

**THE RELATIONSHIP
BETWEEN
AUTHENTIC LEADERSHIP AND EMPLOYEE
PERFORMANCE**

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ABSTRACT

The impact of a leader on his or her followers has been a topic of much research and therefore organizations, including the financial services sector in South Africa, are placing more and more emphasis on what this leadership construct looks like. Research suggests that Authentic Leadership might be a new kind of leadership approach that the world is looking for. This study aims to establish the possible relationship between an authentic leader and the impact the leader's behaviour has on the performance of his or her employee. The study further attempts to establish if satisfaction can play a mediating role in the relationship between authentic leadership and the performance of an employee.

The research used two established research instruments, namely the Authentic Leadership Questionnaire (ALQ), as well as a section of Freese and Schalk's (2008) psychological contract questionnaire relating to satisfaction specifically. Respondents were also requested to indicate their most recent performance rating. The study was conducted within the financial sector based in the Eastern and Southern Cape with a total population of 1077 employees across all business units, job grades, race, age, education and gender.

The study established a significant positive relationship between authentic leadership and employee performance. A further significant positive relationship was established between authentic leadership and satisfaction. However, no relationship could be established between satisfaction and performance, thereby indicating that satisfaction was not a mediator of the relationship between authentic leadership and employee performance. In conclusion, recommendations for management practice and for further research are made.

Keywords: authentic leadership, satisfaction, employee performance, psychological contact

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This study aims to build on the work of Walumbwa, Avolio, Gardner, Wernsing and Peterson (2008) who developed a theory-based model for authentic leadership. This model was found to be positively related to various follower outcomes and therefore this study will explore the relationship between authentic leadership and employee performance. The research process will include an assessment of the effect of employee satisfaction as a mediator to positively contribute to increased employee performance.

This chapter will provide some context on the research by giving a background to the study and then specifying the problem statement or research problem. The purpose of the study will be set out followed by the research questions as well as the objectives of the study.

1.2 Context and background to the study

Ever since the corporate scandals of WorldCom, Tyco and Enron surfaced, the behaviour of business leaders have come under immense scrutiny due to the distrust that the general public fosters towards displayed malpractices (Chartered Institute of Personnel and Development, 2012; Ipsosmori, 2011). The financial sector and specifically the banking industry are also prone to these types of scandals. Barclays PLC in the United Kingdom fell pray of an ethical scandal during 2012 which and resulted in the immediate resignation of both the Chief Executive Officer as well as the chairman of the board. The company was fined £290 million by Britain's Financial Services Authority (British Broadcasting Corporation, 2012). In addition to this, Barclays Bank, during 2015, was amongst one of five international banks who were fined a total of \$5.6 billion for their participation in unethical practices that involved foreign currency trading (Viswanatha, 2015).

Ethical scandals like the abovementioned have far reaching implications for an organization. Toor and Oforio (2009) argue that there is an expectation that a leader's everyday talk, actions decisions and behaviours ought to portray ethical conduct and display the highest moral standards as this sets the example that subordinates will follow.

Beddoes-Jones and Swailes (2015) argue that a combination of these scandals and the inadequacies of classic leadership models have caused a shift in interest from contemporary leadership approaches to a possible new kind of leadership approach. The common denominator for these types of leadership proves to be the care or concerns for others (altruism) as well as integrity (Salicru and Chelliah, 2014).

Several leadership approaches such as transformational leadership, ethical leadership, servant leadership and authentic leadership have emerged in the past couple of years (Salicru and Chelliah, 2014). This study examines one of these emerging theories, namely authentic leadership. George (2003) proposes that authentic leadership stems from the premise that an authentic leader has a dedicated desire to understand and stay true to his or her own leadership in order to serve his/her followers better. Avolio and Gardner (2005) held that the behaviour that authentic leaders display towards followers, have a positive impact on follower performance and leads to sustainable outcomes in the turbulent working environment that currently prevails. However, Gardner, Coglisier, Davis and Dickens (2011) have noted that there this is still a lack of empirical research around the construct of authentic leadership.

Walumbwa *et al.* (2008) argue that the interest in authenticity and authentic leadership has resurfaced due to the highly publicized nature of corporate scandals which identified the improper behaviour of leaders, and that contributes to wider societal challenges. Walumbwa, *et al.* (2008, p.90) further argue that "...organizational stakeholders appear to be much less tolerant of inconsistencies between leaders' espoused principles, values and conduct and are expecting those leaders to operate at higher levels of integrity." Walumbwa *et al.* (2008, p.94) adopted the definition of authentic leadership as "a pattern of leader behaviour that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral

perspective, balanced processing of information, and relational transparency on the part of the leaders working with followers, fostering self-development.”

Walumbwa *et al.* (2008) further posited the construct of authentic leadership as a multi-dimensional one that includes characteristics or dimensions such as self-awareness, relational transparency, balanced processing and internalized moral perspective. Avolio, Gardner and Walumbwa (2007) have developed an authentic leadership questionnaire that can be used to measure the four components of authentic leadership as described above. This questionnaire will be incorporated in this study in order to explore the leader’s impact on the job performance of his/her followers.

The psychological contract (Rousseau, 1989) is defined as a reciprocal understanding between an organization, or its representative, and an employee, and portrays the expectation of a fair employment relationship. When employees perceive this contract to be fulfilled, they tend to be highly satisfied (Rousseau, 1995). Salicru and Chelliah (2014) developed a leadership psychological contract which they argued solved the agency problem of the psychological contract. Guest (1998) argued that multi-agents make up the organization and that each agent might have a different impact on an employee when compared to another. Although there have been attempts by authors such as Rousseau (1995) to view the organization as a human, Salicru and Chelliah (2014) remain of the opinion that employees can choose their organizational representative from a range of leaders when forming a perception about their relationship with the organization. The ambiguity of who actually represents the relationship with the organization often causes confusion for employees in terms of communicating expectations and often leads to misaligned expectations. The leadership psychological contract attempts to solve the agency problem through the identification of the employee’s immediate leader as the relationship holder and individual that is the key contract maker of the psychological contract. Salicru and Chelliah (2014, p.42) describes the leadership psychological contract as one that “... incorporates the unexpressed beliefs, promises, expectations, responsibilities and perceived obligations of leaders towards their followers”. This contract consists of four components which refers to firstly the leadership promise or the “nature of the deal”. The second component refers to the health of the contract or the “delivery of

the deal”, which includes variables such as trust, fairness and fulfilment of expectations. The third component refers to the consequences of the contract or leadership impact and deals with affective commitment and satisfaction, as well as discretionary effort and innovation. The fourth component refers to the final outcomes or the results (performance). As a departure point for this study, respondents will be asked to rate their immediate leaders in terms of the leadership behaviour they display.

Due to the growing evidence showing the impact that leadership traits have on the satisfaction and performance of employees, it has become a known factor that organizations are increasingly focusing on leadership ability, style and competence (Kiarie, Maru & Cheriuyot, 2017). Turkeyilmaz, Akman, Ozkan and Pastuszak (2011), argues that the importance of employee satisfaction stems from the fact that it should be considered as an important variable to determine the perceptions, general emotions and thinking forms that employees have about their job and workplace. According to Salicru and Chelliah (2014, p.44), satisfaction refers to “... an emotional state reflecting a positive response to the working situation at hand”. Other authors (Spector, 1997; Turkeyilmaz *et al.* 2011) consider employee satisfaction as an overall feeling about the job or an attitude towards a certain aspect of the job. Life satisfaction on the other hand is defined by Liao, Hu, Chung and Chen (2017, p.433) as “... an individual’s global cognitive evaluation of satisfaction with her/his own life as a whole” and further argues that the higher the global life satisfaction, the better the person’s life outcomes – which includes for example work performance. This study will therefore explore the possibility of satisfaction as a mediator for performance.

Employee performance is a critical outcome of the relationship between leader and follower. Campbell (1990) defines employee performance as certain behaviours and/or actions that are aligned to the goals of the organization. Viswesvaran and Ones (2000) argues that job performance refer to a combination of actions, behaviours and outcomes that are aligned to achieving the goals that are set by the organization.

The three variables that will therefore be discussed in this study refer to authentic leadership, satisfaction and employee performance as it aims to explore the relationship

between authentic leadership and employee performance as well as exploring the possibility of satisfaction being a mediator for performance.

1.3 Problem statement

Is there a relationship between authentic leadership and the employee performance or the output of an employee and can satisfaction serve as a mediator for performance?

1.4 The purpose of the study

The main purpose of the study was to identify if there is a positive relationship between authentic leadership and employee performance. Satisfaction was proposed as a potential mediating variable in the relationship between authentic leadership and employee performance. The study therefore firstly seeks to establish whether the organization's line leaders are in fact perceived to be displaying authentic behaviours.

After establishing the foregoing, the relationship between authentic leadership and employee performance will be explored where after the possibility of using satisfaction as a mediator will be examined.

To address the purpose of the study as set out above, the research questions as set out below were explored.

- i. Is there a positive relationship between authentic leadership and employee performance?
- ii. Is there is positive relationship between authentic leadership and an employee's satisfaction score?
- iii. Is there a positive relationship between how satisfied an employee is and his or her performance?
- iv. Is the relationship between authentic leadership and the performance of an employee mediated by satisfaction?

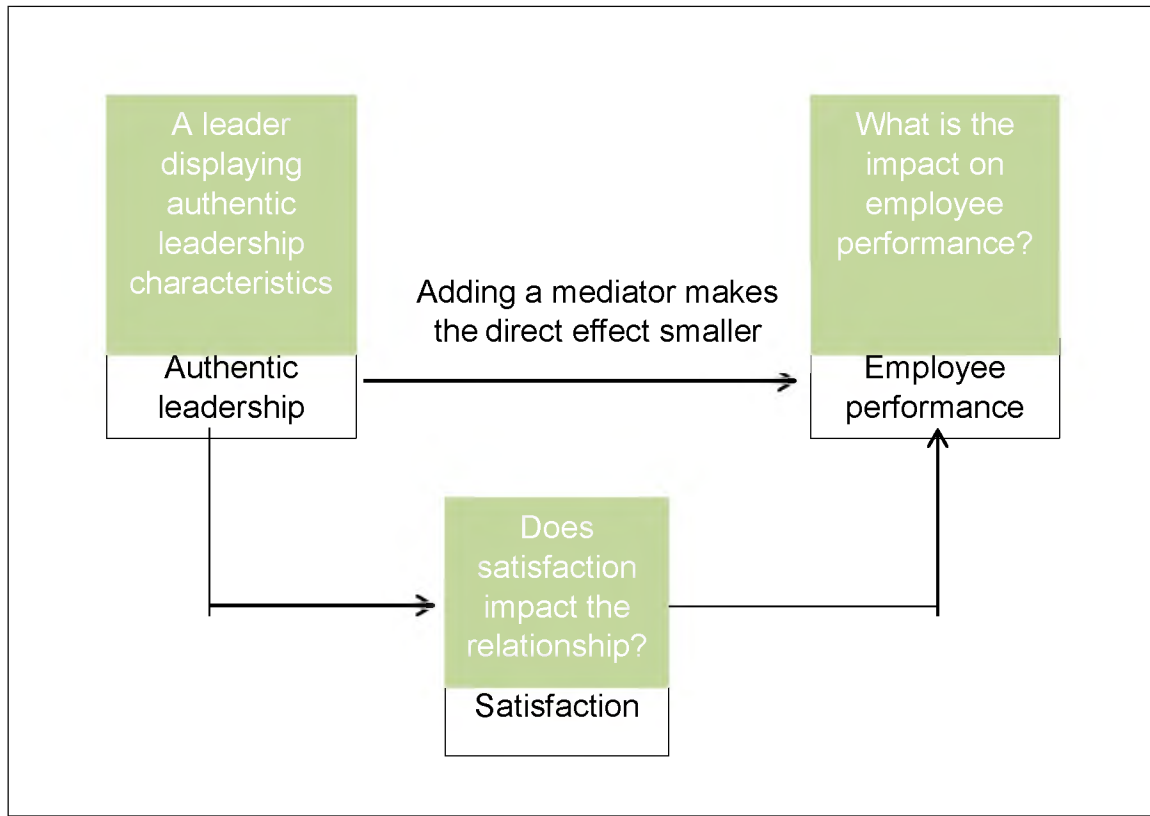


Figure 1.1 The relationship between Authentic leadership and employee performance with satisfaction as a mediator

1.5 The objectives of the study

The following sub-sections will discuss both the primary as well as secondary objectives to the study.

