Limitations and Opportunities of Transformational Leadership:
The Moderating Effect of Perceived Organizational Support

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ABSTRACT

The core of transformational leadership consists of leading subordinates to face organizational changes. Thus, improving members’ organizational loyalty and trust in supervisor is a crucial area for transformational theorists. Insufficient support from organizations can limit the effectiveness of transformational leadership. This study analyzed 420 subordinate-peer dyads in Taiwanese enterprises. The results indicate that subordinates’ perceived organizational support is a significant moderator in the relationship between transformational leadership, and dedication to organization and trust in supervisor. In situations in which organizational support was perceived to be high, transformational leadership was more positively associated with dedication to organization and trust in supervisor than in situations in which organizational support was perceived to be low. The results suggest that perceived support is critical for effective transformational leadership.

Keywords: Transformational leadership, perceived organizational support, organizational loyalty, dedication to organization, and trust in supervisor.

INTRODUCTION

Organizations today face a myriad of pressures in the face of global competition. In the context of limited trust and changes in the work environment, transformational leadership is currently considered the most valuable leadership style in organizations (Yukl, 2002). Transformational leaders are expected to facilitate change and encourage the development of personal potential among members, all of which makes organizational learning and innovation possible. However, organization members may encounter uncertainty and ambiguity while facing personal change. Subordinates’ willingness to accept the influences of transformational leadership could depend on their perception of personal resources. Studies indicate that perceived organizational support is a critical psychological resource for subordinates in the workplace (Eisenberger, Huntington, Hutchison & Sowa, 1986). That is, the degree of organizational support that subordinates perceive is related to the degree of confidence they will have about taking the opportunity and necessary resources to explore their potential and make changes. Thus, from an organizational change perspective, successful transformational leadership depends on
sufficient organizational support. As such, in this study we investigate the moderating role of perceived organizational support in the relationship between transformational leadership and employee effectiveness.

**THEORY AND HYPOTHESIS**

Burns (1978) suggested that a transformational leader is concerned with subordinates’ needs and inspires subordinates to achieve their personal potential and transcend original performance levels. Burns describes an ideal transformational leader in his research, but other researchers provide a clearer definition of transformational leadership. For instance, Yukl (1989) describes transformational leadership as a process whereby the leader enhances members’ commitment to an organization by inspiring and changing their motivation and attitudes to complement organization or transformational process. In this type of leadership, supervisors challenge subordinates to think critically, handle change, achieve higher-level goals and commit to the organization’s vision (Bass & Avolio, 1990). Another definition of transformational leadership emphasizes that the focus of transformational leaders is to promote the changes an organization may be undergoing (Podsakoff, MacKenzie, Moorman & Fetter, 1990).

The most common definition of transformational leadership is proposed by Bass and Avolio (1990), who state that transformational leadership creates higher needs for subordinates and motivates them to achieve organizational goals. They identify four dimensions of transformational leadership, including idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Idealized influence represents leaders who behave in self-confident, assertive and charismatic ways. Inspirational motivation involves leaders articulating an appealing vision of the organization to followers. Intellectual stimulation occurs when leaders challenge assumptions and take personal risks. Individualized consideration includes leaders acting as mentors or coaches and responding to followers’ needs and concerns.

