

The Moderating Role of Perceived Supervisor Loyalty in the Relationship between Transformational Leadership and Effectiveness

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ABSTRACT

As methods of investigating authentic transformational leadership have seldom been studied, in this study we used the concept of perceived supervisor loyalty (subordinates' perceptions of leaders' loyalty to the organization) to differentiate authentic transformational leaders from inauthentic ones. A sample of 246 supervisor-subordinate dyads from a single Taiwanese public organization showed that perceived supervisor loyalty moderated the relationship between transformational leadership and leadership effectiveness only when perceived supervisor loyalty was high and transformational leadership was positively correlated with leadership effectiveness. The implications of the findings are discussed.

Keywords:

Transformational leadership, authentic transformational leader, perceived supervisor loyalty

INTRODUCTION

Effective transformational leaders are believed to be capable of successfully transforming members' values, beliefs, and attitudes toward meeting organizational goals and visions. They are also believed to be able to motivate members to improve their work performance (Burns 1978; Podsakoff, MacKenzie, Moorman & Fetter 1990). However, transformational leadership also has some limitations. For instance, Bass and Steidlmeier (1999) differentiated authentic transformational leadership from inauthentic/pseudo transformational leadership, and argued that only authentic transformational leadership can motivate followers. How to conceptualize authentic transformational leaders remains a pressing issue. Authenticity represents coherent attitudes and forms of behavior. Thus, subordinate perceptions of supervisor loyalty to the organization (perceived supervisor loyalty) are potentially an important indicator of authentic transformational leaders. In other words, perceived supervisor loyalty moderates transformational leadership and leadership effectiveness. Although some studies have discussed the authenticity of transformational leadership, few have adopted an empirical approach (Bass & Steidlmeier 1999; Kanungo & Mendonca 1996; Parry & Proctor-Thomson 2002; Price 2003). This study thus explores authenticity of transformational leadership by conceptualizing perceived supervisor loyalty with empirical evidence.

Theories and hypotheses

Transformational leadership and leadership effectiveness

Bass (1985) pointed out that transformational leaders motivate followers to grow and pursue performance excellence, which is essential to both organizational development and organizational survival in changing business environments. Additionally, Bass and Avolio (1997) argued that transformational leadership is based on transactional leadership, and can increase the effectiveness of transactional leadership. But Burns (1978) saw transactional and transformational leadership as being extremely

different, and believed that a leader cannot display both leadership styles simultaneously. Kanungo and Mendonca (1996) also differentiated transformational leadership from transactional leadership based on their different moral assumptions. Additionally, studies have demonstrated that transformational leadership and subordinate effectiveness are more closely related than transactional leadership and subordinate effectiveness (Judge & Piccolo 2004; Lowe, Kroeck & Sivasubramaniam 1996). This study thus adopts the narrow definition of transformational leadership used by Bass and Avolio (1997) and focuses solely on this leadership style.

Many studies have shown that transformational leaders encourage subordinates to face challenges in new ways, identify subordinates' needs, allow subordinates to focus on tasks, encourage subordinates to strive together in support of the organizational vision, and enhance subordinates' organizational commitment (Bass & Avolio 1994; Kanungo & Mendonca 1996). As Burns (1978) noted, transformational leaders use strategies to motivate subordinates to achieve their full potential, fulfill their needs, and encourage subordinates to conduct increased extra-role performance. Recent empirical findings showed that transformational leadership positively influences subordinate performance and job motivation (Bass, Daniel & Tucker 1992; Cohen, Chang & Ledford 1997; MacKenzie, Podsakoff & Rich 2000). Podsakoff et al. (1990) indicated that transformational leadership is related to in-role and extra-role performance, or organizational citizenship behavior (OCB), indicating that transformational leadership can motivate subordinates to perform in a manner that exceeds organizational expectations (Bass 1985; Yukl 2002). OCB describes voluntary employee behavior that exceeds job descriptions and benefits the organization (Organ 1988). Using a Taiwanese sample, Chen and Farh (1999) also identified a positive correlation between transformational leadership and OCB.

