. **Podsakoff et al. (2009)** found that OCBs have a positive relationship with performance ratings and reward allocations. They also examined the effects of job candidates’ tendency to exhibit OCBs on selection decisions made in the context of a job interview. These researchers found that candidates whose interview responses indicated a tendency to engage in helping others, challenge the status quo by voicing their opinions, and support and defend an organization were generally viewed as more competent, and received higher overall evaluations.

### 1.2 THEORETICAL PERSPECTIVE OF LEADERSHIP

Leadership has been studied extensively in various contexts and theoretical foundations over the years. The mystique of leadership is one of the most widely studied and sought after themes in organizational life. The literal meaning of the word “leader” is the person who leads. While the term leader was noted as early as the 1300s and conceptualized even before biblical times, the term leadership has been in existence only since the late 1700s (Stogdill, 1974). **Hemphill (1949)** stated that leadership is the initiation of a new structure or procedure for accomplishing the organizational goals and objectives. **Burns (1978)** provided the following definition of leadership in his landmark publication, *Leadership: Leaders induce followers to act*
for certain goals that represent the values and motivations, wants and needs, aspirations and expectations of both leaders and followers and the genius of leadership lies in the manner in which leaders see and act on their own and their followers’ values and motivations. Robbins (2004) defined leadership as the ability to influence a group towards the achievement of goals. Leaders can emerge from within a group as well as by formal appointment to lead a group.

A review of the leadership theories reveals an evolving series of schools of thought from “Great Man” theories to “Transformational” leaders. Earlier theories focused upon the characteristics and behaviours of successful leaders, later theories began to consider the role of followers and the contextual nature of leadership. The multitude of theories can be grouped under the two main headings:

- Traditional leadership theories
- New leadership theories

**Traditional leadership theories:**

1. **Trait Theory:** The earliest trait theories which can be traced back to the ancient Greeks and Romans, concluded that leaders are born and not made. The trait approach arose from the Great Man theory as a way of identifying the key characteristics of successful leaders until the late 1940s. A trait is any distinctive physical or personality characteristics of an individual to which the individual’s behaviour can be attributed and which can be used to differentiate leaders from followers (Robbins, 2004). Traits theory postulates that personal characteristics (e.g. personality traits, cognitive skills, interpersonal skills) determine an individual’s potential for leadership roles. Although there was little consistency in the results of the various trait studies, however, some traits did appear more frequently than others, including: technical skill, friendliness, task motivation, application to task, group task supportiveness, social skill, emotional control, administrative skill, general charisma, and intelligence.

2. **Behavioural Theory:** Behavioural era took a completely new direction by emphasizing what leaders do as opposed to their traits. Under the influence of behaviouristic school of psychology, researchers accepted the fact that leadership traits are not completely inborn but can also be acquired through learning and experience. Until 1960s, behaviour theories tend to make teaching of leadership
possible by identifying specific behaviours of effective leaders. The basic premise was to help managers develop particular leadership behaviours so as to increase their effectiveness. Behaviour theory advances the idea that an effective leader is discernible by his or her actions.

(a) Ohio State University Study: Some of the first studies were conducted at Ohio State University in the late 1940s. A series of studies at the University indicated that two clusters of behaviours had an important role in successful leadership. Those dimensions are *Initiating structure* and *Consideration behaviours*. *Consideration* denotes a leadership style, in which leaders are concerned about their subordinates as people, are progressive to them, and promote camaraderie. *Initiating structure* refers to a style in which the leader defines closely and clearly what subordinates are supposed to do and how and actively schedules work for them. Initiating structure behaviours were essentially task behaviours, and consideration behaviours were relationship behaviours. The Ohio State University studies viewed these two behaviours as distinct and independent. Many studies have been done to determine which style of leadership is most effective in a particular context. However, the results have indicated that it depends on the context. Some research has shown that being high on both behaviours is the best form of leadership (Northouse, 2001).

(b) Michigan Studies Model: A series of studies on leadership were done in Michigan University, starting in the 1950s. The focus of Michigan studies was to determine the principles and methods of leadership that led to productivity and job satisfaction. Two types of leadership behaviours were identified: *Employee orientation* (stresses the human-relations aspect, employees are viewed as human beings with personal needs), and *Production orientation* (stress on the technical and production aspects of the job, employees viewed as the means of getting the work done). Leaders with an employee orientation showed genuine concern for interpersonal relations. Those with a production orientation focused on the task or technical aspects of the job. The conclusion was that an employee orientation instead of close supervision yielded better results.
Managerial Grid Model: The Managerial Grid developed by Robert Blake and Jane Mouton in the year 1964 focuses on task (production) and employee (people) orientations of managers, as well as combinations of concerns between the two extremes. A grid with concern for production on the horizontal axis and concern for people on the vertical axis and plots five basic leadership styles.

![Managerial Grid Model](image)

**Fig. 1.3: Managerial Grid Model (Blake and Mouton, 1964)**

The grid combines “concern for production” with “concern for people” and presents five alternative behavioural styles of leadership as shown in fig. 1.3. An individual who emphasized neither production was practicing “Impoverished management” according to the grid. If a person emphasized concern for people and placed little emphasis on production, he was termed a “Country-club” manager. Conversely, a person who emphasized a concern for production but paid little attention to the concerns of subordinates was a “Task” manager. A person who tried to balance concern for production and concern for people was termed a “middle-of-the-road” manager. Finally, an individual who was able to simultaneously exhibit a high concern for production and a high concern for people was practicing “Team management”. According to the prescriptions of the grid, team management was the best leadership approach.
3. Contingency or situational approach: Contingency/situational theories were developed to indicate that the style to be used was contingent upon such factors as the situation, the people, the task, the organization and other environmental variables. This theory is more concerned with the context of applied leadership, which is left unaccounted by both the traits and behavioural theories. Here, the focus is on situational variables: the leader modifies his or her leadership style according to his or her own personal characteristics and the context, i.e., the current situation. According to proponents of this theory, an effective leader knows how to adapt his personal characteristics to the context. Many different models draw from this trend, such as

(a) Fiedler’s Contingency Theory (1967): This theory postulates that there is no single best way for managers to lead. Situations will create different leadership style requirements for a manager. The solution to a managerial situation is contingent on the factors that impinge on the situation. Two types of leader were defined in this theory: those who tend to accomplish the task by developing good relationships with the group (relationship-oriented), and those who have as their prime concern carrying out the task itself (task-oriented). According to Fiedler, there is no ideal leader. Both task-oriented and relationship-oriented leaders can be effective if their leadership orientation fits the situation. When there is a good leader-member relation, a highly structured task, and high leader position power, the situation is considered a “favourable situation”. Fiedler found that task-oriented leaders are more effective in extremely favourable or unfavourable situations, whereas relationship-oriented leaders perform best in situations with intermediate favourability.

(b) Hersey and Blanchard’s Situational Leadership Theory (1972): This model also takes a situational perspective of leadership. This model posits that the developmental levels of a leader’s subordinates play the greatest role in determining which leader behaviours are most appropriate. Their theory is based on the amount of direction (task behaviour) and socio-emotional support (relationship behaviour) a leader must provide given the situation and the “level of maturity” of the followers. Task behaviour is the extent to
which the leader engages in spelling out the duties and responsibilities to an individual or group. This behaviour includes telling people what to do, how to do it, when to do it, where to do it, and who's to do it. In task behaviour the leader engages in one-way communication. *Relationship behaviour* is the extent to which the leader engages in two-way or multi-way communications. This includes listening, facilitating, and supportive behaviours. In relationship behaviour the leader engages in two-way communication by providing socio-emotional support. *Maturity* is the willingness and ability of a person to take responsibility for directing his or her own behaviour. People tend to have varying degrees of maturity, depending on the specific task, function, or objective that a leader is attempting to accomplish through their efforts.

(a) **Vroom and Yetton’s Decision-Making Model (1973):** Vroom and Yetton (1973) developed a taxonomy for describing leadership situations, which was used in a normative decision model where leadership styles were connected to situational variables, defining which approach was more suitable to which situation. This approach was novel because it supported the idea that the same manager could rely on different group decision making approaches depending on the attributes of each situation.

(b) **Path-Goal Theory (1971):** The path-goal theory of leadership was developed by Robert House and was based on the expectancy theory of Victor Vroom. According to House (1971), the essence of the theory is “the meta proposition that leaders, to be effective, engage in behaviours that complement subordinates’ environments and abilities in a manner that compensates for deficiencies and is instrumental to subordinate satisfaction and individual and work unit performance”. The theory identifies four leader behaviours, *achievement-oriented, directive, participative, and supportive*, that is contingent to the environment factors and follower characteristics. In contrast to the Fiedler contingency model, the path-goal model states that the four leadership behaviours are fluid, and that leaders can adopt any of the four depending on what the situation demands.
New leadership theories: Beginning around the 1980s, the study of leadership was revitalized when it was suggested that leadership resided not only in the person or the situation but rather more in role differentiation and social interaction, and the concept of leadership changed its direction with what is referred to as new leadership which includes transactional leadership and transformational leadership. Instead of considering leadership as an influence process, the new leadership views leaders as “managers of meaning” (Parry and Bryman, 2006), i.e. an individual who create the meaning, and who make sense of events. The present study takes into consideration these two types of leadership behaviours i.e. Transactional and transformational leadership which are discussed later in 1.2.1 part.

1.2.1 MEANING AND DEFINITIONS

Burns (1978) described leadership as the process of developing interrelationships where leaders influence their followers and modify their behaviour according to follower’s resistance or responsiveness.

Kouzes and posner (1987) defined leadership as the art of mobilizing others to want to struggle for shared aspirations. So, leadership is a process in which the leader influences others, their actions and attitudes to accomplish an objective and directs the organization in a way that makes it successful.

Tannenbaum, Weschler and Massarik (1989) defined leadership as interpersonal influence exercised in a situation and directed through the communication process towards the attainment of specified goal or goals.

Bass (1990) definition described leadership as “the interaction between two or more members of a group that involves the structuring or restructuring of a situation, and the perceptions and expectations of members”.

Yukl and Fleet (1992) defined leadership broadly as a process that includes influencing the objectives and strategies of a group or organization, influencing members of an organization to implement strategies and achieve objectives, influencing group maintenance and identification, and influencing the organization’s culture.
Hersey, Blanchard and Johnson (2001) define leadership as when one person attempts to influence the behaviour of an individual or group. It may be for one’s own goal or for the goals of others, these goals may or may not be congruent with organizational goals.

Yukl (2006) defined leadership as “the process of influencing others to understand and agree upon what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish and achieve common objectives”.

In the mid 1970s, a new leadership paradigm began to capture the attention. Burns (1978), who is generally considered to be the founder of modern leadership theory, first conceptualized leadership in his seminal book ‘Leadership’ as either transactional or transformational. In TSL, leaders lead through social exchange (Bass and Riggo, 2006). Burns (1978) states that leaders approach their followers with the intent of “exchanging one thing for another: jobs for votes, or subsidies for campaign contributions”. In the business world, transactional business leaders offer rewards for productivity. Transactions, or social exchanges, comprise the bulk of the relationships among leaders and followers. In TSL, however, the leader strives to understand followers’ motives and needs. The focus shifts from the need of the leader to the followers’ needs. By gaining an understanding of their followers’ needs, the transformational leader can potentially convert followers into leaders. TFL theory is the leader’s power of motivating the subordinates for achieving more than already planned by followers (Krishnan, 2004). Tichy and Devanna (1986) presented characteristics regarding the estimation of TFL including qualities, courage, openness, values, learning and ability of visionary.

TRANSACTIONAL LEADERSHIP

TSL was first described by James McGregor Burns in his Pulitzer prize-winning book, ‘Leadership’ in the year 1978 and was later taken up by Bernard M. Bass. TSL is based on an exchange between the leader and the followers, where followers receive valued outcomes when they act in accordance with the leader’s performance expectations. There is an exchange of rewards or punishment from the leader to the followers for the work performed. The exchange forms the foundation of the leader-follower relationship, and only lasts as long as the exchange remains mutually satisfying for both parties (Vaishalli and Mohit, 2004).
The transactional leader is given power to perform certain tasks and reward or punish for the team's performance. It gives the opportunity to the manager to lead the group and the group agrees to follow his lead to accomplish a predetermined goal in exchange for something else. Power is given to the leader to evaluate, correct and train subordinates when productivity is not up to the desired level and reward their effectiveness when expected outcome is reached. Transactional leaders define and communicate the work that must be done by followers, how it will be done and also tell about the rewards that followers will receive for successfully completing a stated objective. Goal clarification and goal acceptance are critical for a transactional leader (Bass and Avolio, 1994). Transactional leaders motivate followers through setting goals and providing rewards on the achievement of these goals. The motivation to work provides direction and energises followers to reach the agreed upon objectives.