**Transformational leadership and employee effectiveness**

Recent studies have indicated that transformational leadership has positive effects on group
effectiveness, such as increasing group motivation, efficiency, and performance (Cohen, Chang & Ledford, 1997; Walumbwa, Wang, Lawler & Shi, 2004). Studies have also demonstrated that the positive influences of transformational leadership can apply to various types of organizations, including private enterprise, the military and educational institutions. (Bass, Daniel & Tucker, 1992; MacKenzie, Podsakoff & Rich, 2000; Podsakoff et al. 1990; Stone, 1992). Among various indicators of effective transformational leadership, organizational commitment, or loyalty, is the most important. The primary goal of transformational leadership is to communicate the organization’s vision to subordinates and to encourage them to devote extra effort to achieving organizational goals. Nevertheless, organizational commitment, or the loyalty of subordinates, is the most direct indicator of effective transformational leadership (Avolio, Zhu, Koh & Bhatia, 2004; Sharmir, Zakay, Breinin & Popper, 1998). In this study, organizational loyalty is defined as the members’ identification with and internalization of the organization’s vision, in addition to their willingness to sacrifice personal interests for the success of the organization. This definition includes affective organizational commitment (Meyer & Allen, 1997) and personal sacrifice (Podsakoff et al. 1990). Transformational leadership emphasizes the promotion of personal changes in the interests of facilitating organizational transformation. Hence, personal sacrifice by the organization’s members is critical for a successful transformation process. These include delayed reward and temporal inconvenience and losses (Podsakoff et al. 1990). Recent studies indicate that the relationship between transformational leadership and affective organizational commitment is strong and positive (Avolio et al. 2004; Spreitzer, Perttula & Xin, 2005). In addition, studies have indicated that subordinates’ trust in supervisor is also a critical indicator of effective transformational leadership (Gillespie & Mann, 2004; Podsakoff et al. 1990).

A transformational leader may ask subordinates to make substantial changes (Leithwood, Jantzi & Fernandex, 1994). However, support is also needed when subordinates are faced with a challenging environment. Studies suggest that organizations themselves are critical support providers for subordinates in the workplace (Eisenberger et al. 1986; Eisenberger, Armeli, Rexwinkel, Lynch &
Rhoades, 2001). This study will further investigate the moderating effects of perceived organizational support on the relationship between transformational leadership and employee effectiveness.

**The Moderating Effect of Perceived Organizational Support**

Eisenberger et al. (1986) define perceived organizational support as the extent to which an organization’s members perceive that the organization is concerned about and supports its members. Previous studies’ findings demonstrated that perceived organizational support had significant influences on employee effectiveness (Eisenberger et al. 2001). Perceived organizational support was also found to moderate the relationship between leadership and employee effectiveness. Transformational leaders create an urge for change and growth amongst subordinates (Yukl, 2002). By empowering subordinates psychologically, transformational leadership help subordinates to internalize the leaders’ vision, and encourage them to commit and be loyal to the organization (Avolio et al., 2004; Kanungo & Mendonca, 1996). However, the organization itself provides the bulk of the resources for employees to change and grow. For example, organizational change theorists argues that employee support programs, which decrease the substantial and psychological pressure employees have to cope with when facing changes, are essential for successful organizational change (Kickul, Lester & Finkl, 2002). As a result, appropriate organizational support is a critical factor in effective transformational leadership. Subordinates who perceive a high degree of organizational support have enough resources to face uncertainty and changes, and are willing to accept the organizational vision. Thus, perceived organizational support will moderate the relationship between transformational leadership and employee effectiveness. The specific hypotheses tested in this study are:

**Hypothesis 1:** Perceived organizational support will moderate the relationship between transformational leadership and a subordinate’s job performance. When perceived organizational support is higher, transformational leadership will be more positively related to the subordinate’s job performance.
Hypothesis 2: Perceived organizational support will moderate the relationship between transformational leadership and trust in supervisor. When perceived organizational support is higher, transformational leadership will be more positively related to trust in supervisor.

Hypothesis 3: Perceived organizational support will moderate the relationship between transformational leadership and organizational loyalty. When perceived organizational support is higher, transformational leadership will be more positively related to organizational loyalty.