1.5.1 Primary objectives

The primary objective of the study was to establish if there is a positive relationship between a leader that displays authentic leadership behaviour and the impact thereof on the employee's performance. A further objective is to establish if satisfaction can be used as a mediator to influence employee performance. Lastly to establish if there is a

difference in the level of employee satisfaction between high, medium and low performing employee groups.

Before the researcher could achieve the primary objective, it was necessary to formulate and action secondary objectives.

1.6 Significance of the study

Although various studies have been done to validate different models of authentic leadership that may have an impact on employee behaviours and attitudes (Walumbwa *et al.* 2008; Avolio *et al.* 2004), this study aims to specifically explore the impact that authentic leadership has on employee performance and if satisfaction plays a mediating role on the employee performance.

This type of study has not been done in South Africa before. The study will be done in the financial industry which is also a first for South Africa. The population of the study represents employees in the financial industry within the Eastern and Southern Cape and includes employees from the lowest job grade to executive level, with different levels of education. The sample that was used for the study includes the whole population. It also includes respondents from various demographic categories inclusive of gender, race, age and tenure.

This research therefore hopes to contribute to the emerging evidence that authentic leadership enhances employee performance behaviours (Hannah, Walumbwa and Fry, 2011; Griffin, Neal and Parker, 2007).

1.7 Chapter outline

Chapter one has explained the context and background to this study. The problem statement and purpose of the study was highlighted, as well as the objectives and significance of the study.

Chapter two is a literature review of the constructs that is used in this study. It aims to discuss the theoretical and empirical background of the research that was done to explain

the constructs of authentic leadership, satisfaction and employee performance as variables.

Chapter three describes the research methodology that was followed in the study which includes the aim and main hypotheses. The research design and data collection as well as response rate of the study are discussed. Ethical considerations also form part of this chapter.

Chapter four discusses the research results from the data analysis that was done as it relates to the hypotheses.

Chapter five is a discussion of the research results that were derived in chapter four.

Chapter six consists of a conclusion to this study. It includes recommendations for management, as well as further research. The limitations and delimitations of the study are also explained. Lastly, this chapter will examine the contribution of this study to the body of knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The main objectives of this chapter are to discuss the theoretical and empirical background of this research in order to explain the relationship between authentic leadership, satisfaction and employee performance. The psychological contract that exists between an organization and an employee forms an integral part the relationship between employee and employer and serves as a useful framework for the study. Therefore this chapter will start off with a discussion about this type of contract. The development of the idea of a *leadership* psychological contract, derived from the well-known psychological contract, will highlight the importance of the behaviours that are displayed by an employee's immediate leader, the impact these behaviours have on the satisfaction experienced by the employee, and ultimately on his or her performance. The construct of authentic leadership is then discussed, which will be the theory used to represent leadership in the leadership psychological contract. This will then be followed by a discussion of satisfaction as a mediating variable, before reviewing performance as the dependent variable of the study.

2.2 The Psychological Contract

2.2.1 Defining and introducing psychological contracts

Argyris (1960) first coined the term psychological work contract to describe what was referred to as an implicit agreement between employees and employers. Early literature confirms that this type of contract refers to a relationship that exists between an employee and his/her organization and has the objective of managing mutual expectations between the two parties. Blau (1964) was one of the early contributors to the psychological contract and argued that it was based on social exchange, which implies that the contract includes unspecified obligations, and which are based on mutual trust in terms of the benefits for both parties to the contract.

Subsequently, there have been several attempts to define the concept, such as Rousseau (1989) who described the psychological contract as a set of reciprocal promises and/or obligations that are related to the relationship of employment that exists between the employee and the organization. Rousseau (1990) pointed out the increasing number of implied (or unwritten) contracts that arise in working relationship and later defined the contract as follows: "The psychological contract is individual beliefs shaped by the organization, regarding terms of an exchange arrangement between the individual and their organization" (Rousseau, 1995, p.9). Rousseau further built on her early definition of the construct of the psychological contract and refined it as: "beliefs, based upon promises expressed or implied, regarding an exchange agreement between an individual and, in organizations, the employing firm and its agents" (Rousseau, 2004, p.120). Guest and Conway (2002, p.22) worked on an analysis that uses the psychological contract as a framework for the employment relationship between an organization and its employees and therefore confirmed their definition to be: "The perception of both parties to the employment relationship, organization and individual, of the reciprocal promises and obligations implied in that relationship". In their research Guest and Conway (2002) used the psychological contract as an instrument to explore the employment relationship with a specific focus on explicit deals – referring to these deals as re-negotiable, flexible and influenced with a variety of consequences during the tenure of the relationship. More recently, Salicry and Chelliah, (2014, p.39) argue the definition of the psychological contract to be: "... a reciprocal understanding between an individual and an organization encapsulating unexpressed beliefs, promises, expectations, responsibilities and obligations of employees with regard to a fair employment relationship." It is important to note that this definition refers to key words such as "reciprocal" as well as "employment relationship", which emphasizes the need for this contract to be well understood from both the employee's, as well as the organization's perspective.

2.2.2 Characteristics of the psychological contract

Rousseau (2004) describes six key features of the contract, with voluntary choice as the first one, and argues that when a commitment is made voluntarily, it tends to be kept. The second feature refers to the belief in mutual agreement and interpretation. Thirdly, Rousseau (2004) refers to the incompleteness of the contract – the contract can therefore be re-negotiated over time. Taylor and Tekleab (2004) have highlighted the need for the contract to be flexible, and allows for negotiation between the parties. The fourth feature is described as multiple contract makers, which simply means that the interpretation of the contract from an employee's perspective is shaped by different sources of information (i.e. immediate line manager, human resource manager and top management). The second last feature deals with managing losses as a result of failed contracts. This is when a promised benefit is not realized and results in a loss for one of the parties. The sixth and last feature according to Rousseau (2004) refers to the use of the contract as the model of the employment relationship.

2.2.3 The function of the psychological contract

Due to the implicit nature of psychological contracts, Kalleberg and Rogues (2000) confirm that perceptions play a big role in terms of the fulfilment of these expectations. Rousseau (2004) argued that once an employee is confident and believes that his or her employer will reciprocate their part of the bargain, the psychological contract will motivate employees to fulfil their obligations and commitments towards the organization.

Marguire (2002) highlights the fact that a good psychological contract may not lead to extra-ordinary performance; but should increase the motivation and commitment of an employee. Rousseau and Robinson (1994) also explain that the violation or breach of the contract is likely to weaken or even demolish the very same factors that led to the initiation of the relationship between employer and employee.

2.2.4 Types of psychological contracts

Rousseau (1989) argued that there are two different types of psychological contracts – transactional and relational ones - which recent research (Salicry and Chelliah, 2014) describes to be more dependent on one another than mutually exclusive. According to Rousseau (1989), a transactional contract refers to a quantifiable contract that is often of a financial nature and therefore refers mostly to remuneration matters. It is also characterized as being static and of a short term nature. Relational contracts are more emotional in nature, are subjective and can often not be measured. Relational contracts are characterized by their dynamic and longer term nature. Shields (2007) have developed a matrix that refers to four types of psychological contracts and these are represented in Table 2.1.

Table 2.1: A Matrix of Psychological Contracts

	Specified performance contingencies	Unspecified performance contingencies
Short-term	<p>Transactional (new deal) Espoused deal: 'If you perform at a high level for as long as we need you, we will provide you with exciting work and opportunities to develop your human capital and employability'</p> <ul style="list-style-type: none"> • Rewards based on short-term role performance, especially task behaviour and results • Emphasis on individual performance and rewards • Rewards matched to external markets <p>Example: Sales, executive and senior management roles</p>	<p>Transitional Espoused deal: 'If you work harder than before, we may be able to keep you on, but you may have to be prepared to take a pay freeze or pay cut'</p> <ul style="list-style-type: none"> • Rewards not linked to performance or membership • Work intensification • Reward levels in decline • Incentives to quit or accept redundancy deals <p>Example: during restructuring or downsizing</p>
Long-term	<p>Balanced Espoused deal: 'If you contribute consistently as a team player and organizational citizen, we will offer you a reward mix that balances your needs and ours'</p> <ul style="list-style-type: none"> • Rewards based on contribution, broadly defined including competencies, membership, task or results, and citizenship • Flexible balance between collective and individual performance, intrinsic and extrinsic rewards, short and long term incentives, flexible benefits and work-life balance. <p>Example: high involvement work teams</p>	<p>Relational (old deal) Espoused deal: 'If you are loyal and work hard and as directed we will provide you with a secure job, steady pay increases and internal training and promotion opportunities'</p> <ul style="list-style-type: none"> • Rewards based on individual membership, length of service or seniority, loyalty • Rewards emphasise internal equity, incremental adjustment and fixed benefits <p>Example: traditional business</p>

Source: Shields (2007, p.55)

2.2.5 Breach and violation of the psychological contract

When either party to the psychological contract does not fulfil or deliver on expectations from the other party, there is a breach or violation of the contract, irrespective of whether this is done knowingly or unknowingly. Morrison and Robinson (1997) distinguished between contract breach and contract violation and argue that distinction in terms of cognition and emotion. An employee will realize a contract breach through cognitive awareness that one or more obligation have not been fulfilled by the organization. Contract violation on the other hand, leads to an emotional experience through recognizing that a breach has occurred and will leave the employee with feelings of anger and betrayal. A breach of the contract leads to reduced psychological well-being (Conway and Briner, 2002), increases the possibility of the employee wanting to exit the organization, reduces job satisfaction (Tekleab and Taylor, 2003) and increases negative attitudes towards the organization (Johnson and O'Leary-Kelly, 2003). A perceived breach of the contract affects in-role performance as well as extra-role behaviours of an employee negatively (Lester, Turnley, Bloodgood and Balino, 2002). Zhao, Wayne, Glibkowski and Bravo (2007) also argue that various types of negative outcomes can be associated with a breach of the psychological contract such as lower levels of performance and poor job satisfaction. A contract violation is more serious than a breach and deals with a situation where one party believes that although he/she has kept to their promises and/or obligations, the other party has broken their promise or not delivered on their obligations. Coyle-Shapiro and Parzefall, (2008, p15) argue that a contract violation creates: "... emotional distress, feelings of betrayal, anger and wrongful harm ..."

2.2.6 Guest's model of the psychological contract

Guest (1998) argued that the concept of psychological contracts had both conceptual as well as empirical limitations and then embarked on building a model as represented in Figure 2.1 below. This model is very descriptive in terms of causes, content (or state) and consequences of the psychological contract.

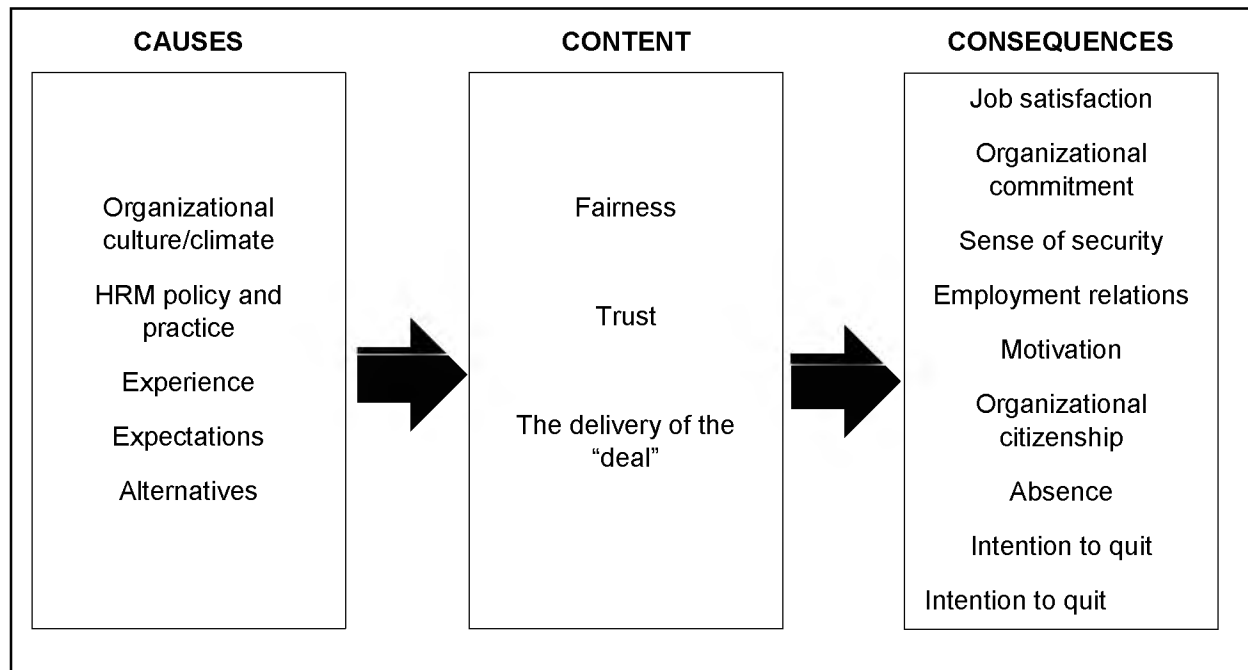


Figure 2.1: Guest's model of the psychological contract (Source: Guest 1998, p.661)

According to Figure 2.1, Guest's (1998) model suggests firstly, that the state of the contract is dependent on the extent to which organizations implement and embed management practices. Secondly, Guest (1998) argues that the perception of an employee with regards to fairness and trust will shape the belief of how the organization is "delivering on the deal". The last column of Figure 2.1 suggests that if the employee fosters positive perceptions about the organization and the fulfilment of the psychological contract, employee satisfaction and commitment will increase as a result.