According to Avolio et al (1999), TSL is an effective means of maintaining and achieving acceptable standards of performance. However, this style of leadership can only explain a small portion of what effective leaders do with their followers. TSL theory does not explain the specific processes involved in developing followers to their optimum potential. The effort of the leader is equal to the expectations of the followers when the relationship between TSL and followers’ response was checked. So the transactional leader’s effort will depend on two elements: the leader’s confidence about the outcome is proportional to his effort, and the extent to which the outcome is valued by the leader and the follower.

Howell and Hall-Meranda (1999) found that TSL is not a joint effort for persons with common aims acting for the collective interests of followers but a bargain to aid the individual interests of persons or groups going their separate ways. The transactional leader tries to create clear structures so that his or her subordinates are aware of what is expected of them and what rewards are for following orders. Punishment is not always mentioned, but they are well-understood, and formal discipline systems are usually in place.

The early stage of TSL involves negotiating the contract which specifies the salary and other benefits to which the employee is entitled. It is through this contract that the company gets authority over the individual. When the transactional leader allocates work to a junior, that individual is considered fully responsible for it, irrespective of whether he/she has the resources or capability to carry it out. When things go wrong,
the junior is held at fault, and might be punished for the failure. Similarly, successes are rewarded (Kanungo, 2001).

The leader focuses on task completion and compliance. Methods, techniques and mechanisms rather than the purpose of the tasks are stressed (Kanungo, 2001). Role expectations, assignments and task-oriented goals are clarified. The leader clarifies what is expected of followers regarding performance standards. Rewards in exchange for performance are also clarified (Naidu and Van der Walt, 2005). Follower behaviour is rewarded or punished based on the sufficiency of performance. The leader focuses his/her attention on routine organizational activities such as allocating resources, rewards and incentives, monitoring and regulating followers to achieve tasks and organizational goals, as well as on taking corrective action to avoid future mistakes. Performance appraisals, performance-related pay, job descriptions, management-by-objectives, and job grading are recognised processes used by transactional leaders (Vaishalli and Mohit, 2004).

This kind of leadership is built on reciprocity: relationship between leaders and their followers develops through the exchange of some reward, such as performance ratings, pay, recognition, and praise. Such a relationship depends on hierarchy and the ability to work through this mode of exchange. It requires leadership skills such as the ability to obtain results, to control through structures and processes, to solve problems, to plan and organize, and work within the structures and boundaries of the organizations. In TSL, power is based much on the notion of hierarchy and position (Hartog, Muijen and Koopman, 1997).

The transactional leader takes on a traditional bureaucratic authority and legitimacy role (Naidu & Van der Walt, 2005). Thus this leader, in order to fulfil his/her own self interests, uses control strategies, in the form of valued outcomes, to get followers to behave in the preferred manner. The leader’s power stems from his/her ability to provide rewards. The use of rewards, sanctions, authority and position of power to display the desired commitment and loyalty to the organization influence followers.

TSL can be summed up as one in which leaders (Waldman, Bass and Einstein, 1987):

- Build on the need to get the job done,
- Are swamped in daily affairs,
• Are oriented to short-term goals,
• Focus on tactical issues,
• Rely on human relations to get work done,
• Follow and fulfill role expectations by striving to work effectively with current systems, and
• Support structures and systems that reinforce the bottom line.

The TSL model developed by Bass later became part of a three style model: transformational, transactional and laissez faire. Bass believed each leader exhibited a style along a continuum and developed the multifactor leadership questionnaire.

TRANSFORMATIONAL LEADERSHIP

Burns (1978) brought the concept of Transforming leadership in his book “Leadership” for the first time. According to Burns (1978), Transforming leadership refers to the process whereby an individual engaged with others creates a connection that raises the level of motivation and morality in both the leader and the follower. This type of leader is attentive to the needs and motives of followers and tries to help followers reach their fullest potential. Transforming leader shapes, alters and elevates the motives, values and goals of followers achieving significant change in the process. TFL is limited to enlightened leaders who appeal to positive moral values and higher-order needs of followers.

Bass (1985) developed Burns concept of transforming leadership into TFL where the leader transforms followers. Transformational leaders are those leaders who inspire followers to transcend their own self interests and who are capable of having a profound and extraordinary effect on followers. TFL is an encompassing approach that can be used to describe a wide range of leadership, from very specific attempt to influence followers on a one-to-one level to very broad attempts to influence whole-organization and even entire culture.

According to Burns (1978), TFL occurs “when one or more persons engage with others in such a way that the leader and followers raise themselves to higher level of motivation and morality”. Bass described TFL in terms of the degree to which the leader could influence followers. Bass and Avolio (1994) described that TFL occurs
when the leader motivates followers to view their work from different angles, creates awareness among followers of the vision for the group and organization, develop followers to higher levels of abilities and potential, and inspires followers to look beyond their own self-interest for the good of the group or organization. It is about recognising the value of individuals, networks and relationships, while providing energy and inspiration to followers in order to achieve the organization’s objectives.

Tichy and Devanna (1986) suggested that the more successful transformational leaders are able to ‘dumb down’ their vision to grab followers’ interest, attention, and understanding. Transformational leaders articulate a vision of the future of the organization, provide a model that is consistent with that vision, foster the acceptance of group goals, hold high performance expectations, and provide individualized support and intellectual stimulation. TFL develops followers’ thinking about situations (intellectual stimulation), supports individuals (individualized consideration) and provides inspiration, faith and respect (charismatic leadership). They are comfortable with taking risk and challenging the status quo and demonstrate high internal locus of control.

TFL behaviour inspires and motivates followers, gains commitment from followers, changes attitudes, beliefs, and/or goals of individuals, changes norms of the organization, makes subordinates feel they are being treated as individuals, helps individuals see problems in new ways and communicates a new vision of the organization (Avolio, Bass and Jung, 1999). Transformational leaders were able to realign their followers’ values and norms, promote both personal and organizational changes, and exceed their initial performance expectations. TFL creates an emotional bond between leader and subordinates through fulfillment and modification of their needs and values which affect the quality of the subordinates’ relationship towards their organization by influencing the behaviour and attitudes of the subordinates. TFL is exhibited to a great degree at the top of the organization, especially organizations that select leaders based on their ability to change and improve the organization (Avolio et al., 1999).

According to Northouse (2001), a transformational leader has the following qualities:

- Empowers followers to do what is best for the organization,
- Is a strong role model with high values,
- Listens to all viewpoints to develop a spirit of cooperation,
• Creates a vision, using people in the organization,
• Acts as a change agent within the organization by setting an example of how to initiate and implement change, and
• Helps the organization by helping others contribute to the organization.

Kanungo (2001) described that the main aim of the transformational leader is to develop and express a vision that articulates the organization’s mission and lays the foundation for the organization’s strategies, policies and procedures. Another aim is to develop the needs of followers to become aligned with the goals of the leader. The transformational leader appeals to followers’ higher order ideals and values such as liberty, justice, equality, peace and humanitarianism. Influencing strategies are used to empower followers and help them reach their higher order growth needs, while changing their values, norms and attitudes to be consistent with leader’s vision. An environment is created where the followers can decide for themselves whether to commit to the vision. The influencing strategies used by the leader are considered ethical as the focus is on empowering followers. Empowering strategies used by transformational leaders include modeling ideal behaviours, being confident in followers’ abilities, and providing verbal support to followers.

TFL models emphasize that "transformational leaders are able to alter their environments" to meet their desired outcomes. Transformational leaders tend to have more committed and satisfied followers. They have the ability to motivate followers to exceed expected or intended performance by setting more challenging expectations, empowering their followers, and paying attention to their individual needs and personal development. Through TFL practices, leaders assist followers to develop their own leadership potential by using leadership behaviours such as coaching, mentoring, challenge, and support. Transformational leaders have the capability to inspire followers to commit to a shared vision and goals for an organization, challenge them to be innovative problem solvers, and help followers to develop leadership capacities (Bass and Riggo, 2006). The importance of the leader as opposed to the follower in the accomplishment of the organization’s mission has been the basis of many leadership theories. To be effective, the leader must influence and have an impact on his / her followers. Leaders must be aware of, and be able to, manage the dynamics of the leader-follower relationship.
Hence, TFL is characterised by leaders delegating responsibility and authority, eliminating bureaucratic restrictions, providing coaching and training necessary for followers to take initiative and solve problems, encouraging participation in decision making, encouraging the sharing of ideas, concerns and information, promoting teamwork and cooperation, and encouraging problem solving to settle conflicts. In addition, transformational leaders empower followers and aim to change the organization to represent key values.

Shamir and Howell (1999) asserted that charismatic leaders are more likely to emerge under conditions of turbulence and crisis than under conditions of stability and continuity. It is also more effective in dynamic organizational environments that require and enable the introduction of new strategies, markets, products, and technologies. Such organizations have been called dominant boundary-spanning units and they are considered to be more receptive to TFL than the organizations with dominant technical cores (Pawar and Eastman 1997). TFL is more likely to emerge and be effective when the tasks of organizational members are challenging, complex and require individual and group initiative, responsibility, creativity and intense effort. The banking sector in contemporary India provides an organizational context conducive for the emergence of effective TFL.

Contrasting TSL with TFL does not mean that models are unrelated. TFL can be viewed as a special case of TSL in as much as both approaches are linked to the achievement of some goal or objective (Howell and Avolio, 1993). The transactional – transformational paradigm views leadership as either a matter of contingent reinforcement of followers by a transactional leader or the moving of followers beyond their self-interests for the good of the group, organization or society by TFL (Bass, 1997). The difference between the concepts is important because there is implication that a leader can be both transactional and transformational (Bryman, 1992).

Bass (1985) viewed that the transactional/transformational paradigm as comprised of complimentary rather than polar constructs. TFL style is viewed as complementary to the transactional style and likely to be ineffective in the total absence of TSL between leaders and subordinate. According to Bass and Avolio (1994), transformational leaders are more effective than transactional leaders regardless of how “effectiveness” is defined or measured. TFL provides a distinct increment to leader effectiveness.
above and beyond transactional. A combination of the two, not the one versus the other, represents optimal leadership behaviour.

Covey (1992) suggests that TFL focuses on the ‘top line’ and offers a contrast between the two.

Table 1.2.1: Comparison of TSL and TFL behaviour

<table>
<thead>
<tr>
<th>TSL</th>
<th>TFL</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Builds on man’s need to get a job done and making a living</td>
<td>- Build’s on a man’s need for meaning</td>
</tr>
<tr>
<td>- Is preoccupied with power and position, politics and perks</td>
<td>- Is preoccupied with purposes and values, morals and ethics</td>
</tr>
<tr>
<td>- Is mired in daily affairs</td>
<td>- Transcends daily affairs</td>
</tr>
<tr>
<td>- Is short-term and hard data oriented</td>
<td>- Is oriented towards long-term goals without compromising human values and principles</td>
</tr>
<tr>
<td>- Focuses on tactical issues</td>
<td>- Focuses more on missions and strategies</td>
</tr>
<tr>
<td>- Relies on human relations to lubricate human interactions</td>
<td>- Releases human potential – identifying and developing talent</td>
</tr>
<tr>
<td>- Follows and fulfils role expectations by striving to work effectively within current systems</td>
<td>- Designs and redesigns jobs to make them meaningful and challenging</td>
</tr>
<tr>
<td>- Support structures and systems that reinforce the bottom line, maximize efficiency, and guarantee short-term profits</td>
<td>- Aligns internal structures and systems to reinforce overreaching values and goals</td>
</tr>
</tbody>
</table>

Source: Principle-Centered Leadership (Covey, 1992)
1.2.2 DIMENSIONS OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP

One of the most comprehensive leadership theories of organizational transformation is the theory of TSL and TFL. Burns developed the initial ideas on TSL and TFL. Bass maintains that the problem with TSL is that it usually fails to raise subordinates’ performance beyond the leaders and their own expectations. By contrast, transformational leaders motivate subordinates to commit themselves to performance that exceeds expectations.