Transformational leadership also improves relationships between supervisors and subordinates (Bass 1985; Kanungo & Mendonca 1996; Podsakoff *et al.* 1990). Yukl (2002) noted that mutual trust and respect between leaders and followers is central to effective transformational leadership. Graen and Scandura (1987) defined relationship quality between a leader and members as a leader-member exchange (LMX) quality that encompasses mutual trust, commitment, and respect between leaders and followers. In conclusion, job performance, OCB, and LMX quality are the key indicators of effective transformational leadership.

The influence of leader authenticity on the relationship between transformational leadership and leadership effectiveness remains unexplored. Hence, this study uses perceived supervisor loyalty as an indicator of leader authenticity, and further examines the influence of this newly developed concept on the relationship between transformational leadership and leadership effectiveness.

The moderating effect of perceived supervisor loyalty

Bass and Steidlmeier (1999) argued that a transformational leader can be inauthentic. Inauthentic

transformational leaders may lack honesty, and their leadership behavior may not be consistent with their true beliefs. That is, inauthentic leaders may enact forms of transformational leadership behavior without truly believing in the declared values and goals. Based on the impression management perspective, subordinates can observe supervisor behavior to assess supervisor loyalty to the organization and develop an impression of the authority of their supervisors as transformational leaders. Perceived supervisor loyalty is thus defined as subordinate perceptions regarding the degree of a leader's involvement in organizational activities, support for organizational rules and regulations, and willingness to make extra efforts to benefit the organization.

In contrast, authentic transformational leaders display consistent values and behavior that promote subordinates' faith in the vision they articulate (Bass & Steidlmeier 1999; Kanungo & Mendonca 1996). Consequently, when subordinates perceive their supervisors to be loyal to the organization, they perceive the transformational leadership of their supervisors as authentic and are open to influence via such leadership. Conversely, when subordinates perceive their supervisors to be lacking organizational loyalty, they will doubt the authenticity of their supervisors' transformational leadership, and will have low propensity to be influenced by that leaders. Perceived supervisor loyalty appears to moderate the relationship between transformational leadership and leadership effectiveness. These moderating perspectives are consistent with authentic transformational leadership conceptualization; hence, they improve the understanding of the influence of authentic transformational leadership. This study thus proposes the following hypotheses.

Hypothesis 1. Perceived supervisor loyalty moderates the relationship between transformational leadership and subordinate job performance. When perceived supervisor loyalty is high, transformational leadership is positively correlated with job performance; when perceived supervisor loyalty is low, the correlation between transformational leadership and job performance is insignificant.

Hypothesis 2. Perceived supervisor loyalty moderates the relationship between transformational leadership and OCB. When perceived supervisor loyalty is high, transformational leadership is positively correlated with OCB; when perceived supervisor loyalty is low, the correlation between transformational leadership and OCB is insignificant.

Hypothesis 3. Perceived supervisor loyalty moderates the relationship between transformational leadership and LMX quality. When perceived supervisor loyalty is high, transformational leadership is positively correlated with LMX quality; when perceived supervisor loyalty is low, the correlation between transformational leadership and LMX quality is insignificant.

METHOD

Sample and procedure

A total of 150 sets of dyadic questionnaires—each comprising of one supervisor questionnaire and two subordinate questionnaires—were distributed to a large public Taiwanese organization. With a return rate of 82%, 246 matched dyads were received. In the subordinate sample, 56.7% of subjects were male, and 43.3% were female. Moreover, 0.4% of subordinates were 26–30 years old; 1.9% were 31–35 years old, 20.2% were 36–40 years old; 38.0% were 41–45 years old; 24.3% were 46–50 years old; and 15.2% were over 50 years old. A total of 1.9% of subordinates had an education of senior high school; 44.7% had completed two years of college; 35.6% had a four-year university degree; and 17.8% had completed graduate school. Mean job experience was 19.40 years, with a standard deviation of 6.09 years.