METHOD

Samples

Participants in this study were from private enterprises and government organizations in Taiwan. To minimize the risk of correlation inflation due to common source bias, researchers obtained the data of three subjects from subordinates who work for the same leader. One subordinate evaluated the leader’s leadership style and the other two evaluated perceived organizational support, trust in supervisor, organizational loyalty and job performance. There were 350 sets and 700 pairs of questionnaires sent out, and 381 pairs were returned and valid. The return rate was 54%. Participants consisted of 56% males and 44% females. Four percent were under age 25, 11% were between the ages of 26 and 30, 12% were between the ages of 31 and 35, 19% were between the ages of 36 and 40, 28% were between the ages of 41 and 45, 17% were between the ages of 46 and 50 and 10% were over age 50. The education level of participants consisted of 34% who had completed senior high school or less, 36% completed two years of college, 27% had completed four years of college, and 3% had a graduate or a higher degree. The average number of working years of the participants was 14.38 years, and the standard deviation was 9.25 years.

Measurement

Transformational leadership. Transformational leadership was assessed using the Multifactor Leadership Questionnaire (MLQ) for Subordinates – 5X Short, and the total 20 items of subscales identifying transformational leadership style include idealized influence behavior, inspirational motivation, intellectual stimulation and individualized consideration (Bass & Avolio, 1997).
Participants responded to each item in the subscale using a 7-point Likert-type scale ranging from 0 “not at all”, to 7 “frequently, if not always.” The internal consistency coefficient (Cronbach’s $\alpha$) of this scale is .97.

**Organizational loyalty.** The organizational loyalty measurement consists of two parts. One measured affective commitment from Meyer and Allen (1997), including six items with an internal consistency coefficient of .83. The other measured dedication to the organization taken from Jiang, Cheng, Jen & Huang (2003), including three items with an internal consistency coefficient of .85: “When my family’s requests conflict with my company’s requests, I will put my company into first place;” “When my company’s goal conflicts with my personal goal, I will make a sacrifice and attend to my company’s goal;” and “In order to cooperate with company development, I would likely sacrifice my personal goal.” Items from both of the subscales were responded to using 7-point Likert-type scale ranging from 0 “strongly disagree” to 7 “strongly agree.”

**Job performance.** Job performance was measured using a four-item scale taken from Cheng, Jiang & Riley (2003). Items were responded to using a continuous scale ranging from 0 “performing poorly” to 100 “performing excellently.” The internal consistency coefficient of this scale is .92.

**Trust in supervisor.** Trust in supervisor was measured by a single item: “In general, do you trust your supervisor?” Items were responded to using a continuous scale ranging from 0 “extremely distrust” to 100 “extremely trust.”

**Perceived organizational support.** Perceived organizational support was measured using three items selected from Eisenberger et al. (1986) according to factor loadings. These items were: “Company takes care of my benefits;” “Company honors me for my work accomplishments;” and “Company values my contributions.” The internal consistency coefficient of this scale is 0.86. Items were responded to a 7-point Likert-type scale ranging from 0 “strongly disagree” to 7 “strongly agree.”

**Control variables.** Gender, age, education, organizational tenure and position were included in the study as control variables. The study also used as dummy codes subordinates with the same
supervisors to control the possible influence of having the same supervisors.

**Procedures**

In order to guarantee pair datum quality and assure the confidentiality of respondents, the study appended the instruments in the writing form to the supervisors and sorted questionnaires by color in advance. Each set of questionnaires was distinguished with different serial numbers. Next, the supervisors distributed to the participants a packet containing three different colors of questionnaires. The supervisors distributed blue and yellow color questionnaires with the same content to their subordinates and the white peer questionnaires to the third group of subordinates. After completing the survey questionnaires, the respondents sealed their responses in the addressed, stamped envelopes that were provided, and the surveys were returned directly to the researcher.

**Data Analysis**

SPSS 11.0 was used to perform descriptive statistics, correlation analysis and regression analysis. Hierarchical regression analysis was used to examine the hypothesized relationships. EQS 6.1 was used to perform confirmatory factor analysis of organizational loyalty and perceived organizational support.