According to Bass and Avolio (1994) displayed behaviours associated with five TFL dimensions:

![Transformational leadership dimensions](image)

Fig. 1.4: Transformational leadership dimensions
Source: Improving Organizational Effectiveness through TFL (Bass and Avolio, 1994)
Bass’ (1985) factor structure included four TFL factors: charisma or idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

- **Individualized Consideration:** It is a degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower and listens to the follower's concerns and needs. The leader gives empathy and support, keeps communication open and places challenges before the followers. This also encompasses the need for respect and celebrates the individualized contribution that each follower can make to the team. The followers have a will and aspirations for self development and have intrinsic motivation for their tasks. Subordinates and colleagues are developed successively to the higher levels of potential. Individualized consideration is practiced when new learning opportunities are created along with a supportive climate.

A key assumption of individualized consideration is that each employee has different needs and that for a specific employee, those needs will change over time. Transformational leaders must be able to diagnose and evaluate the needs of all followers and develop all of them to their optimum potential (Avolio et al, 2004).

- **Intellectual Stimulation:** It is a degree to which the leader challenges assumptions takes risks and solicits followers' ideas. Leaders stimulate and encourage creativity in their followers. They nurture and develop people who think independently. For such a leader, learning is a value and unexpected situations are seen as opportunities to learn. The followers ask questions, think deeply about things and figure out better ways to execute their tasks.

Intellectual Stimulation referred to leaders who challenged their followers’ ideas and values for solving problems. Through intellectual stimulation, transformational leaders were able to show their followers new ways of looking at problems. Such leaders encouraged their followers to use non-traditional thinking to deal with traditional problems and they give ear to subordinates’ ideas even if their ideas were different from leaders’ ideas. Leaders who are intellectually stimulating see the advantages of creating unity through diversity. By bringing together and integrating a diverse range of perspectives, they are able to create genuinely new ideas and initiatives. The goal of intellectual stimulation
is to continuously generate the highest levels of creativity from the subordinates (Avolio, 2005).

- **Inspirational Motivation:** It is a degree to which the leader articulates a vision that is appealing and inspiring to followers. Leaders with inspirational motivation challenge followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. The visionary aspects of leadership are supported by communication skills that make the vision understandable, precise, powerful and engaging. The followers are willing to invest more effort in their tasks, they are encouraged and optimistic about the future and believe in their abilities.

  Transformational leaders using inspirational motivation attracts people toward the vision of the organization with their effective communicating personality. It is “communicating a vision with fluency and confidence, increasing optimism and enthusiasm, and giving interesting talks that energize others” (Yammarino and Dubinsky, 1994). The key indicators of inspirational motivation are “organizational vision, communication, challenging to workers encouragement, working with workers, and giving autonomy are the core values of inspirational motivation” (Sarros and Santora, 2001).

- **Idealized Influence:** Transformational leaders using idealized influence provides a role model for high ethical behaviour, instills pride in others for being associated, go beyond their self interests for the good of the group, acts in ways that build others’ respect, display a sense of power and competence, and reassure others that obstacles will be overcome. Idealized influence is the behaviour that reflected by leaders showing charismatic personality. Idealized leadership at its core represents the highest levels of moral reasoning and perspective-taking capacity. These leaders are willing to sacrifice their own gain for the good of their work group and organization. They set high standards for work conduct and are a role model for those standards. They build trust in people because those who work for them know they are working toward the common good, and their sacrifices along the way are evidence of their consistency for their actions and values. These are people who see the good in others first and when it is not obvious they work to build it out with concern for people. Leaders with idealized characteristics can walk first on the way they talk about (Avolio, 2005).
“The leaders are admired, respected, and trusted. Their subordinates identify them with their charismatic personality and attracted to emulate them. Besides, these leaders are endowed by their followers as having extraordinary capabilities, persistence, and determination” (Bass and Riggio, 2006).

Table 1.2.2: Transformational leadership and their behaviours

<table>
<thead>
<tr>
<th>TFL</th>
<th>Leader Behaviours</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Idealized Behaviours:</strong></td>
<td></td>
</tr>
<tr>
<td>Living one’s ideals</td>
<td>• Talk about their most important values and beliefs</td>
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<tr>
<td></td>
<td>• Specify the importance of having a sense of purpose</td>
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<tr>
<td></td>
<td>• Consider the moral and ethical consequences of decisions</td>
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<tr>
<td></td>
<td>• Champion exciting new possibilities</td>
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<tr>
<td></td>
<td>• Talk about the importance of trusting each other</td>
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<tr>
<td><strong>Intellectual Stimulation:</strong></td>
<td></td>
</tr>
<tr>
<td>Stimulating others</td>
<td>• Re-examine critical assumptions to question whether they are appropriate</td>
</tr>
<tr>
<td></td>
<td>• Seek different perspectives when solving problems</td>
</tr>
<tr>
<td></td>
<td>• Get others to look at problems from many different angles</td>
</tr>
<tr>
<td></td>
<td>• Suggest new ways of looking at how to complete assignments</td>
</tr>
<tr>
<td></td>
<td>• Encourage non-traditional thinking to deal with traditional problems</td>
</tr>
<tr>
<td><strong>Inspirational Motivation:</strong></td>
<td></td>
</tr>
<tr>
<td>Inspiring others</td>
<td>• Talk optimistically about the future</td>
</tr>
<tr>
<td></td>
<td>• Talk enthusiastically about what needs to be accomplished</td>
</tr>
<tr>
<td></td>
<td>• Articulate a compelling vision of the future</td>
</tr>
<tr>
<td></td>
<td>• Express confidence that goals will be achieved</td>
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<tr>
<td></td>
<td>• Take a stand on controversial issues</td>
</tr>
<tr>
<td><strong>Individualized Consideration:</strong></td>
<td></td>
</tr>
<tr>
<td>Coaching and Development</td>
<td>• Spends time teaching and coaching</td>
</tr>
<tr>
<td></td>
<td>• Treat others as individuals rather than just as members of the groups</td>
</tr>
<tr>
<td></td>
<td>• Consider individuals as having different needs, abilities, and aspirations from others</td>
</tr>
<tr>
<td></td>
<td>• Help others to develop their strengths</td>
</tr>
<tr>
<td></td>
<td>• Listen attentively to others’ concerns</td>
</tr>
<tr>
<td></td>
<td>• Promote self development</td>
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</tbody>
</table>
Podsakoff, MacKenzie, Moorman, and Fetter (1990) suggested that there are at least six key behaviours associated with transformational leaders:

- **Identifying and articulating a vision**: Behaviour on the part of the leader aimed at identifying new opportunities for his or her unit/division/company, and developing, articulating, and inspiring others with his or her vision of the future.

- **Providing an appropriate model**: Behaviour on the part of leader that sets an example for employees to follow that is consistent with the values the leader espouses.

- **Fostering the acceptance of group goals**: Behaviour on the part of the leader aimed at promoting cooperation among employees and getting them to work together toward a common goal.

- **High performance expectations**: Behaviour that demonstrates the leader’s expectations for excellence, quality, and/or high performance on the part of followers.

- **Providing individualized support**: Behaviour on the part of the leader that indicates that he/she respects followers and is concerned about their personal feelings and needs.

- **Intellectual stimulation**: Behaviour on the part of the leader that challenges followers to re-examine some of their assumptions about their work and rethink how it can be performed.

The original formulation of Bass’s (1985) leadership theory included two dimensions of TSL, these being contingent reward and passive management-by-exception. In
military work. Yammarino and Bass (1990) also split contingent reward into promises (e.g. clarifies what I will get if I succeed) and rewards (e.g. gives me what I want in exchange for showing my support for him/her). They found factor-wise valid to further split management by exception into an active factor such as “arranges to know when things go wrong” and a passive factor such as “subscribes to the belief that if it isn’t broken, don’t fix it”. These divisions were further justified by subsequent factor analyses (Avolio, 2005). Generally, active managing-by-exception is likely to be more effective than passive managing-by-exception.

Current literature on the theory now includes the following dimensions (Yukl, 2006).

- Contingent reward: Defining the exchanges between what is expected from the follower and what the follower will receive in return. It provides clarification on what needs to be accomplished and exchanges rewards for services. Example: I understand that I will be rewarded for my efforts if I complete the given work.

- Active management by exception: In order to maintain current performance status, the focus is on detecting and correcting errors, problems or complaints. Leaders keep an eye on follower performance and implements correction when standards are not upheld. Example: Report to me weekly on your progress toward our agreed goals. I’ll let you know if you are going in the right direction.

- Passive management by exception: Addressing problems only after they have become serious. It occurs only when standards are not upheld. Example: Leader avoids giving feedback or instruction as progress is made and only intervenes if the expected standard is not met.

- Laissez faire: Abdicates responsibilities and avoid making decisions. It is usually excluded in the research as it finds the leader absent in the relationship with the follower (Bass and Avolio, 1994). When tough decisions, conflict, or areas of responsibility call for the leader to step up or be involved in the issue, the leader cannot be found. This level of unengaged behaviour leaves the organization and its members to fend for themselves.
1.2.3 RATIONALE BEHIND TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP

Organizations all over the world are deeply concerned with understanding, searching and developing leadership. The business environment is constantly changing, which makes leadership increasingly important. Leaders are the initiators, implementers and evaluators of change (Naidu and Van Der Walt, 2005). The main confront for leaders is not only to cope with change but also to change the competencies of their followers. Leaders are facing greater challenges than ever before due to the increased environmental complexity and changing nature of the organization. If we trace back into history, it becomes evident that leaders should have the ability to draw out changes in relation with environmental demands.

The current era not only demands having a competitive edge and sustained profitability but also the maintenance of ethical standards, complying with civic commitments and establishing a safe and equitable work environment. Leadership is one of the critical elements in enhancing organizational performance. Being responsible for the development and execution of strategic organizational decisions, leaders have to acquire, develop and deploy organizational resources optimally in order to bring out the best products and services in the best interest of stakeholders. In short, effective leadership is the main cause of competitive advantage for any kind of organization (Zhu et al., 2005; and Avolio et al., 1999).

A major factor in the success of an organization is leadership. Dynamic and effective leadership involves creating and articulating a vision and plan, ensuring companies are focused on the customers, and creating the necessary environment for employees to do their best work and be innovative (Covey, 1992). A leader needs to be focused on his followers’ needs both within and outside the organization to keep them moving ahead consistently.

According to Pawar and Eastman (1997), one of the most important mechanisms in which organizational development can be possible is TFL. TFL affects organizational development through the articulation of leaders’ vision, the acceptance of vision by followers and creation of congruence between followers’ self interest and the vision. TFL is a response to a contemporary search for meaning and rapid change.
Bass (1985) maintains that transformational leaders produce in their followers a higher:

- Salience of the collective identity in their self-concept;
- Sense of consistency between their self-concept and their actions on behalf of the leader and the collective;
- Level of self-esteem and a greater level of self-worth;
- Similarity between their self-concept and their perception of the leader;
- Sense of collective efficacy; and
- Sense of “meaningfulness” in their work and lives.

Transformational leaders raise followers’ propensity to extend great effort in at least three ways. Firstly, they raise awareness about the importance of certain goals and the means for their attainment. Secondly, they induce followers to transcend their self-interest for the good of the organization. And lastly, they stimulate and satisfy followers’ higher-order level needs, such as self-esteem and self-actualisation (Bryman, 1992).

The leader and follower exchange are based on TSL with the expectation on the agreed outcomes and standards. The level of interaction and acceptance of responsibility by the leader for the actions of the followers varies from engaged to unengaged. Transactional leaders focus on the smooth function of the status quo, as defined by the institution (Bass, 1985).

Hartog et al., (1997) described that good transactional leaders are not simply bosses—they are helpers. They work with followers and are the first to understand their needs, and outline their duties so as to obtain results the leader wants and to reward successful followers. Really good transactional leaders go further: they help followers, and develop the confidence needed to achieve goals. They can place too much emphasis on the ‘bottom line’ which by its very nature is short term oriented with the goal of maximizing efficiency and profits. Such leadership seeks to influence others by exchanging work for wages, but it does not build on the worker’s need for meaningful work or tap their creativity. If utilized as the primary behaviour by a leader, it can lead to an environment permeated by position, power, perks and politics.
Transformational leaders increase performance levels by influencing followers’ values, goals and high order need to meet the group’s mission. Followers are challenged to think in new ways, inspired to accomplish goals which were previously out of reach, and motivated to keep values and moral standards in mind when performing. Followers trust, admire, and show loyalty and commitment toward their leader and organization as they are motivated to do more than they originally thought they could (Yukl, 2006).

In TFL, the strategy for the follower or the organization comes from the leader. The use of TFL exhibits second order change that provides feedback from the leader to the group and causes them to shift their direction toward the focused goals and shared purpose. It was seen that followers reported exerting extra work effort for transformational leaders and less effort where the leader was only transactional (Bass and Avolio, 1994). The relationship with the leader had an effect on follower motivation. The transformational leader inspires follower’s own development and fosters the followers to be engaged in the moral development of others (Burns, 1978). This engages the organization in a relationship of mutual stimulation and elevation that converts followers into leaders and produces highly effective organizational results.