To minimize bias, supervisors were encouraged to select subordinates with dissimilar attributes. Two usable dyad questionnaires thus were obtained when both the supervisor and the two subordinates returned their questionnaires. To ensure anonymity and confidentiality, each participant was asked to seal their completed questionnaires in postage-paid envelopes and mail them directly to the researchers.

Measures

The subordinate questionnaire measured transformational leadership, perceived supervisor loyalty, and reported demographic attributes, whereas the supervisor questionnaire measured the job performance, OCB, and LMX quality of the two corresponding subordinates. All responses were measured using a seven-point Likert-type scale, ranging from 1, indicating “strongly disagree”, to 7, indicating “strongly agree”.

Transformational leadership (subordinate rated).

Transformational leadership was measured using a 20-item scale taken from the Multiple Leadership Questionnaire (MLQ) Form 5X. The scale comprised four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Avolio, 1997), with a modest fit of a four-factor structure shown in confirmatory factor analysis ($\chi^2/df = 369.19/104$; RMSEA = .10; NNFI = .91; CFI = .92; IFI = .92), and an alpha coefficient (Cronbach's alpha) of .98.

Perceived supervisor loyalty (subordinate rated).

Perceived supervisor loyalty was measured with a nine-item scale developed for this study. Five items measuring *identification with the company* were adopted from the OCB scale developed by Farh, Earley, and Lin (1997). Moreover, four items measuring *loyalty to an organization* were adopted from the OCB scale developed by Van Dyne, Graham, and Dienesch (1994). The exploratory factor analysis results for this nine-item scale demonstrated a single-factor structure, explaining 72.55% of total variance. The alpha coefficient for this scale was .95.

Job performance (supervisor rated).

This study measured job performance using a four-item scale obtained from Cheng, Jiang, and Reilly (2003), with an alpha coefficient of .87.

Organizational citizenship behavior (supervisor rated).

This study assessed subordinate OCB using the Chinese OCB scale designed by Farh *et al.* (1997). This 20-item scale includes the following five factors: altruism towards colleagues, identification with the company, conscientiousness, interpersonal harmony, and protecting company resources. From the exploratory factor analysis results, 15 items achieved the best match with a five-factor structure, and explained 78.30% of total variance. The alpha coefficient for the entire scale was .90.

Leader-member exchange quality (supervisor rated).

This LMX quality measurement was modified from the LMX scale developed by Graen, Novak, and Sommerkampet (1982). Recent studies have adopted the scale of Graen *et al.* (1982) and have shown low internal consistency when rated by supervisors, for example, .64 in Colella and Varma (2001) and .72 in Scandura and Schriesheim (1994). This study thus used the concept of LMX to modify the original LMX measurement. The modified scale comprises six items, with exploratory factor analysis results showing a single factor that explained 68.14% of total variance, and an alpha coefficient of .90.

Control variables.

Subordinates' age, gender, and educational level, and the time supervisors and subordinates worked together, were used as control variables.

Data analysis

Data was analyzed in three stages. First, exploratory factor analysis (SPSS 11.0) was used to analyze the factor structure of perceived supervisor loyalty, OCB, and LMX quality. Confirmatory factor analysis was then applied to examine the factor structure of transformational leadership. Second, descriptive analysis was performed on each variable of the study with SPSS11.0. Third, hierarchical block regression was performed to test the hypothesized relationships among transformational leadership, perceived supervisor loyalty, job performance, OCB, and LMX quality, after controlling for the control variables. Table 2 lists the four regression steps used in hierarchical block regression analysis. Finally, to test hypotheses 1~3, the interactive terms of transformational leadership and perceived supervisor loyalty were entered into block 4 to identify the unique moderating effects, after controlling for control variables and the main effects of transformational leadership and perceived supervisor loyalty.