Guest (1998) argues that one of the challenges with the psychological contract is referred to as the agency problem. Salicru and Chelliah (2014) describe this agency problem as a challenge that occurs when employees perceive that the organization consists of more than one manager (i.e. senior managers, junior managers and, for example, human resource managers). This might create confusion in the employee's mind when he or she is required to react to expectations that are communicated as this might lead to the employee receiving mixed messages from the respective managers.

The very same agency problem was one of the limitations that led to the development of the leadership psychological contract model, which according to Salicry and Chelliah

(2014), solves the agency problem through identifying the immediate line manager as the representative of the organization that the psychological contract is made with. Before embarking on a discussion about the fairly newly developed leadership psychological contract, it is important to understand that there are different models of the psychological contract. The leadership psychological contract is built on the causal model of the psychological contract of Guest (1998) as described above.

2.3 The leadership psychological contract

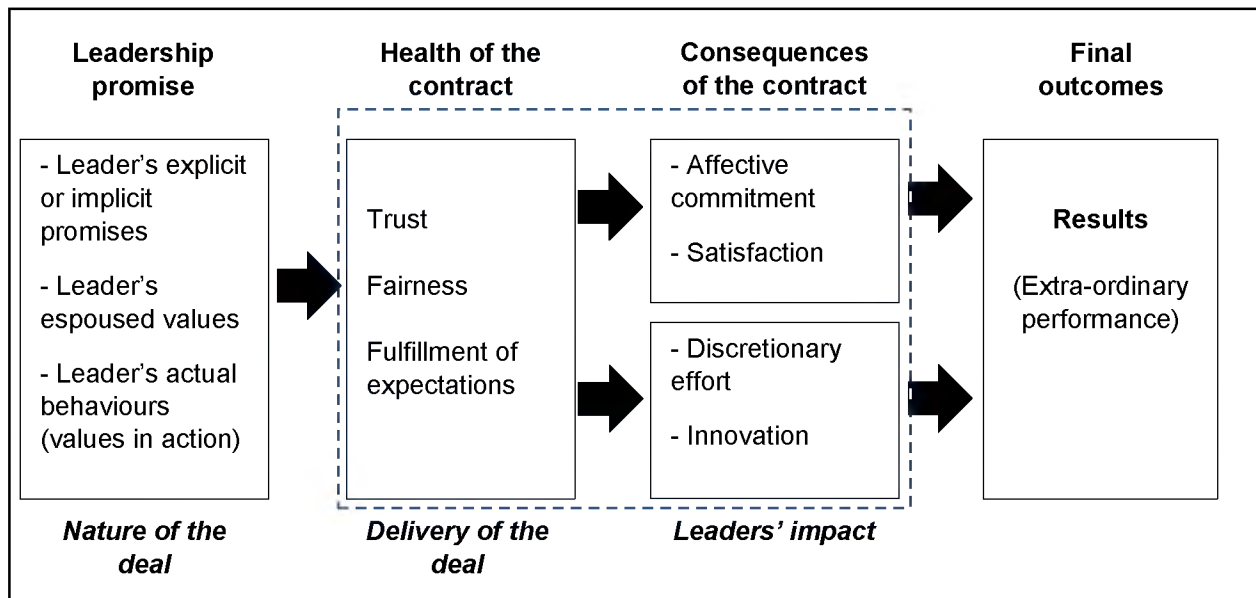


Figure 2.2: Leadership psychological contract model (Source: Salicry and Chelliah, 2014, p.42)

As can be seen in Figure 2.2, the leadership psychological contract consists of seven distinctive variables that relate to the health of the contract. Trust, fairness and fulfillment of expectations are expressed as antecedents in the model, whilst affective commitment and satisfaction are seen as mediators. Discretionary effort and innovation are expressed as behavioural outcomes. The health of the contract is important for this research; due to the fact that it attempts to explore the possible relationship between an authentic leader and the impact his/her behaviour will have on the performance of an employee. As mentioned earlier, the psychological contract is used as a framework to understand the relationship between a leader and the organization. The health of the psychological

contract should therefore indicate possible positive or negative consequences of the leader's behaviour on the employee.

The leadership psychological contract was developed not only to contribute towards leadership research, but also to highlight the impact a leader's behaviour has on the emotions of followers. Salicry and Chelliah (2014, p.43) argue that emotions such as affective commitment and satisfaction, play a mediating role in the relationship or connection between a leader and his or her followers and refer to it as "the meeting of the hearts". These emotions will eventually contribute to extra-motivational behaviours of the employee and should result in discretionary effort and ultimately extra-ordinary performance. According to Salicry and Chelliah (2014), the model allows for emotions to play a mediating role that is directly linked to the leader's impact on the follower and can be measured through affective commitment and satisfaction which are both well-known and well-established constructs in literature.

The leadership psychological model refers to results as a final outcome. Results in the context of this study refer to the performance rating of an employee. The performance ratings of the organization where the study was done, allow for both a "what" and a "how" rating as part of an employee's performance measurement. In the context of the organization where the study was done, the "what" represents the measurement against performance objectives. In other words, how well employees performed against their objectives that were set. The "how" represents the ability of the employee to align performance with values in action, in other words, aligned with the organization's set values.

McDermott, Conway, Rousseau and Flood (2013) recognized that promoting the psychological contract through a leadership approach will assist organizations in better understanding the relationship between a leader and his/her followers and the impact thereof. The next section of this chapter will focus on introducing and discussing authentic leadership as an appropriate leadership approach within the framework of the leadership psychological contract.

2.4 Authentic leadership

2.4.1 Introduction to authentic leadership

The origin of authentic leadership as a construct dates back to the ancient Greek philosophers who described it as “Know thyself” and “To thine own self be true” (Harter, 2002; Avolio, *et al.*, 2004; Walumbwa *et al.*, 2010). Seligman (2002) defined authenticity as being able to own one’s personal experiences, irrespective of whether they are in the form of emotions, beliefs, needs or preferences, and then acting on these experiences according to the true self.

Several definitions of authentic leadership are available in literature, and mostly relate to a leader whose behaviour stays true to himself/herself – linking into the Greek philosopher’s definition above (Harter, 2002). Ilies, Morgeson and Nahrgang (2005) argued the possibility of there being more to authentic leadership than a leader simply being true to himself/herself. Walumbwa, *et al.* (2008) further argue that the increasing number of corporate scandals, leadership crises and societal challenges, has contributed to the recent attention being placed on both authenticity, as well as authentic leadership. Salicru and Chelliah (2014, p.38) argue that: “... corporate leaders need to demonstrate the leadership required to successfully lead their organizations, practice the high levels of corporate ethics expected and empower every employee to achieve the extraordinary.” Exemplary leaders are required to restore confidence in leadership. According to Luther and Avolio (2003, p. 243), authentic leadership is “... a process that combines positive leader capacities and a highly developed organization context. The authentic leadership process positively influences self-awareness and self-regulated positive behaviours on the part of both leaders and followers, and it stimulates positive personal growth and self-development ...” According to Walumbwa *et al.*, (2008), publicized corporate scandals were showing an upswing and this caused corporate boards to be held more accountable for their actions. Failure of executives to align their words and actions will inevitably lose followers and stakeholders, who have been increasing their expectation of integrity.

Walumbwa, Avolio, William, Gardner, Wernsing and Peterson (2008, p. 94) describes authentic leadership as: "... a pattern of leader behaviour that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development". For the purpose of this study, this definition will be adopted and will be applied as part of the research, together with the Authentic Leadership Questionnaire (ALQ) that was developed by Avolio *et al.* (2007).

George, Sims, McLean and Mayer (2007) argue that despite the fact that there has been a vast amount of studies on what makes a great leader, no scholar has as yet been able to come up with a clear profile. In the same breath George *et al.* (2007) considers this in a positive light, as it could place imitations on leaders, who would feel pressurized to conform to this profile and thereby become inauthentic. George *et al.* (2007, p.1) maintain that: "People trust you when you are genuine and authentic and not a replica of someone else."

Walumbwa *et al.* (2008) argues that leaders have a profound impact on the lives of their followers (positive or negative), whilst Chiulla (2004) believes that ethics is at the heart of leadership. Therefore Walumbwa *et al.* (2008) further highlights the importance of increased awareness and attention to the inherent ethical responsibilities that a leader has, and suggests that authentic leadership development should have a specific focus to it. According to Michie and Gooty (2005), authentic leaders hold self-transcending values, which means that they rise above the norm. Salicru and Chelliah (2014) suggest that these values are universal and benevolent values that apply to humankind in general, and to followers in particular. These values include broadmindedness, social justice, loyalty, responsibility and honesty.

Typical characteristics of an authentic leader refers to the ability of being honest with him-/herself, as well as displaying behavioural traits that reflect their own personal values (Walumbwa *et al.*, 2008). Wong and Laschinger (2013) further explain that an authentic leader emphasizes openness and truthfulness amongst followers that encourages them to be forthcoming with their own ideas, challenges and opinions through understanding

how they affect others. A more recent contribution to authentic leader's characteristics was that of George (2016) who describes an authentic leader as a leader that will keep on trying to bring out the best in employees. George (2016) argues that authentic leaders notice the potential in others, encourage people to take responsibility for their actions and focus on collaboration, which will make things better for everyone. The abovementioned characteristics are important and are closely aligned with the behaviours that the leadership psychological contract suggests is important for leader-follower relationships.

2.4.2 The construct of authentic leadership

Walumbwa *et al.* (2008) developed the construct of authentic leadership as a multi-dimensional one that includes characteristics or dimensions such as self-awareness, relational transparency, balanced processing and internalized moral perspective:

- Self-awareness refers to making sense and meaning for oneself and the world he/she lives in, coupled with an appreciation of one's complex nature and strengths and weaknesses. Kernis (2003) argued that self-awareness also includes knowing oneself and one's impact through interaction with others.
- Relational transparency deals with being oneself – a major ingredient for fostering trust (Kernis, 2003).
- Balanced processing refers to the ability to analyze all relevant information before embarking on decision making (Gardner, Avolio, Luthans, May and Walumbwa, 2005).
- An internalized moral perspective indicates that one is able to be guided by one's own internal moral standards, versus external pressures from society, community and the work place (Avolio and Gardner, 2005).

To this end Avolio, Gardner and Walumbwa (2007) developed an Authentic Leadership Questionnaire (ALQ) that was used in various studies about the construct of authentic leadership (see Clapp-Smith *et al.*, 2009; Giallonardo *et al.*, 2010; Walumbwa *et al.*, 2008; Walumbwa *et al.*, 2010 and Wong *et al.*, 2010). For the purposes of this study, the ALQ will be used as measure of authentic leadership.