Managerial ability is another ability of TFL which is also essential for leader. The TFL cannot implement effectively without some major attributes of leadership including creativity, team orientation, and appreciations, teaching power, responsibility and recognition. The qualities of TFL are basic for management success. (Parry, 1998).

Good transactional leaders are competent at manipulating the values of means such as honesty, responsibility, fairness, and honoring of commitments, rendering the transactional leader as effective. Leaders with transformational behaviours seek to elevate their followers to higher levels of morality (Burns, 1978). In Burns’ proposal of an overarching theory of leadership emerges a generalized progression with TSL skills and behaviours at one level and TFL skill and behaviours at the next level. This “full-range” leadership uses the characteristics of both transactional and transformational leader skill and behaviour to be used in the ‘full’ dimension for leader effectiveness. Utilizing only TSL dimensions found to be ineffective in the
Yukl and Fleet (1992) found that TFL is positively related to subordinate’s perceptions of leader effectiveness and higher levels of motivation. Similarly, Waldman, Bass, and Einstein (1987) discovered that employees who worked for transformational leaders were more satisfied with their performance appraisals than those whose leaders exhibited TSL behaviours. Affirming their findings, Seltzer and Bass (1990) reported that subordinates perceived transformational leaders as more effective than transactional leaders. Hater and Bass (1988) found that followers of transformational leaders report high satisfaction and motivation.

Yammarino, Spangler, and Bass (1993) discovered positive and significant correlations between performance and TFL. There have also been positive associations between TFL and the contingent reward component of TSL. Transformational leaders selectively arouse motivation of followers and this motivation arousal has several important effects, including increased commitment to the vision and mission articulated by the leader.

Butler, Cantrell, and Flick (1999) found a positive relationship between TFL and satisfaction with supervisors and trust. Jung and Avolio (2000) investigated the effects of TFL and TSL on work groups. Jung’s participants included 194 Undergraduate students from several upper division business courses at a large public university. Results of the study indicated that TFL promoted higher levels of creativity among group members. Leaders are most likely to play a key role in influencing OCBs. Previous studies have found a positive relationship between TFL and OCB (Lin, 2008; and Podsakoff, MacKenzie and Bommer 1996). MacKenzie et al., (2001) revealed that transformational behaviours had strong association with sales performance and OCB than transactional leader behaviours.

1.2.4 ANTECEDENTS OF LEADERSHIP BEHAVIOUR

- Training and Education: Leadership capabilities are inherent and can be trained (Parry and Sinha, 2005). Intuitively, teaching and learning about how to be more or less constructive and corrective as a transactional leader should not be too difficult. More difficult is developing both the willingness and ability to be...
• **Organizational Vision**: TFL has four components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985) which involves motivating people, establishing a foundation for leadership authority and integrity, and inspiring a shared vision of the future. Idealized influence and inspirational motivation are connected with the leader’s ability to formulate and articulate a shared vision. The leader exudes power and impacts followers through visionary means. Developing a transparent vision and inspiring subordinates to pursue the vision is of great importance to transformational leaders. According to Tucker and Russell (2004), transformational leaders emphasize new possibilities and promote a compelling vision of the future. A strong sense of purpose guides their vision. Transformational leaders are necessary in all organizations. The primary goal of these leaders is to change the current structure of the organization and inspire organizational employees to believe in a new vision that has new opportunities for the individual and the organization as a whole.

• **Empowerment**: Transformational leaders utilize behaviour that empowers followers and intensifies their motivation. Followers are empowered not only by the vision formed by the transformational leader, but also by the signals the leader sends regarding their capacity to achieve that vision. Transformational leaders construct a participative climate and empowered condition that allows followers to respond quickly and with flexibility to change in organizational and environmental demands (Lawler, 1994). Bass and Avolio (1994) stated that transformational leaders augment followers’ power to think on their own, develop fresh ideas, and question operating rules that are archaic. They stated that a major goal of TFL is to develop followers’ self-management and self-development and TFL is also connected to empowerment through self-efficacy.

• **Job Satisfaction**: Job satisfaction can be defined as “a pleasurable or positive emotional state resulting from the appraisal of one’s job and job experience”. Job satisfaction stems from the follower’s perception that the job actually provides what he or she values in the work situation. Job satisfaction involves the following essentials: the job itself, supervisor relationship, management beliefs, future opportunity, work environment, pay/benefits/rewards, and co-worker
relationships (Morris, 1995). When job satisfaction is examined in the context of TFL, several predictions are suggested. First, TFL might intrinsically foster more job satisfaction given its ability to impart a sense of mission and intellectual stimulation. Also, transformational leaders encourage the followers to take on more responsibility and autonomy. The work tasks would then provide the followers with an increased level of accomplishment and satisfaction. Leadership behaviour has an immense and steady influence on employees’ job satisfaction. Steers and Rhodes (1978) have reported that job satisfaction is positively related to TFL.

- **Commitment**: Mowday, Porter, and Steers (1979) defined commitment utilizing three components: identification with the values and goals of the organization, willingness to exert effort on behalf of the organization, and commitment to stay in the organization. Organizational commitment is defined as “the relative strength of an individual’s identification with and involvement in a particular organization”. One key determinant of commitment is leadership. Transformational leaders engender their followers’ commitment to the organization, organizational goals and values, and team commitment. TFL is positively associated with organizational commitment in a variety of organizational settings and cultures (Koh, Steers, and Terborg, 1995; Lowe, and Kroeck, 1996; and Walumbwa and Lawler, 2003).

- **Trust**: Trust is a construct with multiple components and several dimensions which vary in nature and importance according to the context, relationship, tasks, situations, and people concerned. Although there is no universal definition of trust, a frequently used concept emphasizes interpersonal relationships and a “willingness to be vulnerable” (Mayer, Davis, and Schoorman, 1995) based on the belief that the leader is proficient, concerned, and dependable. Workplace trust is developed primarily through an organization’s leaders (Fairholm, 1994; and Shaw, 1997). Trust is an essential element in the relationship that transformational leaders have with their followers (Butler, Cantrell, and Flick, 1999; Gillespie and Mann, 2000; Podsakoff, MacKenzie, Moorman, and Fetter 1990; and Podsakoff, MacKenzie, and Bommer, 1996). The degree of trust which exists in an organization can determine much of the organization’s
character, influence organizational structure, control mechanisms, job satisfaction, job design, commitment, communication, and OCB.

- **Self-efficacy Beliefs**: Self-efficacy represents an individual’s belief in his or her capabilities to successfully accomplish a specific task or set of tasks (Bandura, 1986). Self-efficacy can also be described as the confidence which followers have in being successful and the value they attach to possible outcomes. Self-efficacy beliefs influence patterns of thoughts, emotions, and actions in which people spend considerable effort in pursuit of objectives, persevere in the face of adversity, and exercise some control over events that affect their lives. Self-efficacy can be increased through TFL (Waldman and Spangler, 1989). An increase in confidence and valence of outcomes can produce a noticeable rise in followers’ efforts to succeed, thus making leadership the stimulus to effort beyond expectations. Transformational leaders are able to raise the self-efficacy of followers by showing confidence in followers and helping leaders’ in their work through individual problems and developmental challenges.

- **Motivation**: Burns (1978) referred to motivation as one of three main domains of a follower’s development. He proposed that transformational leaders motivate followers in such a way that the followers’ primary motive is to satisfy self-actualization needs rather than the lower needs in Maslow’s (1954) need hierarchy. He also held that the follower’s extra effort shows how much a leader motivates them to perform beyond contractual expectations. The emphasis placed on satisfying self-actualization needs reflects the type of need underlying followers’ motivation and extra effort results from generating higher levels of motivation.

### 1.3 THEORETICAL PERSPECTIVE OF PERCEIVED ORGANIZATIONAL SUPPORT

Organizational support is an important concept in the management literature because it offers an explanation for the relationship between an organization’s treatment of its employees and the employees’ attitudes and behaviour towards their jobs and organization. Until 1980s, the formal concept of perceived organizational support was not introduced and quantified. The concepts of social exchange (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) have been used by organizational researchers to explain the
motivational basis behind employee behaviours and the formation of positive mental attitude. The norm of reciprocity prescribes that “people should help those who have helped them and that people should not injure those who have helped them” (Gouldner, 1960). To the extent that both the parties apply the norm of reciprocity to their relationship, it would benefit both of them. In the employment context, social exchange theory emphasize that the interacting parties (employee and employer) exchange effort and loyalty for tangible benefits and social rewards. The organizational support theory (Eisenberger et al, 1986) supposed that employees create global beliefs that their organization will reward their extra effort and meet the socio emotional needs thereby valuing employee’ contribution and consider their well being, which is termed as Perceived Organizational Support (POS). POS is an assurance that organization would involve in activities to help employees to carry out job effectively.

It has been recognized by researchers that organizations are an important source of material and socio-emotional support for employees. Initial organizational research in the early 1900s focused exclusively on the material resources and benefits an employer provided for employees. However, the Hawthorne studies of the 1930s have shown that organizations were also an important source of socio-emotional resources for employees. Various programs were devised in which employees were interviewed by managers. Results indicated that employees who were given work breaks and shorter hours had better attitudes and higher productivity than employees who were not provided these benefits (Roethlisberger and Dickson, 1939). Employees interpreted being interviewed as an indication that the organization cared about them. Broadly, Hawthorne studies suggested that when organizations signaled to employees that they were valuable by paying attention to them or providing favourable treatment for them such as work breaks, then employees had higher levels of productivity and better attitudes.

Mayo (1949) extended the findings of the Hawthorne studies by arguing that the socio-emotional support organizations offered employees helped them deal with societal changes such as massive industrialization of the 1940s. Rather than living in small towns or villages where they were known for performing a specific task, individuals moved to large cities where they lost the esteem and identity that they had previously derived from their jobs. To deal with this loss of identity, employees increasingly turned to their organizations and individuals within the organization for support, esteem, and identity.

Levinson (1965) also argued that organizational support was important for employees dealing with changes in social and geographic mobility in the 1960s. When people moved away from their friends and family, they lost a valuable source of support and esteem.
Levinson contended that employees derived esteem and support from the organizations they worked for to compensate for this loss. He theorized that employees attribute human-like characteristics to the organizations that employ them. Thus, the actions of individuals who represent the organization are attributed to the intent of the organization itself because:

- Organizations are legally, financially and morally responsible for the actions of their agents;
- Organizational precedents, traditions, policies and norms provide continuity and prescribe role behaviours of organizational agents; and
- An Organization, through its agents, exerts power over individual employees.

Levinson’s work explained the larger scope and justification for employee-organization relationships. The importance of the employee-organization relationship continued to grow in the business environment of the 1970s and 1980s as organizations became increasingly concerned with developing and retaining productive employees to gain a competitive advantage in a global marketplace.

1.3.1 MEANING AND DEFINITIONS

Eisenberger, Huntington, Hutchison, and Sowa (1986) coined the term Perceived Organizational Support and defined POS as “employees’ global beliefs concerning the extent to which the organization values their contributions and cares about their well-being.” In other words, POS is defined as employees’ perceptions about the degree to which the organization cares about their well-being and values their contribution. POS represents an indispensable part of the social exchange relationship between employees and employer, because it implies that what an organization has done for them, at least in the employees’ belief.

POS is a key concept of organizational support theory (Eisenberger et al., 1986; Eisenberger et al., 1997; and Rhoades and Eisenberger, 2002), which posits that “employees evidently believe that the organization has a general positive or negative orientation toward them that encompasses both recognition of their contributions and concern for their welfare.” Also key to organizational support theory is the norm of reciprocity, which applied to the employee-employer relationship, suggests that employees who receive favourable treatment from their organization, such as higher
levels of POS, would feel an obligation that employees should care about the organization’s benefits and contribute to the achievement of organizational goals.

It is believed that individuals with high levels of POS believe that the organization values their well being, and appreciate their contributions, and would help them when problems arise. In contrast, it is noted that individuals with low levels of POS believe that the organization disregards their best interests, would take advantage of them, and would replace them if possible.