RESULTS

Table 1 lists the means, standard deviations, alpha coefficients, and zero-order correlations for all study variables. At the zero-order correlation level, transformational leadership was significantly correlated with perceived supervisor loyalty ($r = .81, p < .01$). However, transformational leadership was not significantly correlated with job performance, OCB, or LMX quality ($r = .09 - .12, p > .05$). Moreover,

perceived supervisor loyalty was not significantly correlated with job performance, OCB, or LMX quality ($r = .04 - .08, p > .05$).

TABLE 1: Descriptive Statistics and Correlation Coefficients (N=239)

Variable	M	SD	1	2	3	4	5	6	7	8	9
1. Age	6.30	1.04	—								
2. Gender	1.43	.50	-.12	—							
3. Educational level	2.69	.78	-.18**	-.13*	—						
4. Length of relationship	2.93	3.44	.06	.07	-.04	—					
5. Transformational leadership	5.06	1.08	.12	-.04	-.05	-.04	(.98)				
6. Perceived Supervisor Loyalty	5.46	.98	.15*	.05	-.13	-.02	.82**	(.95)			
7. OCB	5.33	.61	.01	-.04	.06	.13	.13	.10	(.90)		
8. Job performance	5.88	.81	.03	.00	.05	.14*	.09	.08	.79**	(.87)	
9. LMX quality	5.30	.64	-.02	-.02	.10	.08	.13	.05	.76**	.82**	(.90)

Note: * $p < .05$; ** $p < .01$; Gender: 1 = Male, 2 = Female; Numbers in diagonal cell are Cronbach's alphas; OCB: Organizational citizenship behavior; LMX: Leader-member exchange.

TABLE 2: Results of Regression Analyses (N=239-240)

Variables	Performance	OCB	LMX quality
Step 1			
1. Age	.03	.00	-.01
2. Gender	.01	-.04	-.01
3. Educational level	.04	.05	.10
4. Co-working time with current supervisor	.12 ⁺	.13*	.07
$\square R^2$	(.02)	(.02)	(.02)
Step 2			
6. Transformational leadership	.10	.13*	.13*
$\square R^2$	(.01)	(.02*)	(.02*)
Step 3			
7. Perceived supervisor loyalty	.03	-0.01	-.13
$\square R^2$	(.00)	(.00)	(.01)
Step 4			
8. Transformational leadership \times Supervisor loyalty perception	.16*	.14 ⁺	.15*
$\square R^2$	(.02*)	(.01*)	(.02*)
R^2	.05	.05	.05
F value	1.67	1.84 ⁺	1.93
df1,df2	1,237	1,238	1,237
Standard error of estimation	.80	.71	.79

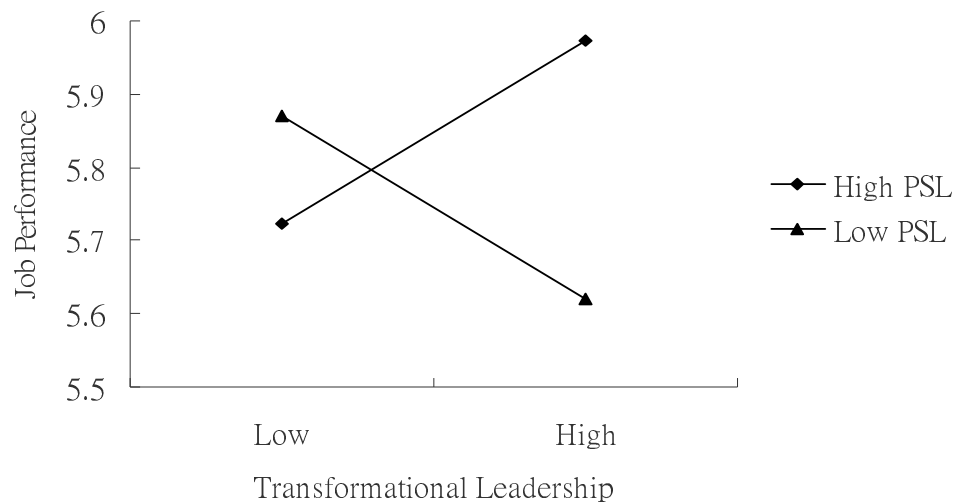
Note: * $p < .10$; * $p < .05$; ** $p < .01$; Gender: 1 = Male, 2 = Female; OCB: Organizational citizenship behavior; LMX: Leader-member exchange.