2.4.3 Criticism of and alternative authentic leadership models

Beddoes-Jones and Swailes (2015) argue that although the model of authentic leadership of Walumbwa *et al.*, (2008) is probably one of the most widely researched models on the topic, it was fundamentally flawed due to the fact that the research was done with students as the population. Beddoes-Jones and Swailes (2015) therefore developed a model that was researched on “real” leaders in the United Kingdom with real-world leadership experience. They argued that authentic leadership is a relational model that incorporates self-awareness, self-regulation and ethics as part of a three-factor model, which sits on a bedrock of trust.

As an alternative model of authentic leadership, Shamir and Eilam (2005) proposed a life stories approach to authentic leadership development and argue for the following four defining characteristics in their definition of authentic leadership: 1) “authentic leaders do not fake their leadership” (p.396) but lead as close as possible to their true and real self; 2) their leadership flows out of conviction and pursuit of a value based mission or cause; 3) “authentic leaders are originals, not copies” (p. 397) and their leadership is based on their deeply rooted values as an experience by themselves and not imposed by others; and 4) there is consistency between what they say and what they do, based on their own values and convictions. It is important to note that Shamir and Eilam (2005) do not include any form or consideration of morality within their definition of authentic leadership.

Gardner *et al.* (2011) identify other alternative models of authentic leadership such as: (1) Sparrowe (2005), where a hermeneutic philosophy is used to narrate the process through which a leader’s authentic self develops; (2) Michie and Gooty (2005), where self-transcendent values and positive emotions play out in the development of authentic leadership; (3) Eagly (2005), where gender plays a role in authentic leadership requirements and therefore women find it difficult to achieve authenticity as leaders; and (4) Ladkin and Taylor (2010, p.64) where “ways in which a somatic sense of self contributes to the felt sense of authenticity and how through engaging with somatic cues, leadership can be performed in a way which is experienced as authentic, both to the leader and those he or she seeks to lead”.

2.5 Satisfaction

The term job satisfaction was initially defined by Hoppock (1935, cited in Liao, Hu, Chung and Chen, 2017) and included both the feeling felt by the employee in the working environment, as well as what satisfied employees on a physical and psychological manner. It is important to note that these “feelings” towards employee’s working environment, were subjective in nature. Since the coining of the phrase job satisfaction, it seems that it was used interchangeably with employee satisfaction. According to Turkyilmaz *et al.* (2011) employee satisfaction refers to the overall feeling of an employee about his or her job and might even be broken down to a set of attitudes that refer to various specific aspects of a job. Rice *et al.* (1989) argued that “satisfaction is determined, in part, by the discrepancies resulting from a psychological comparison process involving the appraisal of current job experiences against some personal standards of comparison”. Lock (1976, p.1304) defines employee satisfaction as: “... a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience.” Employee satisfaction can therefore be seen as an important variable that can give an indication of the general emotion and thinking patterns of employees regarding their jobs and their workplaces. Turkyilmaz *et al.* (2011, p.677) further argues that employee satisfaction links to the expectations that an employee has towards his or her workplace, as well as his or her attitude towards his or her job, and therefore propose that: “ ... job satisfaction is a function of the extent to which one’s needs are satisfied in a job”.

Liao, Hu, Chung and Chen (2017, p.433) define life satisfaction as: “... an individual’s global cognitive evaluation of satisfaction with her/his own life as a whole” and therefore considers it as a key indicator that relates to an individual’s quality of life. Studies have also confirmed that life satisfaction is closely related to certain positive personal, social, interpersonal and psychological outcomes (Proctor *et al.*, 2009; Clarke, 2015). These studies therefore imply that the higher a person’s global life satisfaction score, the better his or her life outcomes will be. This includes aspects such as financial success, academic achievements, mental health, work performance, emotional intelligence, supportive relationships and even work-life balance (Proctor *et al.*, 2009; Koubova and Buchko, 2013). According to Liao *et al.* (2017) the inference can be drawn that life satisfaction is

a critical component of a person's psychological health, social well-being, and work performance and is a combination of perception of an employee about his or her working and non-working life. Brief, Butcher, George, and Link (1993) argue that life satisfaction refers to the overall subjective well-being of the employee, while job satisfaction is of a narrower scope and is determined by affective and cognitive evaluations (by the employee) about his or her job.

2.5.1 Leadership and satisfaction

There is no doubt that work and life domains are interdependent and therefore organizations are forced to identify determinants of both life and job satisfaction (Liao *et al.* 2017), one of which is leadership. It is therefore inevitable that there is a growing interest in organizations to focus on leadership behaviours or styles, because of the mounting evidence of leadership impacting the productivity, performance and satisfaction of employees (Carmeli, 2003; Kotze, 2004; McMurray, 2003; Wetton and Cameron, 2002). Various studies have already shown that the behaviour of leaders influences how employees react, and contributes to creating a climate of satisfaction in the organization (Walumbwa *et al.* 2010; Katou, 2015) and employee commitment (Kiarie *et al.*, 2017). This will suggest that employees could be more satisfied in their job function as a result of having a good relationship with their leader.

It is therefore important at this point to find the link between authentic leadership and the leadership psychological contract. Figure 2.3 depicts the model that this study will use to establish the relationship between authentic leadership and performance, as well exploring the mediating effect of satisfaction.

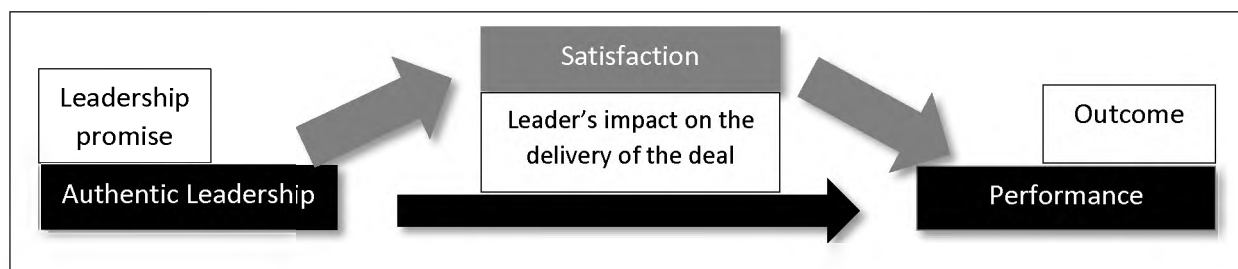


Figure 2.3: Integrating the authentic leadership and the LPC (Source: Salicry and Chelliah, 2014, p.42)

2.6 Employee performance

Central to the relationship between leader and follower is the performance of an employee. Murphy (1989) argues that job performance refers to how well an employee achieves in the duties and tasks that are related to his or her job description. Viswesvaran and Ones (2000) argues that job performance refer to the overall actions, behaviours as well as outcomes that are aligned to achieving the goals that are set by the organization.

Humborstad *et al.* (2012) posited that job performance is a multi-faceted construct. Humborstad *et al.* (2012) further argues that organizational citizenship behaviour (OCB) refers to the employee's individual behaviour that goes beyond what is contracted as part of his or her job and highlight that it is necessary for the effective functioning of the organization and therefore refers to it as extra-role performance. Salicry and Chelliah (2014) refer to extra-role performance as discretionary effort (see Figure 2.2) and also refer to these behaviours of employees as going beyond the call of duty in an attempt to exceed the expectations that their job sets. Choy, et al. (2016) argues that employee performance refers to acts that are linked to different behaviours that contribute to achieving both the employee's objectives as well as the organizational goals.

2.7 Authentic leadership and performance

Avolio *et al.* (2004, p.804) argue that "... authentic leaders are able to enhance the engagement, motivation, commitment, satisfaction and involvement required from followers to constantly improve their work and performance outcomes ...". Given the current ethical and performance challenges in the working environment, Avolio and Gardner (2005) further argued that "... authentic leadership behaviours lead to follower performance outcomes that are sustainable in the current, unstable work environment." Walumbwa *et al.* (2008) argues that when a leader's values are aligned to his or her behaviours and they act accordingly, whilst also assisting others (employees) to do the same, employee well-being will increase, which in turn will have a positive impact on employee performance. Leroy *et al.* (2015) developed a model that examines the relationship between authentic leadership, authentic followership, basic need satisfaction and work role performance whereby they posited that authentic leadership enhances the average performance of an employee. "Because authentic leadership fosters a work context that supports basic need satisfaction, followers are more likely to experience autonomous motivation to perform at high levels" (Leroy *et al.* 2015, p.1684).

2.8 Authentic leadership and satisfaction

Various studies have pointed out the link between the behaviour as displayed by a leader on the one hand and a combination of the satisfaction climate and employee reactions on the other hand (Katou, 2015; Walumbwa *et al.* 2010). Worrell (2004) argues that those employees that have a good relationship with their leaders tend to be more satisfied in their job function. Rad and Yarmohammadian (2006) also argues that there is a positive correlation between leadership and employee job satisfaction. Kiarie, Maru and Cheruiyot (2017) suggest that organizations are focused on the ability of a leader, his or her preferred style as well as his or her competence due to growing evidence regarding the influence or impact a leader's personality traits have on satisfaction and performance of employees. Kiarie *et al.* (2017) emphasizes the link between leader personality traits as a determining factor in how successful the organization is in satisfying employees. DeCremer (2003) explains that the quality of leader-employee relationship is significantly

related to an employee's job satisfaction. Kiarie *et al.* (2017) also argue that good leaders are able to understand the importance of job satisfaction and ensure that they plan and implement interventions within the organization to improve employee job satisfaction.

2.9 Satisfaction and performance

Numerous studies have demonstrated that there is a bi-directional relationship between employee satisfaction and employee performance (e.g. Atmojo, 2015; Judge, Thoresen, Bono and Patton, 2001; Lawler and Porter, 1967; Sharma, Kong and Kingshott, 2016), and these variables are increasingly incorporated into more complex theoretical models and frameworks. In a service context, Heskett and others (e.g. Heskett, and Sasser, 2010; Heskett, Sasser, and Schlesinger, 1997) have developed the service profit chain, which demonstrates a linkage between employee satisfaction and employee performance. Loveman (1998) found some support for the model in his study conducted amongst the branches of a large regional bank. Therefore, even from the narrow perspective of performance, it is important for the employer to ensure that employees are satisfied at work.

2.10 Chapter summary

The relationship between authentic leadership and performance has been the subject of research for several years. The leadership psychological contract was explored to confirm the relationship between the immediate line leader and the employee and confirms the impact that a leader's behaviour has on an employee. Authentic leadership is proposed as the "new" kind of leadership that will help leaders to restore the confidence in leadership and positively contribute and influence the performance of employees hence the common theme throughout literature is that authentic leadership is positively associated with employee performance.

The next chapter will discuss the research methodology that was used for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was followed for this study. It starts by stating the aim and hypotheses for the research, followed by the research design and methodology used, which includes an explanation on the data collection methods and a detailed explanation of the questionnaire. The response rate of the study is explained, as well as the data analysis and the assumptions linked to the research. The chapter also includes a section on the ethical considerations of the study.

3.2 Aim of the study

The aim of the study is to explore the relationship between authentic leadership and the performance of an employee and to further explore the possibility of satisfaction being a mediator for the aforementioned relationship.

3.3 Hypotheses

The four main hypotheses used for the study are listed below; however, it is important to note that the study consisted of other hypotheses that assisted the researcher to rule out any possibility of bias in terms of the biographical information. To ensure that there is integrity in the data, all biographical information was therefore tested against the three variables used in this study (authentic leadership, satisfaction and performance). These sub-hypothesis are discussed in sections 4.5.1 to 4.5.3. Sections 4.5.5 to 4.5.6 will explore the variables in different relationships to one another as independent and dependent variables.

H0₁: There is no statistically significant relationship between authentic leadership and an employee's performance rating.

H0₂: There is no statistically significant relationship between authentic leadership and an employee's satisfaction score.

H0₃: There is no statistically significant relationship between how satisfied an employee is and his or her performance rating.

H0₄: There is no statistically significant relationship between authentic leadership and an employee's performance rating nor is it mediated by satisfaction.

3.4 Research approach

The research design of a study can manifest in various forms (Saunders and Lewis, 2012; Newman, 2005; Bernard and Bernard, 2012) and can be described as either: (1) exploratory which focus on seeking new insights whilst examining new topics; (2) descriptive which will represent an accurate view of persons, events and or situations; or (3) explanatory research, which seeks to examine an existing problem through explaining the relationship that exists between the identified variables.