According to organizational support theory, the development of POS is encouraged by employees’ tendency to assign the organization human like characteristics (Eisenberger et al., 1986). Levinson (1965) noted that actions taken by agents of the organization are often viewed as indications of the organization’s intent rather than attributed solely to the agents’ personal motives. This personification of the organization, as suggested by Levinson, is abetted by the organization’s legal, moral, and financial responsibility for the actions of its agent, by organizational policies, norms, and culture that provide continuity and prescribe role behaviours, and by the power the organization’s agents exert over individual employees. In other words, Organization is responsible (financially, morally, and legally), for the actions of its employees and structures such rules, policies and behaviours and impose them. Social exchange theorists argue that resources received from others are more highly valued if they are based on discretionary choice. Such voluntary aid is welcomed as an indication that the donor genuinely values and respects the recipient.

Thus, organizational rewards and favourable job conditions such as pay, promotions, job enrichment, and influence over organizational policies contribute more to POS if the employee believes that they result from the organization’s voluntary actions, as opposed to external constraints such as union negotiations or governmental health and safety regulations. Because supervisors act as organizational agents, the employee’s receipt of favourable treatment from a supervisor should contribute to POS (Eisenberger et al., 1997).

According to Eisenberger et al., (1986), organizational support theory has three forms of encouraging treatments through which POS should be increased, such as organizational job conditions and rewards, supervisors support, and fairness.
For employees, the organization serves as an important source of socio emotional resources, such as respect and caring, and tangible benefits, such as wages and medical benefits. Being regarded highly by the organization, it helps to meet employees’ needs for approval, esteem, and affiliation. Positive valuation by the organization also provides an indication that increased effort will be noted and rewarded. Employees take an active interest in the regard with which they are held by their employer. Behavioural outcomes of POS include increases in in-role and extra-role performance/OCB and decreases in withdrawal behaviours such as absenteeism and turnover.

Organizational support theory also addresses the psychological processes underlying consequences of POS. First, on the basis of the reciprocity norm, POS should produce a felt obligation to care about the organization’s welfare and to help the organization reach its objectives. Second, the caring, approval, and respect connoted by POS should fulfil socio emotional needs, leading workers to incorporate organizational membership and role status into their social identity. Third, POS should strengthen employees’ beliefs that the organization recognizes and rewards increased performance (i.e., performance-reward expectancies). These processes should have favourable outcomes both for employees (e.g., increased job satisfaction and heightened positive mood) and for the organization (e.g., increased affective commitment and performance, and reduced turnover).

High POS tends to improve work attitudes and engender effective work behaviour and employees become more committed and harder-working (Eisenberger et al., 1986). In addition, it seems that if an organization is given adequate training, resources, and support from management, it is more likely that members would both want their organization to succeed and be more capable of helping their organization succeed.

1.3.2 DIMENSIONS OF PERCEIVED ORGANIZATIONAL SUPPORT

The dimensions of POS, developed by Eisenberger et al. (1986), describes employee perceptions about the extent to which an organization is willing to reward greater efforts by the employee because the organization values the employee’s contribution and cares about his or her well-being. The measure includes eight items that measure an employee’s perceptions of the degree to which the organization values the worker’s contributions and nine items about actions that the organization might take.
that would affect the well being of the employee. Some studies have used an abbreviated version consisting of the nine items from this scale (Moorman, Blakely, and Niehoff, 1998; and Wayne, Shore, and Liden, 1997).

Following are the dimensions of POS given by Eisenberger Huntington, Hutchinson, and Sowa, 1986.

- The organization values my contribution to its well-being
- If the organization could hire someone to replace me at a lower salary it would do so
- The organization fails to appreciate any extra effort from me
- The organization strongly considers my goals and values
- The organization would ignore any complaint from me
- The organization disregards my best interests when it makes decisions that affect me
- Help is available from the organization when I have a problem
- The organization really cares about my well-being
- The organization is willing to extend itself in order to help me perform my job to the best of my ability
- Even if I did the best job possible, the organization would fail to notice
- The organization is willing to help me when I need a special favour
- The organization cares about my general satisfaction at work
- If given the opportunity, the organization would take advantage of me
- The organization shows very little concern for me
- The organization care about my opinions
- The organization takes pride in my accomplishments at work
- The organization tries to make my job as interesting as possible
1.3.3 RATIONALE BEHIND PERCEIVED ORGANIZATIONAL SUPPORT

POS concept is getting admired day by day in the management sphere of modern business world. There are different types of assets that collectively make an organization work and make it successful, out of which human resource is the most valuable asset and makeup the workforce of the organization. In today’s business world, firm's competitiveness is based on the competence of its human resource. Organizational support is very important for the development of the employees. Organizational support is important as it guarantees assistance provided by the organization to deal with the demanding conditions, and to carry out ones job efficiently and effectively. Employees need to be valued and they are more concerned with the commitment of the organization to them, and being valued by the organization, yield such benefits like pay, promotion, admiration, other forms of aids, and access to information by which they can carry their jobs better. Reciprocity norm applied by both employee and employer in their relationship lead them with beneficial results. When people are treated well, the reciprocity norm obligates encouraging fulfilling one’s action in return (Gouldner, 1960).

If employees are valued and rewarded in the organization they will be more relaxed and satisfied and will consider themselves emotionally committed towards their organization. Therefore, efforts from the human resource department to understand and analyze the aspects which affect the performance of the employees are a basic necessity to ensure effectiveness and efficiency of an organization.

According to Cropanzano and Greenberg (1997), POS is affected by structural aspects includes formal rules and policies decisions and their implementations whereas social aspects contains employees are being treated with respect and decorum and providing them with information that helps in determining final results. According to Aquino and Griffeth (1999), as a result of organizations treatment with employees, their behaviour is affected which in return might influence POS. Friendly behaviour results in positive relations with coworkers and supervisors whereas negative affectivity results in unfriendly and aggressive behaviour which prohibits the development of favourable working relations and reduces POS.

POS is viewed as imperative to organizations in terms of success and commitment of employees. However, it is not known to what extent the perception by employees that
they are well supported would impact the perceived ability of employees that they are able to build relationships with organizations and customers better. This is important to know such information as it can provide guidance to organizations about how they could best enable employees to service customers better than competitors, thereby providing an opportunity to differentiate by building stronger customer relationships and leading to a source of a competitive advantage.

POS is positively related to a number of outcomes favourable to both the organization and individual namely conscientiousness in carrying out conventional job responsibilities, organizational commitment and job satisfaction. Therefore the level of POS of employees needs to be constantly reviewed to ensure favourable outcomes to the organization which ultimately leads to profitability.

Greater levels of POS encourage employees to improve their productivity through participation in both in-role and extra-role behaviours (OCB) as they feel obligated to assist the firm in reaching its objectives (Eisenberger et al., 2001). In particular, organizational policies, practices and treatment of staff infer the extent to which the organization cares about promoting employees’ welfare. Therefore, it appears likely that the extent which the organization perceives that it is supported will be positively associated with the display of OCB directed toward the organization (Eisenberger, Armeli, Rexwinkel, Lynch, and Rhoades, 2001; and Wayne, Shore, Bommer, and Tetrick, 2002).

POS significantly predicted altruism and compliance component of organization citizenship behaviour (Shore and Wayne, 1993). POS showed positive relationship with felt obligation and felt obligation mediated the association of POS with organizational spontaneity and in-role performance (Eisenberger et al, 2001). POS has found to be positively related to OCB, while leader member exchange showed positive relationship with in-role performance. This highlights the criticality of good supervisor-employee relationships for enhancing job performance (Wayne et al, 2002). In Rhoades and Eisenberger’s (2002) meta-analysis, POS was found positively related to extra-role performance such as conscientiousness in carrying out job responsibilities, help for co-workers and creative suggestions for the organization’s operations.
1.3.4 ANTECEDENTS OF PERCEIVED ORGANIZATIONAL SUPPORT

Alderfer’s (1972) ERG theory offers a useful way of thinking about employee motivation. His theory conceptualizes three elements of human needs that are relevant to organizational settings which may operate simultaneously. ERG theory holds that individuals attempt to satisfy three levels of needs in organizations:

- needs that are based on human existence, which are mainly physiological needs (existence);
- needs that are associated with interpersonal relationships in the workplace (relatedness); and
- needs that are related to the development of human potential and capabilities (growth).

Accordingly, several HR practices are very important in showing support for employees to satisfy these needs. First, satisfactory pay is necessary for meeting individuals’ physiological or existence needs. Second, growth needs can be met by sufficient career development opportunities that help employees extend their potential and expand their capabilities. Third, HR practices that provide social support, such as helping employees in maintaining good work and family relationships and develop positive leader-member exchange relationships can be instrumental in fulfilling employees’ need for relatedness. Therefore, the HR practices chosen to investigate as antecedents of POS include: pay level, career development opportunities, work-family support and leader member exchange (LMX), etc.

- **Pay level satisfaction**: Organizational support theory holds that favourable rewards/pay levels indicate that the employees’ contribution towards the organization are highly valued, which constitutes a major dimension of POS (Eisenberger et al., 1986; and Eisenberger, Rhoades, and Cameron, 1999). Specifically, it is argued that such organizational rewards represent investment by the organization in the employee and are interpreted by the employee as indication of organizational appreciation and recognition, and thus, contribute to the development of POS.

- **Career development opportunities**: Employees have a desire to extend their potential and develop their capabilities in organizations and to satisfy their needs for growth and self-actualization (Alderfer, 1972). Thus, another way that HR
practices can create employee beliefs in higher POS is through providing them developmental opportunities that would meet their needs for personal growth. **Rhoades and Eisenberger (2002)** suggested that providing potential career opportunities such as training and promotions may imply a high level of concern for employees and recognition of employees’ contributions by the organization. Since these organizational actions go beyond what is mandated by company policy or union contract, employees are likely to view them as discretionary treatment by the organization that are indicative of organizational caring and support (**Eisenberger et al., 1997**). **Eisenberger et al. (1999)** also held that opportunities for recognition and promotion have positive associations with POS.

- **Work-family support**: Another HR practice that can meet employee needs, and thus, increase POS is work-family support. **Armeli, Eisenberger, Fasolo, and Lynch (1998)** suggested that POS is related to organizational actions that strengthen the beliefs of employees that the organization would provide sympathetic understanding and material aid to deal with stressful situations at work or home. These factors would help meet the need for emotional support and interpersonal relationships, thus enhancing employee POS. It is very likely that if the organization provides a high level of work-family support, the employees will consider the organization as more considerate of their well-being and support.

- **Organization size**: **Dekker and Barling (1995)** argued that individuals feel less valued in large organizations, where highly formalized policies and procedures reduce the flexibility in dealing with employees’ individual needs. Even though large organizations, as small ones, can show benevolence to groups of employees, the reduced flexibility for meeting the needs of individual employees, imparted by formal rules, and reduces POS.

- **Procedural justice**: Procedural justice deals with how fairly the resources are distributed among employees (**Greenberg, 1990**). **Cronpanzano and Greenberg (1997)** distinguished between structural and social aspects of procedural justice. Structural determinants involve formal rules and policies concerning decisions that affect employees, includes giving adequate notice before decisions are implemented, receipt of accurate information, and employee input in the decision process. Social aspects of procedural justice, sometimes called interactional
justice, involve the quality of interpersonal treatment in resource allocation. POS plays a mediating role in linking perceptions of procedural justice and OCB.

- **Autonomy**: Autonomy means employees’ perceived control over how they carry out their job, including scheduling, work procedures, and task variety. Autonomy has traditionally been highly valued in Western culture (Geller, 1982). By indicating the organization’s trust in employees to decide wisely how they will carry out their job, high autonomy increases POS (Eisenberger, Rhoades, and Cameron, 1999).

- **Leader-member exchange (LMX)**: Since the supervisor often acts as an agent of the organization to direct discretionary rewards and to evaluate the employees’ contribution, while these discretionary rewards and evaluations are key to POS, the treatment an employee receives from the supervisor tends to contribute to employee perceptions of the support, he or she receives from the organization. Thus, it is believed that the level of leader-member exchange or supervisory support bears a positive relationship to POS (Eisenberger et al, 1997). However the quality of leader member exchange appears to have a stronger effect on POS, indicating that LMX plays a key role in affecting employees’ perceptions of organizational support (Eisenberger et al, 1986).

- **Personality**: Personality might influence POS by affecting employee behaviours and, consequently, treatment by the organization (Aquino and Griffeth, 1999). Positive affectivity might lead to expansive and friendly behaviours, which would cause the employee to make a favourable impression on others and would result in more effective working relationships with co workers and supervisors. Conversely, aggressive or withdrawal behaviours resulting from negative affectivity could inhibit the development of favourable working relationships, reducing POS. Conscientiousness, a personality dimension, might lead to increased job performance, which, in turn, would lead to better treatment by the organization and heightened POS.
1.3.5 CONSEQUENCES OF PERCEIVED ORGANIZATIONAL SUPPORT

Rhoades and Eisenberger (2002) stated that POS was directly linked with three categories of favourable treatment received by employees, such as, organizational rewards and favourable job conditions, fairness and supervisor support, in return, favourable outcomes are achieved such as job satisfaction and organizational commitment. All these relations support organizational support theory.