**Table 1: Means, Standardized Deviations, and Correlation Coefficients of Variables (N = 381)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>S.D.</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
<th>5.</th>
<th>6.</th>
<th>7.</th>
<th>8.</th>
<th>9.</th>
<th>10.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td>1.44</td>
<td>.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Age</td>
<td>5.45</td>
<td>1.61</td>
<td>-08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Education</td>
<td>2.98</td>
<td>.87</td>
<td>-.17</td>
<td>-.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Tenure</td>
<td>14.38</td>
<td>9.25</td>
<td>.04</td>
<td>.83</td>
<td>-.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Transformational Leadership</td>
<td>5.29</td>
<td>1.02</td>
<td>-.05</td>
<td>.10</td>
<td>.05</td>
<td>.07</td>
<td>(.97)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Perceived organizational support</td>
<td>5.06</td>
<td>1.20</td>
<td>-.07</td>
<td>.20</td>
<td>-.11</td>
<td>.19</td>
<td>.15</td>
<td>(.86)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Job performance</td>
<td>80.50</td>
<td>1.76</td>
<td>.01</td>
<td>.29</td>
<td>-.21</td>
<td>.32</td>
<td>.16</td>
<td>.19</td>
<td>(.92)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Trust in supervisor</td>
<td>84.55</td>
<td>15.03</td>
<td>.02</td>
<td>.13</td>
<td>-.14</td>
<td>.10</td>
<td>.10</td>
<td>.27</td>
<td>.32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Trust in supervisor</td>
<td>84.55</td>
<td>15.03</td>
<td>.02</td>
<td>.13</td>
<td>-.14</td>
<td>.10</td>
<td>.10</td>
<td>.27</td>
<td>.32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Dedication to organization</td>
<td>4.65</td>
<td>1.31</td>
<td>.01</td>
<td>.32</td>
<td>-.23</td>
<td>.31</td>
<td>.09</td>
<td>.44</td>
<td>.26</td>
<td>.20</td>
<td>.60</td>
<td>(.85)</td>
</tr>
</tbody>
</table>

Note: *: \( p < .05 \); **: \( p < .01 \)
RESULTS

Confirmatory factor analysis of affective organizational commitment, dedication to the organization and perceived organizational support showed that the three-factor model best fit the data (fitness index: chi-square=30.41, \(df = 17, p > 1; \) NFI = .98; CFI = .99; GFI = .98; SRMR = .03; RESEA = .04). The correlation coefficients among the variables are presented in Table 1. As shown in Table 2, the hierarchical regression analysis results showed that after controlling the control variables, transformational leadership and perceived organizational support, the interaction effect between transformational leadership and perceived supervisor support had a significant effect on trust in one’s supervisor (\(\Delta R^2 = .01, p < .05\)) and dedication to the organization (\(\Delta R^2 = .02, p < .01\)).