Table 2 lists hierarchical regression results for the effects of transformational leadership and perceived supervisor loyalty on job performance, OCB, and LMX quality. After controlling for the effects of the control variables, transformational leadership, perceived supervisor loyalty, and the interaction

between transformational leadership and perceived supervisor loyalty had significant and unique effects on job performance ($\Delta R^2 = .02, p < .05$).

Figure 1 illustrates the significant interaction between transformational leadership and perceived supervisor loyalty on job performance (Aiken & West, 1991). As expected, when perceived supervisor loyalty is high, the relationship between transformational leadership and job performance is positive. In contrast, when perceived supervisor loyalty is low, the relationship between transformational leadership and job performance is negative. Thus, Hypothesis 1 is partially supported.

FIGURE 1: The Moderating Effect of Perceived Supervisor Loyalty on the Relationship between Transformational Leadership and Job Performance



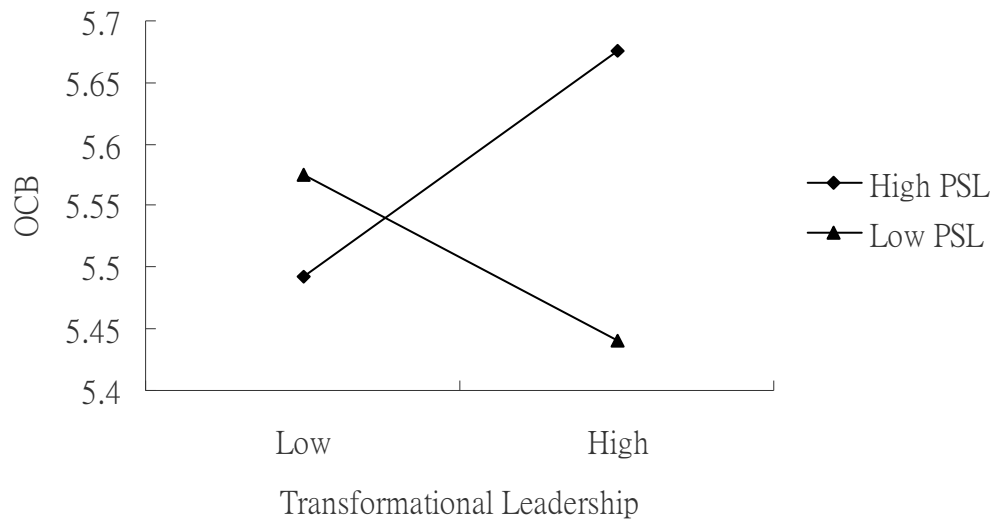
Note: PSL: Perceived supervisor loyalty.

The analytical results also showed that the interactive term of transformational leadership and perceived supervisor loyalty had marginally significant and unique effects on OCB ($\Delta R^2 = .01, p < .10$). Figure 2 illustrates the interaction effect of perceived supervisor loyalty on the relationship between transformational leadership and OCB. That is, when perceived supervisor loyalty is high, the relationship between transformational leadership and OCB is positive. Meanwhile, when perceived supervisor loyalty is low, the relationship between transformational leadership and OCB is negative. Thus, Hypothesis 2 is partially supported.