Eisenberger et al. (1990) stated that there exist positive relationships of perceived support with job attendance and performance. There is a relationship between POS and employees’ in-role performance, and performance of formal job duties (Armeli et al., 1998; Eisenberger et al., 2001; and Lynch et al., 1999). The relationship between POS and in-role performance occurs because employees with higher levels of POS rely that the organization will reward them for their increased effort on their daily tasks. Examining this perspective, Orphen (1994) found that POS was positively related to work effort of employees.

POS make employees satisfied with their jobs because they believe that aid is available when they need it and have strong performance-reward expectancies. That is, employees with high levels of POS realize that the organizations that they work for will reward them for their efforts on the job. (Eisenberger et al., 1997; Masterson et al., 2000; and Witt, 1991). These consequences are discussed in detail:

- **Organizational Commitment:** Organizational support theory suggested that POS is an indicator of the organization’s commitment to the employees, creates an obligation within the employees to care about the organization and reciprocate with commitment and loyalty. Organizational actions indicating caring and concern for employees may enhance organizational commitment. On the basis of the reciprocity norm, POS should create a felt obligation to care about the organization’s welfare. POS should also increase affective commitment by fulfilling such socio-emotional needs as affiliation and emotional support (Armeli et al., 1998).

- **Job-related affect:** POS has been assumed to influence employees’ general affective reactions to their job, including job satisfaction and positive mood. POS
contributes to overall job satisfaction by meeting socio-emotional needs, increasing performance-reward expectancies, and signalling the availability of support when needed. Positive mood differs conceptually from job satisfaction as the former involves a general emotional state without a specific object. Mood has been proposed as the state component of affectivity, influenced by environment. POS may contribute to employees’ feelings of competence and worth, thus enhancing positive mood (George and Brief, 1992).

- **Job Involvement:** Job involvement refers to identification and interest in the specific work one performs. POS is positively related to job involvement because it makes employees believe that they are better at their jobs. (Cropanzano et al, 1997; and O’Driscoll and Randall, 1999). Perceived competence has been found to be related to task interest. By enhancing employees’ perceived competence, POS might increase employees’ interest in their work (Eisenberger et al., 1999).

- **OCB:** Blau’s (1964) explained that individuals will reciprocate favourable treatment from the source that it came from, it is expected that employees who recognize that the organization has gone “above and beyond” to support them by providing discretionary support will go “above and beyond” their job duties in order to help the organization succeed. According to George and Brief (1992), such extra role activities include aiding fellow employees, taking actions that protect the organization from risk, offering constructive suggestions, and gaining knowledge and skills that are beneficial to the organization. One can divide those behaviours into those that are focused on helping co-workers and those that help the organization. POS is indeed related to OCB (Ladd and Henry, 2000; Masterson et al., 2000; Kaufman, Stamper, and Tesluk, 2001; and Eisenberger et al., 1990).

- **Reducing Strains:** POS is expected to reduce aversive psychological reactions to stressors by indicating the availability of material aid and emotional support when needed to face high demands at work (Robblee, 1998). It is conceivable that POS could decrease employees’ general level of stress at both high and low exposure to stressors.
• **Turnover Intention**: Organizational support theory suggested that employees who receive high levels of support from the organization are inclined to repay the organization. One essential way to reciprocate the organization’s favourable treatment is through continued participation. Employees who receive more support as part of the inducements offered by the organization would have less desire to leave the organization. Guzzo et al. (1994) found that expatriate managers who perceive higher levels of support from the organization were less likely to seek employment elsewhere.

• **Withdrawal behaviour**: Withdrawal behaviour refers to employees’ lessening of active participation in the organization. The relationship of POS to behavioural intentions to leave (i.e., turnover intention) have been assessed to understand the withdrawal behaviours such as tardiness, absenteeism, and voluntary turnover (Aquino and Griffeth, 1999; Guzzo, Noonan, and Elron, 1994; and Wayne et al., 1997). Retention of organizational membership, high attendance, and punctuality provide various ways for employees to reciprocate POS. POS may also increase affective organizational commitment, thereby lessening withdrawal behaviour.

### 1.4 THEORETICAL PERSPECTIVE OF TRUST

The significance of trust within organizations has been expressed by both researchers and practitioners. The concept of trust has been approached from various theoretical frameworks, such as transaction cost theory (Williamson, 1975), where economists have a tendency to analyze trust as calculative; social exchange theory where sociologists conceptualize trust in socially embedded properties of relationships among people or institutions; agency theory (Eisenhardt, 1989) where trust reduces complexity and insecurity; the resource-based view of the firm (Barney, 1991) where trusted human resources provide competitive advantage; system theory (Luhmann, 1979) where a person can have trust in the working of a system; and attribution theory where psychologists view trust in terms of attributes of trustors and trustees and focus upon a host of internal cognitions that personal attributes yield.

Trust has been conceptualized as having three elements: Trustworthiness is the rational trust and entails an assessment of the trustworthiness of the other party based
on direct evidence or reputation with an attribution of that party’s competence and his or her intentions to conform to agreements; Faith in the leader relates to the psychological sources of trust in the leader; and Loyalty to the leader relates to the identification, affect, and routines developed in specific relations (Nooteboom and Six, 2003).

Drawing a consensus from the available literature, Cook and Wall (1980) said that “trust between individuals and groups within organization are a highly important ingredient in the long term stability of the organization and well being of its members.” The significance of trust variable was noted by organizational theorists like Argyris (1964), McGregor (1960), and Likert (1967) who see the development of mutual trust, confidence, and interaction as the integrative force in organizations.

McGregor (1960) outlined a model of the underlying beliefs that influence managers to adopt particular management strategies. Theory X is a set of values toward people mostly associated with bureaucratic or scientific management theory. Here, management distrusts workers, feels that employees dislike their work, and can only be made to cooperate through precise management and heightened control. Theory Y, on the other hand, is a set of values toward workers that trusts people, grants them power to motivate and control themselves, and believes in their capacity to integrate their own personal values and goals of the organization. He contended that effective performance of a management team is fundamentally a function of open communication and mutual trust between all members.

Likert (1967) proposed a more fully developed and complex organization model. Likert asserted the existence of four systems of organizations: exploitative (corresponding to McGregor’s Theory X), benevolent authoritative, consultative, and participative group. The four systems differ on various aspects. System 4 organizations are characterized by managerial confidence and trust, solicitation and utilization of subordinate input, open and accurate communication, integrated and involved decision-making process, jointly established and fully accepted goals, low control procedures, high productivity, low absenteeism and turnover, and less wastage and loss.

Argyris (1964) viewed that organizations should be designed to encourage human growth. He contended that, as interpersonal mistrust increases in an organization, individual members tend to adapt by playing it safe. The result is decreased
information flow, conformity, and decreased efficiency of decision-making process. He proposed that organizations of the future should “seek to enrich work, minimize unilateral dependence, and increase openness, trust, risk-taking, and expression of feelings.”

Ouchi (1981) synthesized the Japanese management philosophy in his writings on Theory Z organizations. He suggests that involved workers are the key to increased production and claims that “trust, perhaps more than any other feature, accounts for high levels of commitment, loyalty, and productivity in Japanese firms and in Type Z organizations.”

Walton (1985) examined that “control and lateral coordination depend on shared goals, and expertise rather than formal position determines influence.” He added that like McGregor's Theory Y, Likert's System 4, and Argyris' notions of organizations, the development of mutual trust is central to employee-employer relations.

Theoretically, the significance of relations based on trust in organizations has been noted for decades. Recently more and more organizations are realizing the importance of mutual trust to organization effectiveness. It is apparent that trust is of vital importance to modern organization theory.

1.4.1 MEANING AND DEFINITIONS OF TRUST

Trust is a complex concept that is not completely understood (Adams, 1965). Griffin (1967) defined trust as “the reliance upon the characteristics of an object, or the occurrence of an event, or the behaviour of a person in order to achieve a desired but uncertain objective in a risky situation”.

Rotter (1967) defined trust as an “expectancy held by an individual or group that the work, promise, or written statement of another individual or group can be relied upon”.

Ouchi (1981) affirmed that trust between individuals involves expectations of consistent or reliable behaviour.

Butler and Cantrell (1984) proposed five specific components of trust, or characteristics of the people.

- **Integrity**: The reputation for honesty and truthfulness on the part of the trusted individual.
• **Competence**: Technical knowledge and interpersonal skill needed to perform the job.

• **Consistency**: Reliability, predictability, and good judgment in handling situations.

• **Loyalty**: Benevolence, or the willingness to protect, support, and encourage others.

• **Openness**: Mental accessibility or the willingness to share ideas and information freely with others.

**Rempel, Holmes, and Zanna (1985)** found that trust develops from interpersonal relationships between supervisors and subordinates based on the mutual degree of reliability, confidence, and security.

**Zucker (1986)** explicitly stated the following three sources of trust: **Process based**: Trust was tied to a record of past operations. Exchanges were limited to those whose exchange histories were known, and respected; **Institution based**: Trust was tied to formal mechanisms such as professionalism; and **Person based**: Trust was tied to similarities between people. Here, exchanges were limited to those with a common cultural system, with shared background expectations.

**Gabarro (1987)** defined trust in terms of consistency of behaviour and posited that “judgments about trust in working relationships become specific based on accumulation of interactions, specific incidents, problems, and events”.

**Hosmer (1995)** reviewed definitions from various approaches within organizational theory, examined the consistencies and differences, and proposed that trust is based upon an underlying assumption of an implicit moral duty.

**Mayer et al. (1995)** defined Trust as “a willingness to depend on another party as well as an expectation that the other party will reciprocate if one cooperates”.

**Mishra (1996)** defined trust as “one party’s willingness to be vulnerable to another party based on the belief that the latter party is competent, open, concerned, and reliable”.

Three facets of trust given by **Whiteley et al. (1998)**:

- Trust in another party reflects an assumption or belief that the other party will act benevolently,
• Trust involves a willingness to be vulnerable and risk that the other party may not fulfil the expectations, and
• Trust involves some level of dependency on the other party so that the outcomes of one individual are influenced by the actions of another.

McKnight et al. (1998) defined trust on the basis of three aspects:

• **Institution-based trust**: One believes impersonal structures support one's likelihood for success in a given situation, reflects the security one feels about a situation because of guarantees, safety nets, or other structures;

• **Personality-based trust**: It develops during childhood as an infant seeks and receives help from his or her benevolent caregiver resulting in a general tendency to trust others; and

• **Cognitive-based trust**: It relies on rapid, cognitive cues or first impressions as opposed to personal interactions.

According to Rousseau et al., (1998), trust involves two principal concepts: reliance and risk. Trust is defined as the decision to rely on another party (i.e. person, group, or organization) under a condition of risk. Reliance is action through which one party permits its fate to be determined by another. Reliance is based on positive expectations of or confidence in, the trustworthiness of another party. Risk is the potential that the trusting party will experience negative outcomes, that is, ‘injury or loss’, if the other party proves untrustworthy. Thus, risk creates the opportunity for trust.

### 1.4.2 DIMENSIONS OF TRUST

Personal and systems trust was first introduced by Luhmann (1979) who posited, “Trust occurs within a framework of interaction which is influenced by both personality and social system, and cannot be exclusively associated with either”. In order to increase trust within today’s organizations, it is critical to understand the dual nature of trust that includes personal and systems trust. In other words, interpersonal and systems trust do not stand alone, but act in concert with one another. He argued that personal trust and systems trust rest on different bases: **Personal trust** involves an emotional bond between individuals, and the emotional pain that each would experience in the event of betrayal serves as the protective base of trust, even where...
other types of short-term gains could be realized by breaking the trust. This emotional content is largely absent in systems trust. Systems trust rests on what Luhmann called a “presentational” base. That is, systems trust is activated by the appearance that everything seems in proper order. **Systems trust** is a “collective attribute” based upon the relationships between people that exist in a social system (i.e., organization). Systems or organizational trust’s primary effect is the reduction of social complexity and increased tolerability of uncertainty in external relationships. Within organizations, trust contributes to more effective implementation of strategy, greater managerial coordination, and more effective work teams.