Table 2: Hierarchical Regression Analysis of Transformational Leadership, Perceived Organizational Support, and Outcomes (N=381)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Job performance</th>
<th>Trust in supervisor</th>
<th>Affective organizational commitment</th>
<th>Dedication to organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Gender</td>
<td>-.01</td>
<td>-.04</td>
<td>-.05</td>
<td>.00</td>
</tr>
<tr>
<td>2. Age</td>
<td>.09</td>
<td>.11</td>
<td>.19*</td>
<td>.20*</td>
</tr>
<tr>
<td>3. Education</td>
<td>-.07</td>
<td>-.11</td>
<td>-.14*</td>
<td>-.11</td>
</tr>
<tr>
<td>4. Tenure</td>
<td>.20*</td>
<td>-.06</td>
<td>.00</td>
<td>.09</td>
</tr>
<tr>
<td>5. Subordination</td>
<td>.06</td>
<td>.09</td>
<td>.00</td>
<td>-.01</td>
</tr>
<tr>
<td>(\Delta R^2)</td>
<td>(.11**)</td>
<td>(.03*)</td>
<td>(.08**)</td>
<td>(.12**)</td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Transformational leadership</td>
<td>.15**</td>
<td>.10</td>
<td>.13*</td>
<td>.07</td>
</tr>
<tr>
<td>(\Delta R^2)</td>
<td>(.02**)</td>
<td>(.01)</td>
<td>(.02*)</td>
<td>(01)</td>
</tr>
<tr>
<td>Step 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Perceived organizational support</td>
<td>.11*</td>
<td>.25**</td>
<td>.57**</td>
<td>.38**</td>
</tr>
<tr>
<td>(\Delta R^2)</td>
<td>(.01*)</td>
<td>(.06**)</td>
<td>(.31**)</td>
<td>(.14**)</td>
</tr>
<tr>
<td>Step 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Transformational leadership ×</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived supervisor support</td>
<td>.00</td>
<td>.10*</td>
<td>.03</td>
<td>.13**</td>
</tr>
<tr>
<td>(\Delta R^2)</td>
<td>(.00)</td>
<td>(.01*)</td>
<td>(.00)</td>
<td>(.02**)</td>
</tr>
<tr>
<td>Adjust (R^2)</td>
<td>.12</td>
<td>.09</td>
<td>.39</td>
<td>.26</td>
</tr>
<tr>
<td>F value</td>
<td>7.77**</td>
<td>5.90**</td>
<td>31.45**</td>
<td>17.68**</td>
</tr>
<tr>
<td>df1,df2</td>
<td>8, 373</td>
<td>8, 373</td>
<td>8, 373</td>
<td>8, 373</td>
</tr>
<tr>
<td>Standard error of estimation</td>
<td>10.07</td>
<td>14.31</td>
<td>.76</td>
<td>1.13</td>
</tr>
</tbody>
</table>

Note: *: \(p < .05\); **: \(p < .01\)
As shown in Figure 1, when perceived organizational support was high, transformational leadership was more positively correlated with subordinate’s trust in supervisor. When perceived organizational support was low, transformational leadership correlated negatively with subordinate’s trust in supervisor. Figure 2 showed similar moderating effects; that is, when perceived organizational support was high, transformational leadership was more positively associated with subordinate’s dedication to organization, and when perceived organizational support was low, transformational leadership was negatively associated with subordinate’s dedication to organization. Thus, hypothesis 1 was not supported, hypothesis 2 was supported, and hypothesis 3 was partially supported.

**Figure 1: The Moderating Effect of Perceived Organizational Support on the Relationship between Transformational Leadership and trust in supervisor**

**DISCUSSION**

This study hypothesized that perceived organizational support moderates the relationship between transformational leadership and employee effectiveness. The results showed that perceived organizational support is a significant moderator in the relationship between transformational leadership and trust in supervisor, and between transformational leadership and dedication to organization. A high degree of perceived organizational support promotes the positive effects of transformational leadership on trust in supervisor and dedication to organization. Subordinates who
perceived a low degree of organizational support showed a negative relationship between transformational leadership and trust in supervisor and dedication to organization.

Figure 2: The Moderating Effect of Perceived Organizational Support on the Relationship between Transformational Leadership and Dedication to organization

Note: POS: Perceived organizational support; TL: Transformational leadership.

Both transformational leadership and perceived organizational support were significantly associated with job performance and affective organizational commitment. However, the interaction effects were insignificant. One possible explanation for these results is that it is not too risky for subordinates to perform well or affectively commit to an organization, but trusting a supervisor or dedicating oneself to an organization is risky. Thus, perceived organizational support had different moderating effects in this study.

Although the study used different sources of data, it was cross-sectional. A longitudinal approach might further investigate the dynamic of transformational leadership. Moreover, objective measure of job performance could further strengthen our findings. Further, the sample only used Taiwanese organizations, and the generalizability of the perspective proposed would be enhanced with, multiple culture samples. Additionally, the single-item measurement of trust in supervisor could not exclude measurement error, and a more comprehensive measurement will be required in future studies.

The study results suggest that effective transformational leadership is dependent on sufficient
organizational support, which is important to managerial practitioners. When transformational leaders motivate subordinates to make personal sacrifices for the organization or to trust their leaders, subordinates’ perception of organizational support is key.

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