As described in chapter two, this study will examine the relationship between authentic leadership and employee performance and whether or not employee satisfaction mediates this relationship. An explanatory research design was therefore adopted due to the fact that it fits the purpose of this study.

Research is further divided into quantitative and qualitative categories. According to Henwood (2014) qualitative research refers the collection and analyzing of non-numeric data about social and psychological life. Faux (2014, p.1615) defines quantitative research as: "... the scientific method of stating a research hypothesis/research question, operationalizing terms, measuring variables using statistical techniques or standardized tests, analyzing data, reporting findings and generalizing results." This study will use quantitative statistical data techniques that are descriptive in nature in order to test if there is a positive level of significance between variables through testing the hypotheses.

When deciding on a research approach, it can either be deductive or inductive. Deduction refers to the testing of a theoretical proposition, which is based on a specific research strategy of hypotheses testing; while induction refers to the development of a theory

through analyzing existing data (Neuman, 2005; Saunders and Lewis, 2012). This study used a deductive approach, as it involves the formulation of theoretical propositions that were tested using statistical methods. According to Fox (2008) post-positivism is not only an approach to knowledge but also an assessment of the nature of reality. Positivism is concerned with the objective nature of reality, and the ability of science to discern that reality (Fox, 2008). This study will adopt the post-positivist paradigm in the form of verification of hypotheses.

3.5 Research Design

3.5.1 Data Collection Methods

Saunders and Lewis (2012) describes various forms of data collection strategies and for the purpose of this study, the **survey strategy** will be used to collect data through questionnaires, which is mainly used for descriptive and explanatory studies. Using a survey in the form of a questionnaire assist the researcher to answer questions such as who, what, where and how and is ideal for examining relationships.

3.5.2 The Questionnaire

The questionnaire used for this study (Annexure A) was self-administered by the researcher through the Survey Monkey® platform. Self-administered data collection is regarded as a widely used technique for quantitative surveys due to cost implications and time constraints (Bernard and Bernard, 2012). Burns and Bush (2013) argues that it is an effective method due to the fact that respondents are able to complete the survey when it is convenient to them and also increases the willingness of respondents to provide sensitive information such as performance ratings and evaluating their line manager. The questionnaire was sent out to respondents within the population via e-mail. Using a structured format questionnaire as part of the survey strategy, allows the researcher the opportunity to collect opinions from respondents with regards to the variables identified (namely authentic leadership, satisfaction and employee performance in this study).

The first section (section A) consisted of five biographic questions that requested respondents to indicate their gender, age, race, highest level of education and tenure with the organization.

The second section (section B) consisted of two questions where respondents were requested to indicate their most recent performance rating. The performance ratings for the organization have seven different descriptors namely: 1) outstanding; 2) very strong; 3) strong; 4) good; 5) improvement needed; 6) underperforming; and 7) too soon to rate. For the purposes of this study, the first two ratings were grouped together and categorized as high performing employees. The third and fourth rating were categorized as medium performing employees. The last two ratings were categorized as low performing employees. A seventh descriptor relates to those employees that were not rated due to the fact that they had only recently joined the organization and therefore the line manager does not have enough evidence to rate the employee. Employees that have less than three months service with the organization will automatically fall within this category. The second question of section B relates to the job grade of the respondent and requested employees to choose from a list of the different job grades within the organization.

The third section (section C) of the questionnaire dealt with a set of questions that were adopted from the Authentic Leadership Questionnaire (ALQ) as developed by Avolio *et al.* (2007). The ALQ has been used in various studies since its development (e.g. Clapp-Smith *et al.* 2009; Giallonardo *et al.* 2010; Walumbwa *et al.* 2010; Wong *et al.* 2010). The ALQ was also used in a cross cultural study done by Cervo, Mónico, Dos Santos, Hutz and Pais (2016). No studies utilizing the ALQ in a financial institution, nor in South Africa could be found.

Respondents were asked to rate how they perceive the behaviours of their immediate line leader on a Likert scale from zero to four where the number zero refers to *not at all*; one refers to *once in a while*; two refers to *sometimes*; three refers to *fairly often*; and four refers to *frequently, if not always*. This section consisted of sixteen questions that deal with the four dimensions of authentic leadership, namely transparency, moral/ethical, balanced processing and self-awareness. Each question are tied to a specific dimension: Question one to five is linked to transparency; question six to nine is linked to

moral/ethical; question ten to twelve is linked to balanced processing; and question thirteen to sixteen is linked to self-awareness.

The fourth section (section D) consisted of six questions that relates to satisfaction. These questions were adopted from a research instrument of Freese and Schalk (1997). According to Freese and Schalk (2008), there are various ways to measure the outcome of a psychological contract and to this end provide a measurement of satisfaction (Freese and Schalk, 1997). Respondents were asked to rate how satisfied they currently feel about various aspects of their life. A Likert scale from one to seven was used, where one refers to *totally dissatisfied* and seven refers to *totally satisfied*. These questions covers a wide array of aspects and included questions about the financial position of the household, health and well-being and leisure time, thereby providing a broad measure of employee satisfaction.

3.6 Population and Sampling

According to De Vos, Strydom, Fouche and Delport (2011, p. 223) a population is defined as "... the totality of persons, events, organization units, case records or other sampling units with which the research problem is concerned". Although it is not always possible to use the total population for a study due to time and financial constraints, for the purpose of this study, the population was identified as all permanent employees within a South African financial institution considered as one of the four largest commercial banks. The population consisted of all retail, business bank and private banking employees within the Eastern and Southern Cape boundaries of the organization. The total population was used as the sample for the purposes of the study and was identified as one thousand one hundred and seven employees. The e-mail addresses of employees were obtained from the intranet once the relevant permission was granted. These employees are representative of all job grades within the organization, from entry level to managing executive level.

The researcher resides within the Eastern Cape and therefore the choice of the population was purely based on logistical convenience, as well as ease of approval for the study from executive management.

3.7 Response Rate

The table below represents a summary of the response rate to the questionnaire that was used for the study. Three hundred and sixty six responses were received from the population of one thousand and seventy seven, which is equal to a response rate of 33%.

Table 3.1: Summary of responses from the population that was used

Total number of questionnaires distributed	1077
No response received	711
Opted out questionnaires	1
Incomplete questionnaires – not usable	76
Fully completed questionnaires	290

Nulty (2008) argues that on average, online surveys achieve a much lower response rate than paper-based ones. After comparing and analyzing the response rates of eight examples of paper-based questionnaires and online questionnaires (see Table 3.2), Nulty (2008) concluded that the overall average response rate for paper-based questionnaires is 56% and for online questionnaires it is 33%. Table 3.2 below indicates that the discrepancy in response rate of paper-based (32.6%) and online surveys (33.3%) according to Watt *et al.* (2002). Other researchers such Nair, Wayland and Soediro (2005) and Ogier (2005) all reported a response rate lower than 32% for online surveys. Table 3.2 therefore assists the researcher to assume that the response rate for this study sufficient to continue with the data analysis.

Table 3.2 Comparison of response rates to paper-based and online surveys

Who	Paper-based response rate (%)	Online response rate (%)	Difference (%)
Cook <i>et al.</i> (2000)	55.6	-	-16
Baruch (1999)	-	39.6	
Dommeyer <i>et al.</i> (2004)	75	43	-32
Ballantyne (2005)	55	47	-8
Ogier (2005)	65	30	-35
Nair, Wayland & Soediro (2005)	56	31	-31
Watt <i>et al.</i> (2002)	32.6	33.3	<1
Overall	56	33	-23

(Source: Nulty 2008, p.303)

3.8 Data Analysis

The data that was collected was first subjected to data cleaning and data coding. Where there were missing values, the total response set was excluded from the data. Data coding was also done to prepare the data for the statistical analysis. Mathematica software was then used to analyse the data.

Reliability analysis was done through calculation of the Cronbach's alpha coefficient which indicated that both instruments used within this survey qualify as good instruments. ANOVA was used to analyse the categorical data and establish the differences between groups. This was applied to the groups that exist within the biographical variables, as well as the performance ratings or categories of the respondents. For variables that produced interval data, correlation and regression analysis was done to establish the relationship between these variables (e.g. authentic leadership and satisfaction). An analysis of the different variables within the biographical information of the respondents was also done to ensure that there is no bias evident towards a specific group of respondents.

3.8.1 Reliability analysis

Listwise deletion refers to a method used to completely remove responses from the data set that have missing values (Schlomer, Bauman and Card, 2010). According to Table 4.1, 76 cases were deleted from the total of 366 due to missing values.

Missing or inconsistent data have been a prevalent challenge in data analysis ever since data collection originated according to Brown and Kros (2003) and became even more prevalent in the knowledge discovery process. Brown and Kros (2003) site the reasons for data inconsistency as: (1) procedural factors which refers to common data entry errors; (2) refusal of response, which refers to the possibility that respondents may be sensitive to certain questions, or may just have insufficient knowledge to accurately answer certain questions; and (3) inapplicable responses, which refers to a question being left blank because the respondent believes that it does not apply to him/her.

According to Graham (2009) there are three terms that describe the different types of missing data: (1) missing completely at random (MCAR), which refers to the data that is missing independently of both observed and unobserved data; (2) missing at random (MAR), which refers to the observed data that are missing independently of unobserved data; and (3) missing not at random (MNAR), which refers to unobserved data and is often referred to as non-ignorable non-responses.

According to Brown and Kros (2003) there are various methods to deal with missing data and can be broken down into the following categories: (1) use of complete data only which can only be used when data is completely missing at random; (2) deleting selected cases or variables which can be applied when data is missing not at random; (3) data imputation which refers to when missing values are estimated and inserted based on observations of other variables; and (4) model-based approaches.

This study yielded 366 completed surveys of 1077 that was sent out, however only 290 were fully complete which means that 76 surveys had missing data. Some of the questions within the survey could be seen as sensitive information as the respondents were asked to rate their immediate line manager/leader in terms of the four dimensions

of authentic leadership. The researcher therefore assumed that due to some respondents deeming this information as sensitive, they refused to complete the survey. Furthermore the researcher assumed that the partially completed surveys were missing data at random, and therefore only used the fully completed surveys for this study.

Table 3.3: Responses Processing Summary

		N	%
Responses	Valid	366	100
	Excluded	76	21
	Total	290	79

When using a Likert-type questionnaire, it is critically important for a researcher to ensure that the data is reliable. Cronbach's (1951) alpha coefficient was used to assess the reliability of the responses (data) that was used in this study. Cronbach's alpha coefficient score refers to an estimate of reliability and is an indicator of consistency of the data. George and Mallery (2003) argue that a score of above 0.9 are excellent whilst 0.5 are poor and 0.7 are questionable.

Table 3.4: Reliability Statistics

	Cronbach's Alpha	# of items
Authentic leadership (ALQ)	0.963	16
Satisfaction	0.852	6
Overall	0.934	24

Table 3.4 provides the results of the Authentic Leadership Questionnaire (ALQ) reliability assessment, as well as those questions relating to satisfaction using the Excel version of Cronbach's Alpha calculator (Siegle, 2012). All scores are above the general threshold of 0.70 with Authentic Leadership Questionnaire (ALQ) qualifying for an excellent score at 0.963 and the measure of satisfaction achieving an acceptable score of 0.852.

3.8.2 Biographic profiles of the respondents

This section provides a summary of the biographic profile of the respondents in the study, in terms of gender, age, race, qualification, experience, and job grade. The frequency distribution of these biographic variables is graphically presented in Figure 3.1 to Figure 3.5.