**McAllister (1995)** put interpersonal trust as the extent to which a person is confident in, and willing to act on the basis of words, actions, and decisions of another and identified two kinds or bases of trust i.e. cognitive judgments of another's competence or reliability referred to as cognition-based trust, and affective bonds among individuals referred to as affect-based trust. Interpersonal merely limits this definition to person or situations between people. It can be trust in co-workers/peers and trust in management. According to him, an important distinction of trust lies in the dichotomy of cognitive versus affective trust:

- **Cognition-based trust** describes a rational evaluation of an individual’s ability to carry out obligations and, therefore, reflects beliefs about that individual’s reliability, dependability and competency. It involves a calculative and instrumental assessment based on some criterion of personal evaluation and rational calculation - assurance that evidence of other’s predictability, competence, information, and reliability under specific circumstances really matters. When employees recognize and understand other participants well enough on the basis of sharing expectations and cognitions, the level of cognition-based trust will be enhanced.

- **Affect-based trust** reflects an emotional attachment that stems from the mutual care and concern that exist between individuals. Although a social exchange-based relationship is characterized by affect-based trust, it is founded on the emotional and psychological attachment to their colleagues or their management. Affective trust involves “empathy, rapport, and self-disclosure processes,” can be pronounced, especially when managers and supervisors show a genuine concern for the welfare of employees, commit to intrinsic values, and believe in reciprocal
Kramer (1999) identified two traditions of trust: Behavioural tradition of trust, which views trust as rational-choice behaviour, such as cooperative choices in a game; and Psychological tradition of trust, which attempts to understand the complex intrapersonal states associated with trust, including expectations, intentions, affect, and dispositions.

Dirks and Ferrin (2002) defined trust in the workplace as the willingness of employees to accept vulnerability in their relations with their managers. He argued that prior studies have employed two differing theoretical frameworks to explain how employee trust forms and how it affects workplace outcomes: the relationship-based perspective, and character-based perspective. In the relationship-based perspective, social exchange theory is used to examine the relation between subordinate and manager. Regarding trust, issues of care and consideration in the relationship are central. In the character-based perspective, the character of the manager is paramount. In this, manager characteristics such as integrity and fairness are critical in the development of employee trust.

Bunker, Alban, and Lewicki (2004) has examined trust as a relatively unchanging trait, a process, or an emergent state:

- **Trust as a trait**: Traits refer to individual characteristics which are generally unaffected by the environment and consequently relatively stable. As a trait, trust has been described as an individual difference called propensity to trust. Within every individual, there is some baseline level of trust that the individual is willing to extend to nearly all those with whom they interact and a general tendency to make positive attributions about others' intentions.

- **Trust as an emergent state**: Trust has also been conceptualized as an emergent state. Emergent states refer to cognitive, motivational, or affective states that are dynamic and vary as a function of contextual factors as well as inputs, processes, and outcomes. From this perspective, trust has primarily been described as an attitude which can develop over time or very quickly.

- **Trust as a process**: Trust may be viewed as an intervening process through which other important behaviours, attitudes, and relationships are either bolstered or weakened. For instance, employees may be willing to communicate with their
leaders in general, but without the existence of trust this communication may be limited (at best) or faulty (at worst) and avoidant of information that may be personally risky i.e. errors may occur.

There are two approaches to trust development i.e. theoretical approaches and psychological approach to trust development (Lewicki, Tomlinson, and Gillespie, 2006).

Theoretical Approaches to Trust Development

- Behavioural Approach
- Psychological Approach

Table 1.4.1: Behavioural Approach to Trust Development

<table>
<thead>
<tr>
<th>Key Questions</th>
<th>Behavioural Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>How is trust defined and measured?</td>
<td>Defined in terms of choice behaviour, which is derived from confidence and expectations, assumes rational choices. Measured by cooperative behaviours, usually in experimental games.</td>
</tr>
<tr>
<td>At what level does trust begin?</td>
<td>Trust begins at zero when no prior information is available. Trust initiated by cooperative acts by the other, or indication of his or her motivational orientation.</td>
</tr>
<tr>
<td>What causes the level of trust (distrust) to change over time?</td>
<td>Trust grows as cooperation is extended or reciprocated. Trust declines when the other does not reciprocate cooperation.</td>
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Further, there are three specific conceptualizations of trust development within the psychological approach:

1. Uni-dimensional model, which treats trust and distrust as bipolar opposites
2. Two-dimensional model, which argues that trust and distrust are two distinctly differentiable dimensions that can vary, and
3. Transformational model, which asserts that trust has different forms that develop and emerge over time.
Table 1.4.2: Psychological Approach to Trust Development

<table>
<thead>
<tr>
<th>Psychological Approach</th>
<th>Unidimensional</th>
<th>Two-Dimensional</th>
<th>Transformational</th>
</tr>
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<tbody>
<tr>
<td><strong>Key Question: How is trust defined and measured?</strong></td>
<td>Defined as confident expectations and/or willingness to be vulnerable, includes cognitive, affective, behavioural intention elements. Measured by scale items where trust ranges from distrust to high trust. More frequently measured in more face-to-face and direct interpersonal contexts.</td>
<td>Defined in terms of confident positive and negative expectations. Involves measuring different facets of relationships. Measured by scale items where trust and distrust are interrelated but distinct constructs, each ranges from low to high.</td>
<td>Defined in terms of the basis of trust (expected costs and benefits, knowledge of the other, degree of shared values and identity. Measured by scale items where trust is rated along different qualitative indicators of different stages.</td>
</tr>
<tr>
<td><strong>Key Question: At what level does trust begin?</strong></td>
<td>Some argue that trust begins at zero, others argue for moderate-high initial trust, initial distrust is also possible. Factors influencing initial trust level may include personality, cognitive and social categorization processes, role-based behaviour, trustee reputation, and institution-based structures.</td>
<td>Trust and distrust begin at low levels (given no information about the other).</td>
<td>Trust begins at a calculative based stage. Trust initiated by reputation. Structures that provide rewards for trustworthiness and deterrents for defection.</td>
</tr>
<tr>
<td><strong>Key Question: What causes the level of trust (distrust) to change over time?</strong></td>
<td>Trust grows with increased evidence of trustee's qualities, relationship history, communication processes, and relationship type and structural factors. Trust declines when positive expectations are disconfirmed.</td>
<td>Reasons to trust and distrust accumulate as interactions with other provide more breadth and/or depth or because of structure of interdependence this could lead to different combinations of trust and distrust.</td>
<td>Trust grows with a positive relationship history and increased knowledge and predictability of the other, and further when parties come to develop an emotional bond and shared values. Trust declines when positive expectation is disconfirmed.</td>
</tr>
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Table 1.4.3: Comparisons of Transformational Models of Trust

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<tbody>
<tr>
<td><strong>Deterrence-based trust:</strong></td>
<td><strong>Calculus-based trust:</strong></td>
<td><strong>Calculus-based trust:</strong></td>
</tr>
<tr>
<td>The potential costs of discontinuing the relationship or the likelihood of retributive action outweigh the short-term advantage of acting in a distrustful way.</td>
<td>A calculation of the outcomes resulting from creating and sustaining a relationship relative to the costs of maintaining or severing it.</td>
<td>Based on rational choice and characteristic of interactions based on economic exchange. Derives not only from the existence of deterrence but because of credible information regarding the intentions or competence of another.</td>
</tr>
<tr>
<td><strong>Knowledge-based trust:</strong></td>
<td><strong>Knowledge-based trust:</strong></td>
<td><strong>Relational trust:</strong></td>
</tr>
<tr>
<td>Knowing the other so as to be able to predict his or her behaviour.</td>
<td>Knowing the other sufficiently well so that the other's behaviour is predictable.</td>
<td>Derives from repeated interactions over time. Information available to the trustor from within the relationship itself forms the basis. Reliability and dependability give rise to positive expectations of the other, emotion enters into the relationship.</td>
</tr>
<tr>
<td><strong>Identification-based trust:</strong></td>
<td><strong>Identification-based trust:</strong></td>
<td></td>
</tr>
<tr>
<td>Fully internalizing the other's preferences, making decisions in each other's interest.</td>
<td>Identification with the other's desires and intentions, mutual understanding so that one can act for the other.</td>
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### 1.4.3 RATIONALE BEHIND TRUST

Trust is fundamental to perform almost every function in our complex and interdependent society. Trust is not a feeling of warmth or affection but the conscious regulation of one's dependence on another (Zand, 1972). In situations of interdependence, trust functions as a way of reducing uncertainty. Baier (1986) has observed that we notice trust as we notice air, only when it becomes scarce or
polluted. As life has grown more complex, as changing economic realities and changing expectations in society have made life less predictable and as new forms of information dissemination have increased both the desire for and availability of negative information, we are beginning to notice trust more.

The particular relevance of trust for managerial relationships emerges within the literature. Trust is perceived as a substitute for hierarchical control. As managers are the primary designers of the organizational form, the initiators of many vertical exchanges who control the flow of certain types of information and opportunities to share information. Developing and maintaining trust is especially important to managerial and organizational effectiveness (McAllister, 1995; and Davis et al., 2000). Increased trust, in McAllister’s view (McAllister, 1995), is crucial to the firm’s success, providing the necessary coordination of its human resources to implement its business strategy. Also, the validity of trust in public, private and military institutions and its role in organizational growth, personal and organizational efficiency and facilitation of constructive human relations was indicated. Besides, worker trust for leaders and colleagues increase organizational success and organizational loyalty. Other consequences of trust are corporate commitment, OCB, etc.

As organizational environments have become characterised by complexity, speed and fragmentation. Economic efficiency and hierarchy are no longer taken as the guiding organization principles. In their place, theorists now emphasise co-operative relationships in the context of politically-driven structures, flexible networks, strategic alliances and entrepreneurial adaptability. While the relevance of co-operation to organization was highlighted by early theorists (Barnard, 1938), it has acquired a new significance in emerging contexts that place more emphasis on relationships and less on authority. This relational focus has been accompanied by a growing interest in the phenomenon of trust which is considered as an important component of organizational social capital. Trust has been described as the “social glue” or “social lubricant” that can hold diversified, global organizational structures together, leading to the suggestion that lack of trust between parties operating in network forms could cause those forms to fail.

Increasingly, trust is recognized as a vital element in well-functioning organizations. Trust is necessary for effective communication, the foundations for cohesive and
productive relationships in organizations (Baier, 1986). Trust functions as a "lubricant" greasing the way for efficient operations when people have confidence in other people's words and deeds (Arrow, 1974). Trust reduces the complexities of transactions and exchanges far more quickly and economically than other means of managing organizational life (Williamson, 1975). In ongoing relationships within organizations, the social network can exert both formal and informal control that encourages people to act in a trustworthy manner. There is incentive to behave in ways that are trustworthy to develop a reputation for trustworthiness and to reap the benefits of trusting relationships.

Mayer et al. (1995) proposed that risk taking behaviour flows from a trusting relationship. The presence of trust also allows the employee to speak openly and candidly with the boss. Coming from a different perspective, Luhmann (1979) commented that industriousness, conscientiousness, and readiness to perform above and beyond what is typically called for, contribute to the employee’s trustworthiness as viewed by their superior.

High quality exchange relationships are characterized by mutual trust. Whitener, Brodt, Korsgaard, and Werner (1998) found that managers better engage in trustworthy behaviour, if employees also reciprocate. It was stated that interpersonal trust between employees lubricate the development of social capital within the organization.

Trust has emerged as a prominent construct in research predicting individual-level outcomes such as job satisfaction, OCBs, organizational commitment, turnover, and job performance (Deluga, 1995; Dirks and Ferrin, 2002; and Robinson, 1996). Within organizations, interpersonal trust between supervisors and subordinates has been shown to significantly influence perceptions of accurate performance appraisals, performance, productivity, organizational commitment, morale, turnover, and absenteeism. In addition, interpersonal trust between supervisors and subordinates improves the quality of communication (Roberts and O'Reilly, 1974), citizenship behaviour (McAllister, 1995), and problem solving and decision making (Ouchi, 1981; and Zand, 1972). Davis, Schoorman, Mayer and Tan (2000) examined the relationship between trust for a business unit's general manager and organizational performance. They found that trust was significantly related to increase in sales, profits, and reduced employee turnover.
1.4.4 ANTECEDENTS OF TRUST

Leaders should be trusted by their followers because trust is the mortar that binds the follower to the leader. It is suggested by Bartman and Casimir (2007) that trust is a vital antecedent of satisfaction with the leader because both stem from affective states (e.g. admiration of the leader) and cognitive states rather than from observed behaviours of the leader. Perceived ability or competence is essential to trust in organizational leader-follower relationships because followers are unlikely to develop trust in their leader, unless they believe the leader is capable of fulfilling the leadership role (Whitener et al., 1998).