The interaction between transformational leadership and perceived supervisor loyalty also had significant and unique effects on LMX quality ($\Delta R^2 = .02, p < .05$). Figure 3 shows the moderating effect of perceived supervisor loyalty on the relationship between transformational leadership and LMX quality. As predicted, when perceived supervisor loyalty is high, the correlation between transformational leadership and LMX quality is positive. Meanwhile, when perceived supervisor loyalty is low, the

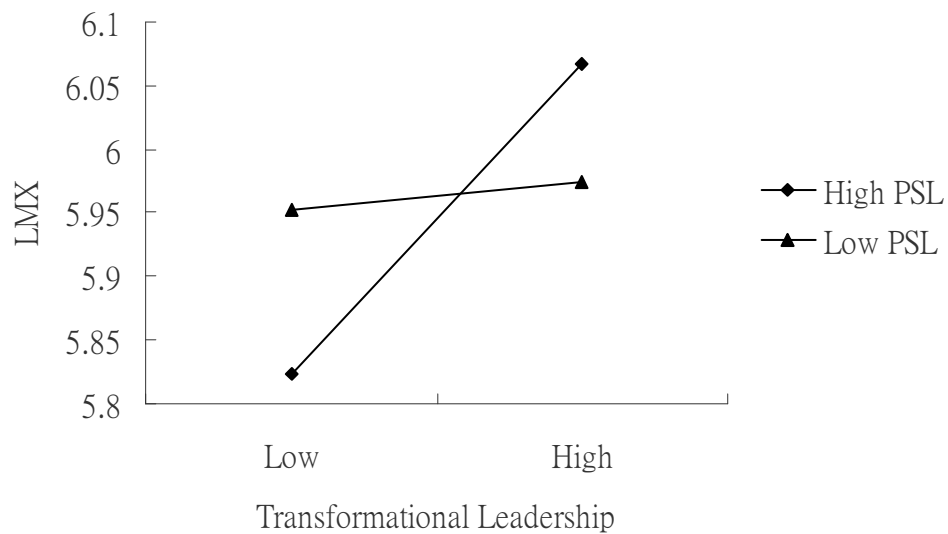
relationship between transformational leadership and LMX quality is slightly positive. Thus, Hypothesis 3 is supported.

FIGURE 2: The Moderating Effect of Perceived Supervisor Loyalty on the Relationship between Transformational Leadership and OCB



Note: PSL: Perceived supervisor loyalty.

FIGURE 3: The Moderating Effect of Perceived Supervisor Loyalty on the Relationship between Transformational Leadership and LMX quality



Note: PSL: Perceived supervisor loyalty

To summarize, the analytical results indicated that perceived supervisor loyalty moderates the relationship between transformational leadership and leadership effectiveness, in which job performance, OCB, and LMX quality are taken into account in the study.

DISCUSSION

The analytical results supported the hypothesis that perceived supervisor loyalty moderates the relationship between transformational leadership and leadership effectiveness. As Bass and Steidlmeier (1999) posited, authenticity of transformational leadership critically affects leadership effectiveness.

This study found that perceived supervisor loyalty moderates the relationships between transformational leadership and job performance, OCB, and LMX quality. And this study also hypothesized that authentic transformational leadership motivates subordinates to pursue more ambitious goals. That is, when a leader fails to exhibit authentic transformational leadership, subordinates will be less motivated. The findings indicated that as reduced motivation occurs, not only can inauthentic transformational leaders fail to motivate their subordinates; they can actually reduce subordinates' motivation, further reducing subordinates' job performance and OCB. One possible explanation is that subordinates may feel betrayed by inauthentic leaders. The motivation of subordinates can be reduced when they feel betrayed by their supervisors (Elangovan & Shapiro 1998), which will have negative impact upon job performance and OCB. Although these negative effects might have influence on job performance and OCB, low perceived supervisor loyalty did not markedly influence the relationship between transformational leadership and LMX quality. Cheng *et al.* (2003) argued that the relationships between supervisors and subordinates are critical to subordinates in Chinese organizations: that is, even when subordinates feel betrayed by their leaders, they must maintain relationships with them.