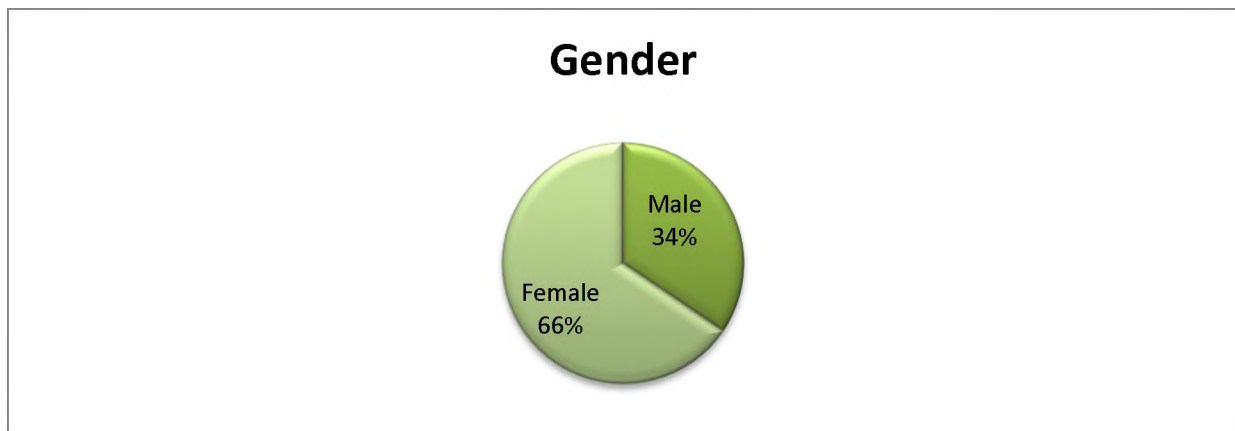


Figure 3.1: Gender frequency distribution

The participation of gender in this study was represented by a 66% female and 34% male split. That means that 190 females completed the questionnaire and 100 males. An analysis of the population was done and found that it consists of 776 female and 301 male employees which equates to a seventy two percent female representation. It therefore suggests that higher completion rate by females are acceptable as it is representative of the population used for the study.

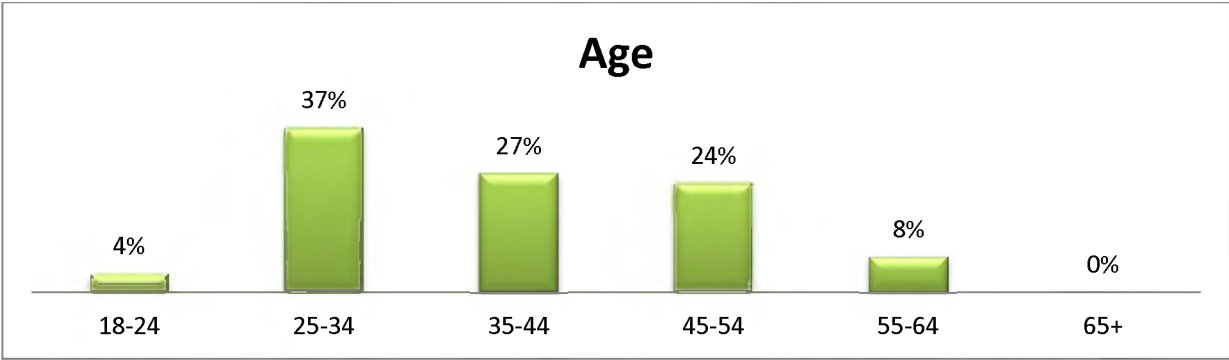


Figure 3.2: Age frequency distribution

Respondents within the age categories of 18 to 34 represented 41% (119 respondents) of the study whilst ages 35 to 54 represent 51% (148 respondents) with only 8% in the category 55 to 64 (23 respondents). An analysis of the population was done and it was found that the responses are reflective of the population to a large extent. The age groups were represented in the population and responses as per Table 3.5 below. The researcher opted to test that the age of the population that completed the questionnaire were not a bias sample of the population.

Table 3.5: Age versus response rate

Age category	% represented in population	% represented in response rate
18-24	8	4
25-34	34	37
35-44	26	27
45-54	20	24
55-64	12	8

The conclusion therefore is that the percentage response rate achieved per age category is sufficiently representative of the population used for the data analysis for this study.

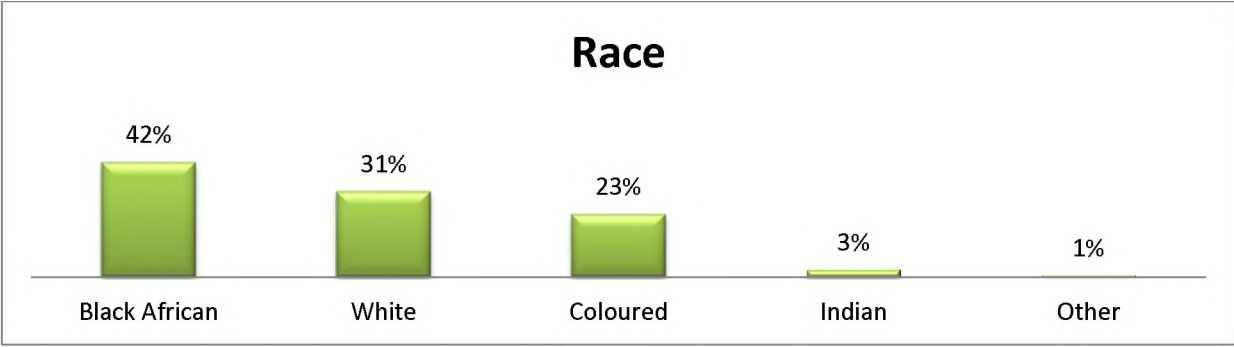


Figure 3.3: Race frequency distribution

Respondents falling into the Black African race category represented 42% (122 respondents) of the population with White, Coloured, Indian and Other representing 31% (91 respondents), 23% (67 respondents), 3% (8 respondents) and 1% (2 respondents) respectively. Data confirmed that both respondents in the “other” category are classified as Chinese. After an analysis that was done on the population, it was found that the responses received are representative of the race categories with only the white category having the largest difference (i.e. 3%) with the actual population reflecting 28% representation.

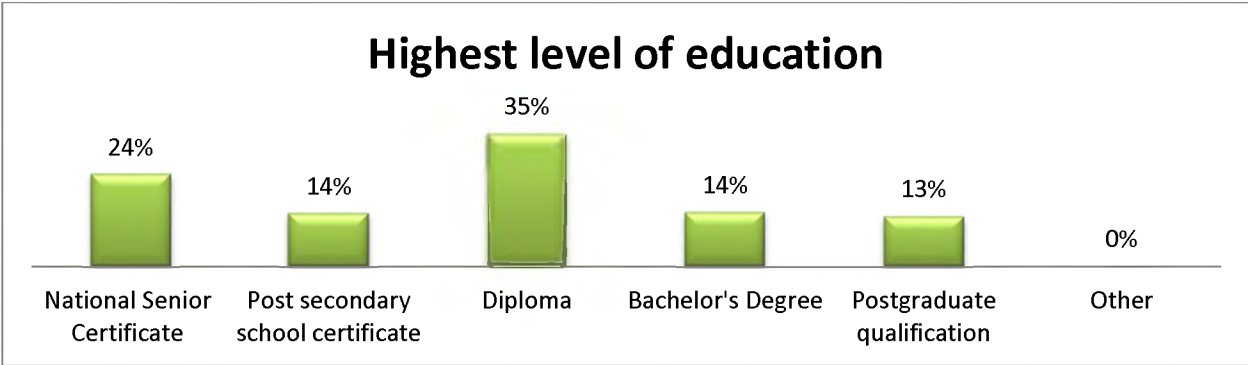


Figure 3.4: Highest level of education frequency distribution

About a quarter, or 24% (70 respondents) holds only Grade 12 (National Senior Certificate), whilst about 14% (40 respondents) hold a post-secondary school certificate. Employees holding a Diploma represent 35% (101 respondents), Bachelor’s Degree 14% (41 respondents) and a Postgraduate qualification 13% (38 respondents). The objective of analyzing this variable is not necessarily to ensure that it is representative of the

population, but to make sure that respondents are sufficiently educated to complete the survey. The analysis as per Figure 3.4 indicates that this was the case.



Figure 3.5: Experience frequency distribution

Very close to the majority (49%) of the respondents (142) have been with the company for longer than ten years. It can therefore be accepted that the data will represent those employees who have been with the company for long enough in order for them to have experienced different leadership styles from different leaders and therefore were able to respond to the questions in the survey accordingly.

3.8.3 Performance ratings of the respondents

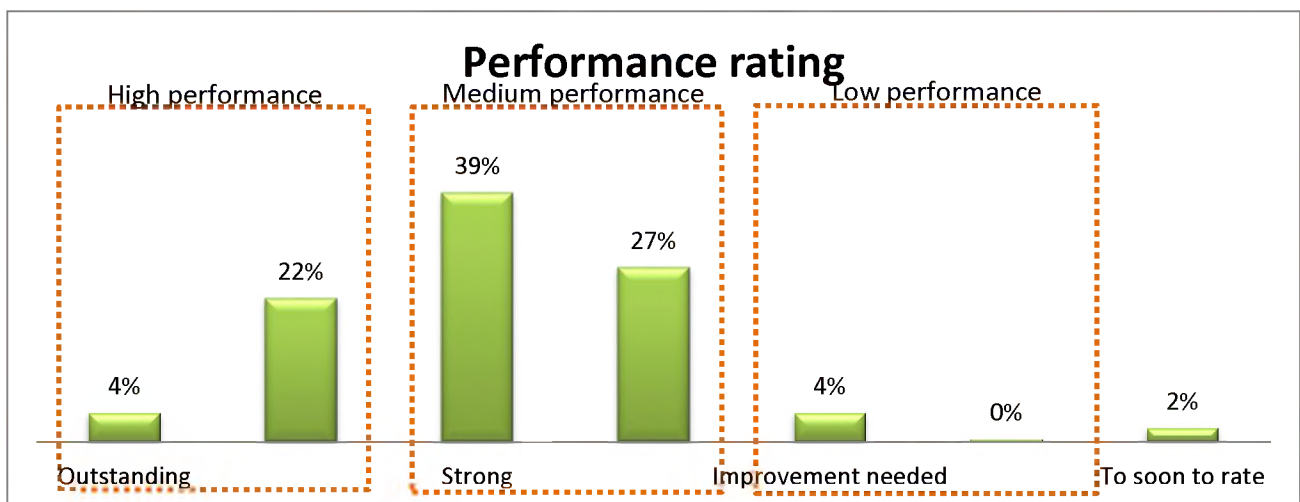


Figure 3.6: Performance rating frequency distribution

Figure 3.6 suggests that 66% (192 respondents) represent the medium performance group whilst 26% (78 respondents) are high performing and 4% (14 respondents) belong

to the low performing group. Note that the category named “Too soon to rate” is for employees that joined the company after 30 August 2016. This study was administered during March 2017 and used the performance rating of last performance cycle at that point in time which was December 2016. Those employees that joined the organization after 30 August 2016 would not have received a performance rating.

3.8.4 Job grades of the respondents

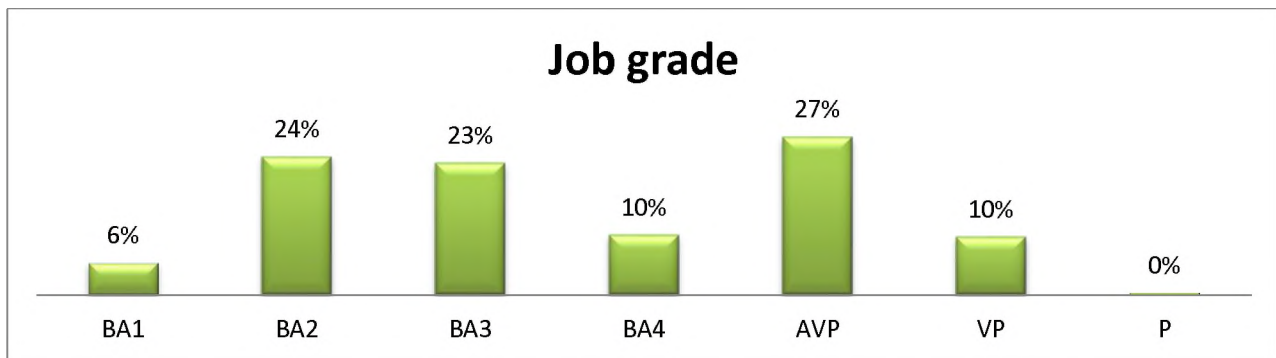


Figure 3.7: Job grade frequency distribution

BA1 to BA3 (53%, 151 respondents) levels represent those employees that do not have anyone reporting into them. BA4 (10%, 30 respondents) refers to entry level line managers whilst AVP (27%, 79 respondents) represent junior to middle management. VP (10%, 29 respondents) represents from entry middle management to senior management, whilst P (0%, 1 respondent) represent executive management. Overall the responses received were sufficiently representative of the different job grades to ensure that there is a representative sample from the population within the data.