Mayer et al. (1995) identified three broad antecedents of trust in leadership: ability, benevolence, and integrity.

1. Ability: Ability has been defined as, “that group of skills, competencies, and characteristics that enable a party to have influence with some specific domain” (Mayer et al., 1995). In order to further delineate the behaviours that may serve as markers for a leader's ability from a subordinate's standpoint the nature of leadership must be first briefly examined (what is effective leaders do?). Drawing from Hackman's (2002) functional approach to leadership, it is argued that the degree to which the leader ensures there is compelling direction and an enabling structure, the leader will be viewed as effective and are behavioural markers of leader ability. In the following manner, these conditions will serve as behavioural markers of leader ability and thereby impact trust in leadership:

- **Setting compelling direction** - Leaders who provide compelling direction ensure that employees perceive their tasks and goals as challenging, clear, and consequential (Hackman, 2002). Goals serve as opportunities for personal growth, and team members are held accountable. In order to set compelling direction, leaders must have developed a level of situation awareness and a clear understanding of the team task, team capabilities, and the environment in which they are performing. While the setting of direction has not explicitly been examined as it relates to follower's trust in leadership, there is ample evidence that clear, engaging direction has an impact on individual, team, and organizational performance.
• **Creation of enabling structure**: A second set of behaviours that serve as behavioural indicators of a leader’s ability or competence is the creation of an enabling structure for the organizational unit. Enabling structure includes: design of the work and resource allocation, core norms of conduct within the team, and team composition. When leaders fail to provide adequate structure for how work is to be performed, and resources are to be allocated, team members perceive the leader as ‘out of the loop,’ unorganized, or generally ineffective.

2. **Benevolence**: Benevolent leaders are those that are perceived to genuinely care about their subordinates and convey authentic concern in relationships (Caldwell and Hayes, 2007). In turn, those subordinates who perceive their leaders as benevolent are also more likely to reciprocate this care and concern by being motivated to work harder, persist longer, and engage in extra-role behaviours (i.e., OCBs), even when there is no extrinsic reward. Using this evidence and leveraging against the theoretical framework of functional leadership theory and the work of Hackman (2002), it is argued that actions indicative of provision of expert coaching and the establishment of a supportive context (i.e., design of reward systems, information systems, and training opportunities/educational system) may lead subordinates to judge their leader as benevolent. The influence of benevolent behaviours, specifically expert coaching and creation of a supportive context, on trust in leadership are as follows:

• **Provision of expert coaching** - The role of leaders in the development and coaching of team members and influence of this development on individual, team, and organizational performance was seen (DuToit, 2007). While a variety of coaching approaches have emerged, DuToit (2007) argues that common thing among all is an assumption of responsibility for nurturing and leveraging the talent within organizational members.

The focus on nurturing argues for its place within the benevolence category. Coaching has been defined as, “direct interaction with a team intended to help members make coordinated and task appropriate use of their collective resources in accomplishing the team’s work” (Hackman and Wageman,
Coaching and employee development is an important role that leaders hold over the life of the team. In a team's life span coaching is more educational in nature as the focus is on development of knowledge and skill that ultimately build up trust.

- **Supportive context:** Supporting the role that leaders can occupy not only in coaching, but in building a supportive context are several types of leadership behaviours that are typically categorized as falling within one of three leadership behaviours (i.e., transformational, consultative, transactional).

While many behaviours of leadership have been examined in relation to trust in leadership, perhaps the most prevalent is that of TFL. Dirks and Ferrin (2002) conducted a meta-analysis and found empirical support for the relationship between specific transformational behaviours and trust in leadership. Burns (1978) argues that these leaders focus on transforming followers motivational states to higher level needs, such as self-actualization. Leaders that show respect and concern for their followers, by understanding individual strengths and weaknesses, are viewed as trustworthy (Gillespie and Mann, 2000). Followers express a deeper level of trust if they view their leaders as more supportive and caring.

Consultative leadership has also shown a positive relationship with trust in leadership. Podsakoff, MacKenzie, Moorman, and Fetter (1990) make a similar conceptual argument where leaders can gain trust from their followers by consulting with them on important decisions and valuing their opinions. It cultivates trust because it allows followers to have autonomy and provides opportunities to voice opinions and concerns. Because consultative leadership looks to followers for input, they feel valued and appreciated which influences trust.

Positive relationships between TSL behaviour and trust in leadership were found (Butler et al., 1999; MacKenzie, Podsakoff, and Rich, 2001; Dirks and Ferrin, 2002; and Gillespie and Mann, 2000). TSL and the behaviours contained within are built on dyadic exchanges that are perceived as just because there is a clear focus on consistent fulfillment of reward contingencies and exchange relationships (Burns, 1978). When followers perceive justice
exists within the transactional nature of the leadership behaviours which are
subsumed within this class (i.e. contingent reward, active management by
exception, and passive management by exception) this leadership behaviour
may be viewed as an indicator for leader benevolence. That is, the provision of
recognition and reinforcement which is based on performance demonstrates
caring. Podsakoff, Mackenzie, and Bommer (1996) found that leaders, who
provided an appropriate role model, gave individual support, and fostered
acceptance of group goals had higher trust ratings from subordinates.

3. Integrity: Integrity of leader has been linked to the trust held by their
subordinates for their leaders. In relation to trust, integrity has been defined as,
“the trustor's perception that the trustee adheres to a set of principles that the
trustor finds acceptable” (Mayer et al., 1995). Integrity is judged by examining
previous behaviours, reputation, the similarity between the leader's behaviours
and the subordinate's internal beliefs, and the consistency between words and
actions. Integrity is an important component because if followers feel that their
leaders cannot be trusted, they will spend less effort on performance and expend
more energy documenting performance and finding workarounds. When leaders' are perceived as dishonest and lacking integrity, subordinates will not commit to
achieving goals set fourth by the leader due to fears of vulnerability. There are
some of the behavioural indicators which may be used by subordinates to judge
the integrity of the leader.

• Accountability: Accountability refers to an obligation that people will be held
responsible for their actions. There is a reward/punishment component aspect of
accountability. Accountability can be generated through internal and
external mechanisms. For example, internal accountability focuses on a
person's willingness to accept responsibility. Leaders who are consistently
accountable for their actions may be viewed as having a higher level of
integrity and trusted to stand by their actions. In external accountability,
leaders that hold themselves personally accountable for their actions and are
formally held accountable for their decision-making processes are likely to be
perceived as having more integrity and as more trustworthy.

• Perceptions of justice: With regard to procedural and distributive justice,
employees can be assured that certain behaviours will lead to certain outcomes
regardless of personal opinions or biases that may be held within the organizational setting. This reduces ambiguity in the relationship between the subordinate and leadership and increases the perception of trust. People want to be treated fairly and consistently and this leads to trust (Ambrose and Schminke, 2003; and Greenberg, 1990). Fairness is perceived when leaders consider others' viewpoints, restrain personal biases, and explain the decision making process including providing adequate feedback (Whitener, 1997). When the leader fails to enact policies in a just way or provide rewards in a manner that appears to be inconsistent, trust will deteriorate as this provides evidence regarding the integrity of the leader. Fairness will enhance a sense of trust among supervisors and employees. Additionally, the perception of being fair is beneficial because employees will be inclined to reciprocate with an increase in performance and a better attitude.

- **Value congruence**: Values have been defined as, “internalized attitudes about what is right and wrong, ethical and unethical, good or bad, important or unimportant” (Lau, Liu, and Fu, 2007). Due to the moral component, it would be expected that the degree to which there is value congruence between leader and follower, the greater is the likelihood that leader will be viewed as having integrity and hence, trusted. Empirical support by Jung and Avolio (2000) found that value congruence was positively related to trust in leadership.

### 1.4.5 CONSEQUENCES OF TRUST

A number of outcomes have been identified as stemming from a trusting relationship between the superiors and subordinates. These outcomes are discussed from the perspective that trust is the process by which certain behaviours occur as a result. This differs from the perspective that trust is the final outcome or goal. Although there are potentially other outcomes that result from trusting relationships between leaders and subordinates, the outcomes discussed herein are those that have received the most theoretical and empirical support.

1. **Proximal Behavioural Outcomes**:
   - **Communication**: Zand (1972) has suggested that when there is absence of trust, people do not share information, are not open for discussion, and are less
effective at problem solving. When leaders are open in discussing decisions and requesting input from subordinates, trust will develop. Based on social exchange theory, when leaders engage in communication and share information with subordinates, the subordinates are likely to reciprocate by communicating more often and openly with superiors on a variety of topics. Communication from subordinates is important for a number of reasons. For instance, communication from lower ranks is likely to help leaders in understanding what is working and what is not working, make needed adjustments when employees do not perform as well as they could. By encouraging and integrating communication and input from lower ranks, leader has a benefit of additional insight from those who are likely to be performing the task and can identify new approaches for future performance. People are also more likely to share vital information when trust is present in a relationship. If trust is lacking, people may even withhold information which would hinder the flow of information and could diminish performance. In fact, people are actually prone to lie when trust is not present. By creating a sense of trust towards the leader, communication lines will be opened up to transmit needed information to lead to innovation, error remediation/ prevention, and an ever growing and reciprocated sense of trust between the leader and subordinate. Another benefit of trust is that not only has it been found to open up the communication pathway, trust promotes a desire to interact and even enhances satisfaction with communication (Mayer et al., 1995).

- **OCB**: OCB is also important because of the impossibility of describing every possible job task that an employee may need to perform in the course of their employment (Katz, 1964). Thus, OCBs may be one way to ensure that employees are willing to perform additional tasks rather than rigidly following a job description. The occurrence of OCB is found to be associated with leaders treating employees with fairness and trust (Ferres, Travaglione, and Connell, 2000; and Pillai et al., 1999). When trust is established, employees are more willing to go above and beyond the required tasks. When leaders perform such behaviours that develop trust (e.g., sharing information, including employees in decision making) a sense of reciprocity may develop such that employees naturally engage in OCBs. Taken together, when leaders
take the time to develop a trusting relationship with members, members will be more committed and more willing to perform tasks that are outside the normal realm of their tasks.

- **Learning:** Edmondson (1999) stated that learning occurs when relatively permanent changes occur in the behavioural potential of the group as a result of group interaction activities through which members acquire, share, and combine knowledge. Knowledge in this sense is gained through the testing of assumptions, discussing differences openly, forming new routines, and adjusting strategies in response to errors. Trust in leadership has been shown to increase knowledge sharing which is a key component of learning. It is expected that when the leader is trusted, due to perceptions of ability, benevolence, and integrity, it will facilitate subordinates willingness to integrate new knowledge/feedback obtained from the leader into existing organizational structures.

2. **Distal Behavioural Outcomes**

- **Organizational/Team Performance:** Performance, whether at team or organizational level, relates to the quantity and quality of the products produced by the team or organization. It is argued that trust in leadership leads to both higher team and organizational performance (Argyris, 1964; Davis, Schoorman, Mayer, and Tan, 2000; and Zand, 1972). Trust affects team and organizational performance because employees are more willing to carry out the tasks and strategies set out by the leader, suspend questions or doubts about the team, and work towards a common team goal (Dirks, 2000). Trust in leadership is likely to lead to increased communication, increased OCBs, and a reduction of turnover intentions. Taken together, affecting any or all of these variables is likely to directly or indirectly improve the team and/or organizational performance. In fact, Dirks (2000) found a strongly significant and direct correlation between trust in leadership and both past performance and expected performance of the team in the future.

- **Turnover:** Undesired turnover occurs when an employee that is productive and beneficial to the organization chooses to voluntarily leave the organization. This type of turnover can have huge financial implications for an
organization due to the cost of recruiting and training employee replacements, lost productivity, and loss of unique knowledge and skills held by the employee who is leaving the organization. An important factor which is highly related to turnover intent is trust. When an employee does not feel that his/her supervisor is looking out for the subordinate's best interest and is likely to exploit any vulnerability, trust does not exist in the relationship. Davis et al. (2000) argue that when supervisors create a trusting environment within their team, employees feel safer and are more loyal to the organization.

3. Affective Outcomes

- **Willingness to follow:** Willingness to follow is an important determinant of leader effectiveness. Tyler (1989) argued that followers who trust leadership (i.e., leaders are perceived as capable, benevolent, and possessing moral integrity) will be more likely to follow the guidance of those leaders and work towards goal attainment.