However, care is needed when interpreting the results of the present study, as it identified perceived supervisor loyalty as an indicator of transformational leader authenticity. Subordinate perceptions of leader organizational loyalty may explain some subordinates' perceptions of leader authenticity. As leadership behavior authenticity is essential to leadership effectiveness, further exploration of a more comprehensive understanding of authentic transformational leadership is needed. The dyadic data demonstrated that transformational leadership was not significantly correlated with leadership effectiveness in zero-order correlations, a finding that contradicts those of previous studies (e.g., Bass *et al.* 1992; MacKenzie *et al.* 2000). Based on dyadic data, the above findings are less likely than the findings of previous studies to suffer common source bias, and are likely to be more accurate. Furthermore, the findings were limited to the low statistical significance level of the proposed moderating effects. This may indicate the unstable nature of this phenomenon, as well as the nature of different sources of data.

Several interesting directions for future research can be identified. First, transformational leaders can be inauthentic, as evidenced by the findings of this work. The characteristics of an inauthentic

transformational leader in real organizational settings are thus worthy of investigation. Although Price (2003) identified several features of inauthentic transformational leadership, this area has not been empirically explored. Second, subordinates can assess the authenticity of transformational leaders, and the findings of this work imply that inauthentic transformational leaders negatively influence subordinates' effectiveness. Consequently, the impact of inauthentic transformational leadership on organizational performance remains unknown and needs to be studied. Third, this study analyzed the authenticity of transformational leadership in terms of perceived supervisor loyalty. However, loyalty to an organization can be an ethic of organizational survival, and is not always an ethic for stakeholders, communities, or society in general (Price 2003). Thus, supervisors with high organizational loyalty may have positive impact upon organizational performance, while having a negative impact upon stakeholders, communities, or society. Future studies can examine authentic forms of transformational leader behavior during downsizing or other conflicts between organization and stakeholders.

This study has at least two practical implications. First, transformational leadership may not always influence leadership effectiveness in a positive manner, and subordinate-perceived authenticity of transformational leaders should be considered when the relationship between transformational leadership and leadership effectiveness is insignificant. For example, assessing perceived supervisor loyalty can help to clarify why transformational leadership is ineffective. Second, the analytical results also suggest that organizational loyalty or commitment is important for both employees and managers. Managers with high levels of organizational loyalty or commitment can enhance leadership effectiveness.

Despite the fact that our dyadic sample minimized common source bias, this study should be evaluated on the basis of its limitations. This work focused on a single context, a Taiwanese government-owned organization, and while this focus creates advantages by eliminating cross-industry confounding factors, it limits the wider applicability of the study findings. Thus, the study results should be viewed as providing only preliminary support for the hypotheses. The theoretical approach presented in this study assumed a causal relationship between transformational leadership and leadership effectiveness. Although this study did not systematically control every possible confounding variable or utilize a longitudinal approach to examine causal relationships, we encourage future researchers to examine these issues.

In conclusion, this study examined the effects of authenticity of transformational leadership in terms of perceived supervisor loyalty. The results of our analysis contribute to the growing speculation that the effects of authenticity of transformational leadership and, in this case, perceived supervisor loyalty, moderate the relationship between transformational leadership and leadership effectiveness. Future researchers can use this study as a departure point for the development of comprehensive theories of authentic transformational leadership.

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APPENDIX

Perceived Supervisor Loyalty Scale

1. My supervisor sacrifices her/his own private time working when needed.
2. My supervisor commits to the decisions made by this organization, even she/ he disagrees.
3. My supervisor is willing to stand up to protect the reputation of this company, when someone criticizes this company.
4. My supervisor treats this company's business as if it was her/his own.
5. My supervisor would stay with the company despite temporary hardship
6. My supervisor does not mind taking on new or challenging assignments.
7. My supervisor tries hard to self-study to increase the quality of work outputs.
8. My supervisor makes constructive suggestions that can improve the operation of the company.
9. My supervisor actively resolves conflicts among members.

Leader-Member Exchange Scale (supervisor rated)

1. I am willing to share this employee's responsibility for mistakes made by this employee.
2. I discuss my personal issues with this employee.
3. I recognize and reward this employee's performance whenever possible.
4. This employee is reliable and trustworthy.
5. I can cooperate with this employee to achieve task requirements.
6. This employee provides me much assistance and support in the workplace.