3.9 Ethical considerations

To ensure that the required ethical standard of the University is upheld, the following steps were followed to ensure that the research met the required standards.

The Authentic Leadership Questionnaire (ALQ) was developed by Walumbwa *et al.* (2008) and therefore permission was requested through MindGarden© to use the questionnaire for research purposes (Annexure B)

The questions relating to satisfaction was adopted from an instrument developed by Freese and Schalk (1997) and the relevant approval was obtained accordingly (Annexure C)

Approval was sought from the Provincial Managing Executive of the financial institution where the data was collected.

Ethical approval was sought from the Rhodes University Ethics Committee through the Rhodes Business School to proceed with the research in line with the institution's ethical guidelines. Approval was obtained from Rhodes Business School's Ethics sub-committee with the protocol number 2017/02/49.

A survey was sent out via the Survey Monkey© platform to the population requesting for their consent to complete the questionnaire. The e-mail advised respondents of the following:

- i. Approval – confirmation of approval by the Provincial Managing Executive to conduct the research (Annexure D).
- ii. Purpose – the purpose of the questionnaire was clearly explained.
- iii. Anonymous and voluntary – respondents were advised that their responses will be totally anonymous and participation is voluntary.
- iv. Intellectual property rights – information replicated in the survey was appropriately cited.
- v. Feedback – a comment was inserted at the end of the survey to inform respondents that the researcher is willing to share the outcomes of the study. It would not compromise the confidentiality as it is seen as internal to the organization. The researchers detail was also included at the end of the survey.

3.10 Chapter summary

This chapter explains the approach to the research that concludes that it is explanatory, quantitative, deductive and post-positive of nature. This chapter further highlights that a good research design was followed which indicates that in execution the data represents

a sufficiently large sample of the population. Data cleaning and coding assisted the researcher to analyze clean data and apply methods to address the objectives accordingly. An analysis of the biographic information confirmed that no bias is evident in the responses recorded from the respondents. The instruments used for the study was found to be reliable as confirmed by the Cronbach's Alpha coefficients. Lastly, the study was conducted ethically as per the required norms of both the organization used for the study, as well as Rhodes University.

CHAPTER FOUR

RESEARCH RESULTS

4.1. Introduction

This chapter aims to present the outcomes or results of the data analysis of the study as they relate to the hypotheses. The first section describes the frequencies of the three variables namely authentic leadership, satisfaction and performance. The second section presents the results of Anova testing of the biographical information of the respondents versus the three variables. The last section will present the result of the mediation or the model test that was done through regression analysis.

4.2 Frequencies for Authentic leadership

Respondents were asked to rate their immediate line managers in terms of the four dimensions of authentic leadership. Respondents were asked to rate their line managers on a five point Likert scale ranging from *not at all* to *frequently, if not always*.

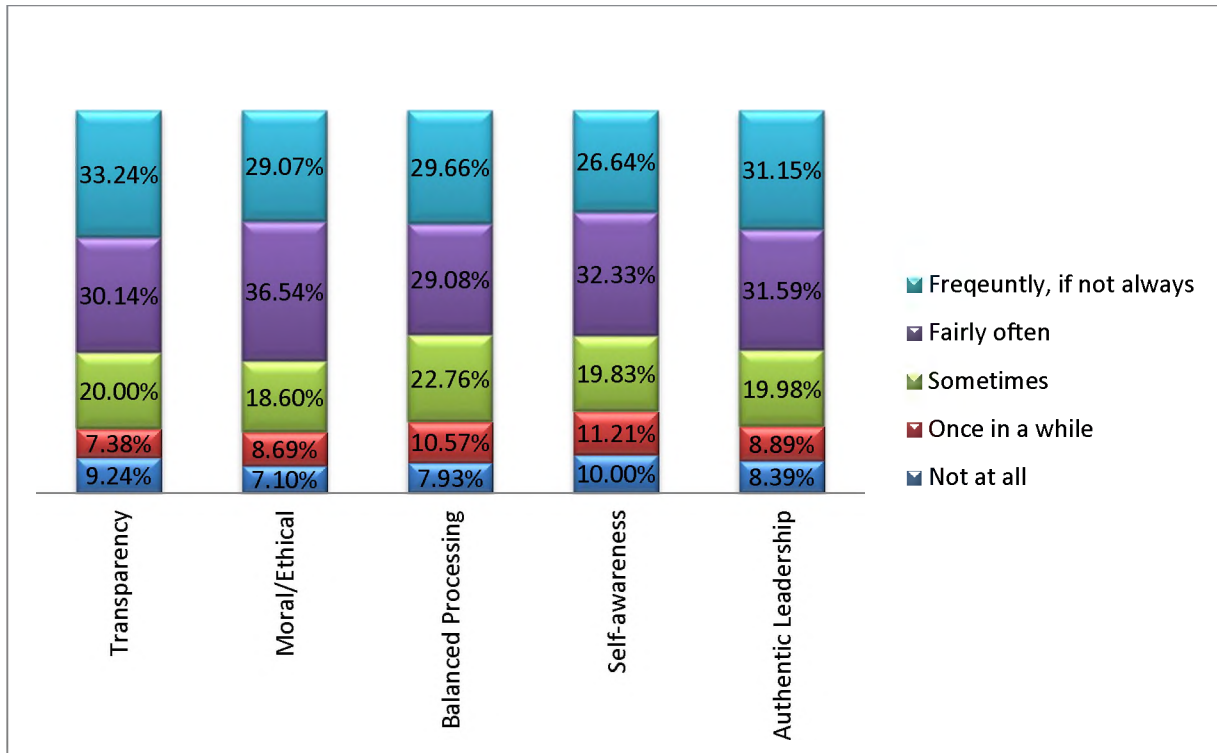


Figure 4.1: Authentic leadership frequency distribution

Very close to two thirds of respondents confirmed that their immediate line leaders are displaying characteristics of authentic leadership either *fairly often* or *frequently, if not always* (62.74%, 182 respondents) as per data collection. If the frequencies for the top two categories are combined then the moral/ethical dimension scored 65.61% (190 respondents) and the transparency dimension scored 63.38% (185 respondents). Balanced processing and self-awareness dimensions frequencies are 58.74% and 58.97% (170 respondents) respectively. These percentages confirm that the majority of respondents felt that authentic leadership does exist in the organization where the study was done.

4.3 Frequencies for Satisfaction

Respondents were asked six questions that relate to satisfaction. Respondents were asked “*How satisfied do you currently feel about ...*” on a seven point Likert scale ranging from *very dissatisfied* to *very satisfied* for each of those statements.

Table 4.1: Frequencies for satisfaction categories

How satisfied do you currently feed about ...	Totally dissatisfied	Dissatisfied	Somewhat dissatisfied	Neutral	Somewhat satisfied	Satisfied	Very Satisfied
your life in general?	6	3	13	31	85	90	62
your family life?	5	6	13	33	48	96	89
your leisure time?	14	22	33	58	53	74	36
your state of health and well-being?	12	15	23	47	51	74	68
your work-life balance?	32	25	31	67	56	52	27
the financial situation of your household?	27	18	48	55	51	59	32

In order for the seven categories in Table 4.4 to be analysed, the researcher has combined the three categories that refer to dissatisfaction (*totally dissatisfied*, *dissatisfied* and *somewhat dissatisfied*) as well as the categories that refer to satisfaction (*somewhat satisfied*, *satisfied* and *very satisfied*).

Table 4.2: Frequencies - Result of combining satisfaction categories

How satisfied do you currently feed about ...	Dissatisfied	Neutral	Satisfied
your life in general?	8%	10%	82%
your family life?	8%	12%	80%
your leisure time?	24%	20%	56%
your state of health and well-being?	17%	16%	67%
your work-life balance?	30%	23%	47%
the financial situation of your household?	32%	19%	49%

Table 4.2 indicates that if the categories are combined for *totally dissatisfied*, *dissatisfied* and *somewhat dissatisfied* respondents the percentage is much lower than those combined categories for *somewhat satisfied*, *satisfied* and *very satisfied*.

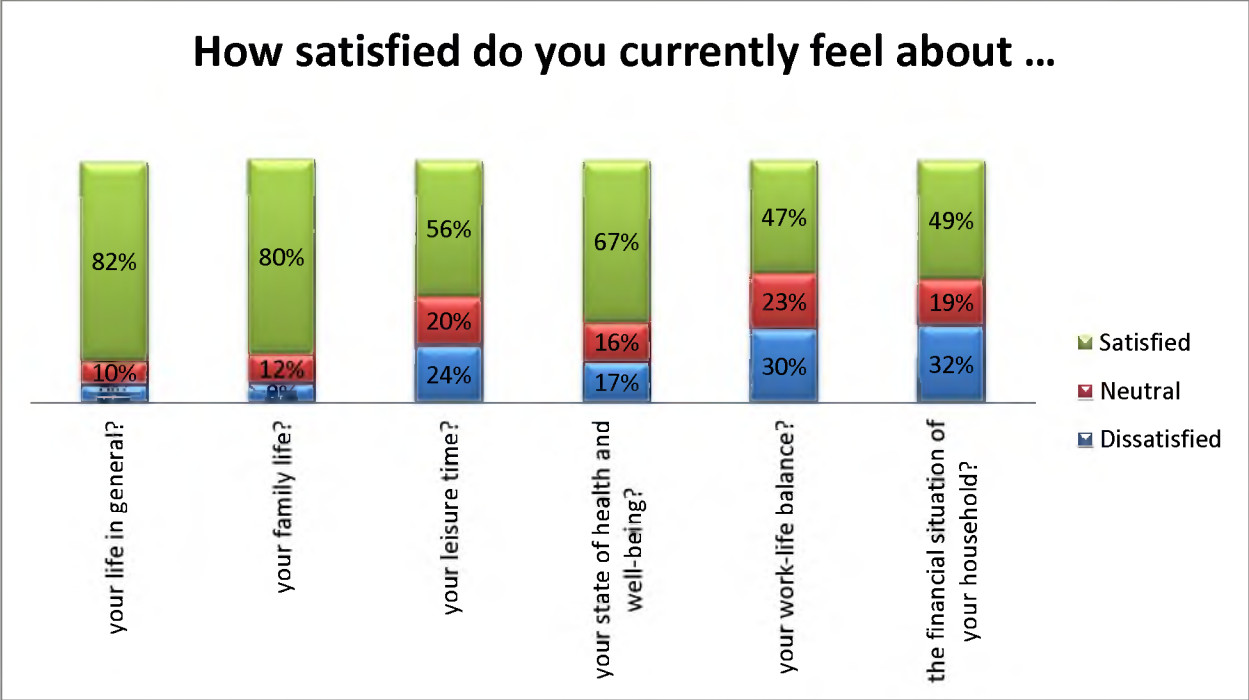


Figure 4.2: Satisfaction frequency distribution

On average about 49% of all respondents are satisfied with their current situation whilst 32% are dissatisfied and 19% neutral.

4.4 Frequencies of performance rating

Respondents were requested to capture their last performance rating (December 2016) as part of the questionnaire.

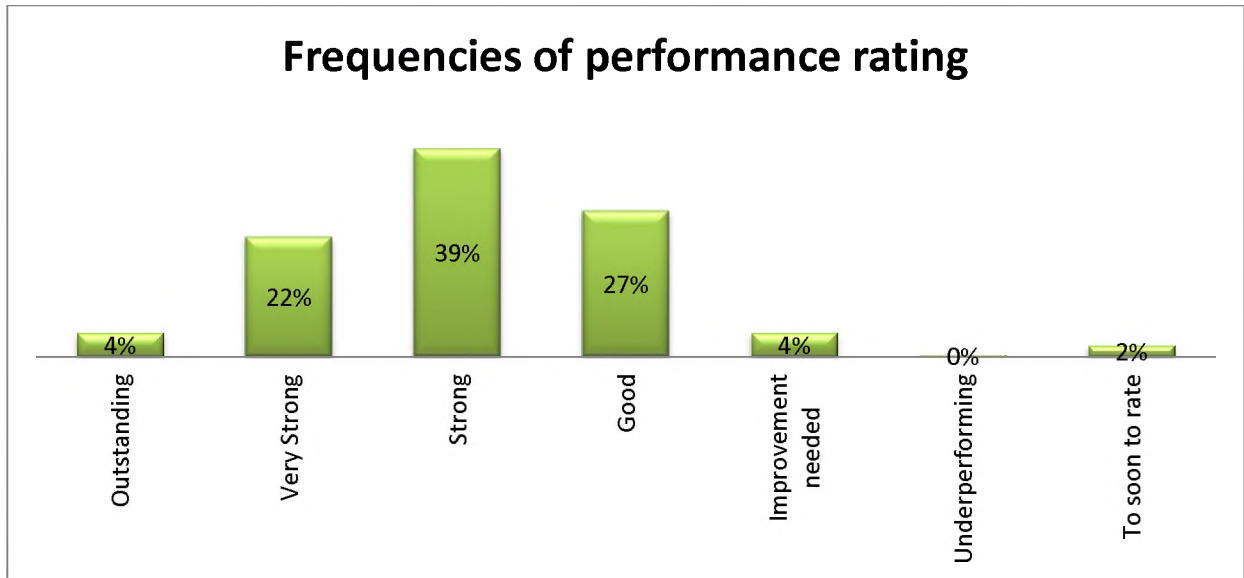


Figure 4.3: Performance rating frequency distribution

According to Figure 4.3 the majority of the respondents that participated have received a “strong” performance rating which falls into satisfactory performing group as per Table 4.6.

4.5 Results of testing the hypotheses using One-way Anova

A total of four sets of hypotheses were used in this study and are explained in the section below.

4.5.1 Hypotheses of performance versus biographic details

The first set of hypotheses dealt with the relationship between the biographic information as the independent variable and the performance rating of an employee as the dependent variable. These five hypotheses were tested to establish if there is any bias or trend that is evident with respect to the biographic variables in terms of performance ratings given to employees by the organization.

The following hypotheses were tested:

H0₁: There is no statistically significant difference in the performance of males and females.

H0₂: There are no statistically significant differences in the performance of different age groups.

H0₃: There are no statistically significant differences in the performance of different race groups.

H0₄: There are no statistically significant differences in the performance of employees with different levels of education.

H0₅: There are no statistically significant differences in the performance of employees with different years of experience.

H0₆: There are no statistically significant differences in the performance of employees within different job grades.

Table 4.3: Analysis of performance and biographic information

	DF	F-Ratio	P-Value
Gender	1	1.30713	0.25386
Age	4	5.29201	0.00124
Race	4	4.10369	0.003
Qualification	4	1.42046	0.22722
Experience	4	7.71247	≈0
Job grade	6	5.44831	0.00002

Table 4.3 indicates that only the p-values pertaining to age, experience and job grade are less than the level of significance of 0.05 and therefore the null hypothesis can be rejected in these three cases, as the analysis indicate that all three variables have an impact on the performance rating of an employee.

Figure 4.4 to Figure 4.6 represents box-and-whisker plots to demonstrate the differences in average mean scores of the various categories within age, experience and job grade respectively, followed by a description of what this means within the context of this study.

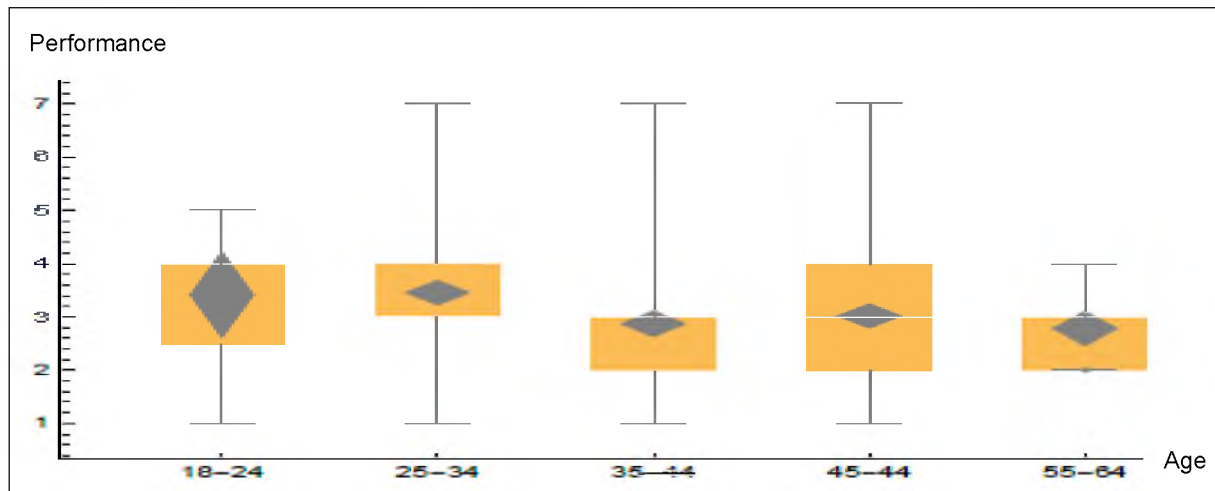


Figure 4.4: Performance versus age

The mean scores indicate that the age categories 35-44 and 55-64 have higher performance ratings (lower mean scores). The categories 18-24, 25-34 and 45-54 have a higher mean score which represents a lower performance rating. Literature is divided on the impact of age on performance, as there are several studies that confirm that there is a positive relationship between performance and the age of employees, while other studies report a negative relationship (Ng and Feldman, 2008). The turnover of staff within the population, especially within the higher job grades (which fall within the higher age categories), has not been significant over the past couple of years. More than half of the respondents (59%) are older than 35 years of age and therefore it can be expected that for this specific population, there will be higher performance ratings for older employees, as it is representative of the workforce of the organization.

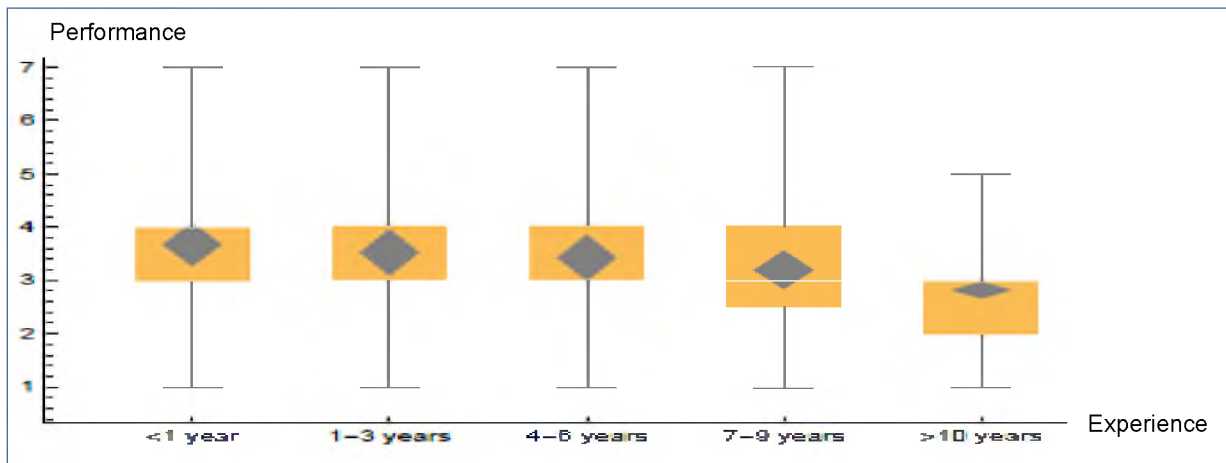


Figure 4.5: Performance versus experience

The mean scores indicate that there is a strong difference between respondents that have more than ten years experience versus their performance rating. Therefore the trend suggests that the more experienced the employee is, the better his or her performance rating is. This trend could easily be explained due to the fact that the expectation would be that employees that are in leadership roles will be those that have longer experience within the financial industry to ensure that organization meets its goals.

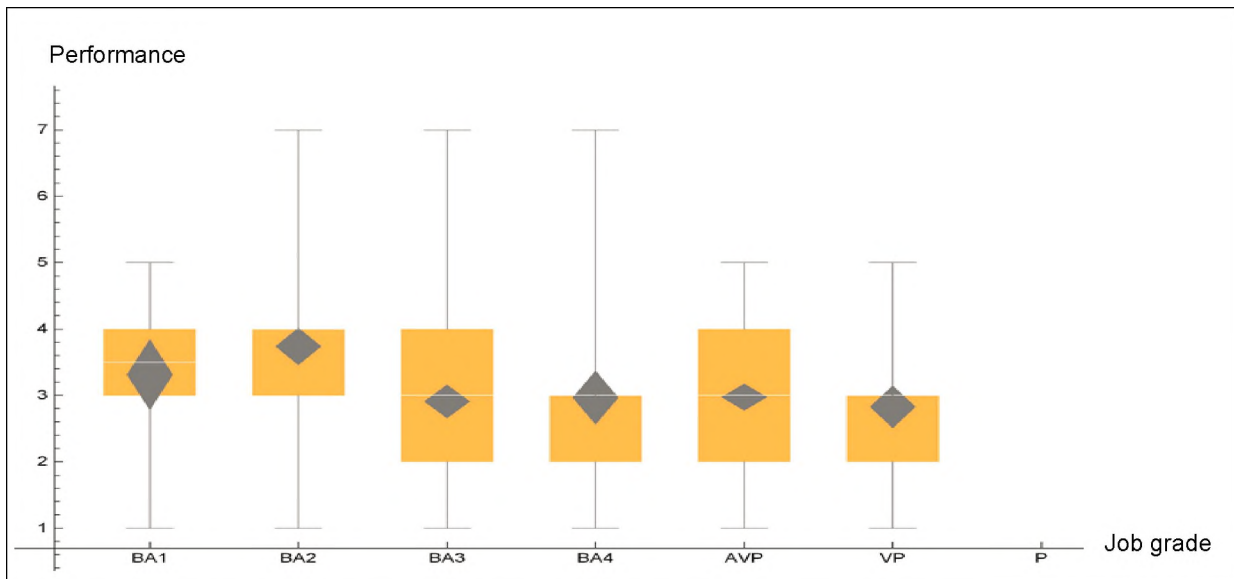


Figure 4.6: Performance versus job grade

The mean scores indicate that there is a strong difference between the different job grades versus their performance rating. The trend (obvious but not perfect) suggests that the higher the respondents' job grade, the higher his or her performance rating is. This trend could be explained in a similar way to that of Figure 4.5, where the expectation of the organization would be that those employees that are in leadership roles will belong to group who has higher job grades. Leaders will be expected to be top performers, as they have to ensure that the business is led to achieve the organizational goals.

4.5.2 The impact of the biographic variables on authentic leadership

The second set of hypotheses deals with the relationship between the biographical variables as the independent variable and authentic leadership as the dependent variable.

The following hypotheses were tested:

H07: There is no statistically significant difference in authentic leadership as rated by males and females.

H08: There are no statistically significant differences between the different age groups of respondents in their authentic leadership ratings of their leaders.

H09: There are no statistically significant differences between the different race groups of respondents in their authentic leadership ratings of their leaders.

H010: There are no statistically significant differences in authentic leadership ratings with regards to the qualification of respondents.

H011: There are no statistically significant differences in authentic leadership ratings with regards to the experience of respondents.

H012: There are no statistically significant differences between the different job grade groups of respondents in their authentic leadership ratings of their leaders.

Respondents were asked to rate their immediate line leader/manager with regards to the different dimensions of authentic leadership.

Table 4.4: Analysis of authentic leadership and biographic information

	DF	F-Ratio	P-Value
Gender	1	0.298793	0.58506
Age	4	1.23041	0.29806
Race	4	1.77946	0.13301
Qualification	4	0.536148	0.70928
Experience	4	1.38662	0.23864
Job grade	6	1.93287	0.07554

The analysis in Table 4.4 indicates that the null hypotheses cannot be rejected for any of the biographical variables (gender, age, race, qualification, experience, and job grade) as the p-values are all greater than the level of significance of 0.05. There is thus no reason to believe that biographical information has any impact on the authentic leadership ratings.

4.5.3 The impact of the biographic variables on satisfaction

The third set of hypotheses deals with the relationship between the biographical variables as the independent variable and satisfaction as the dependent variable.

The following hypotheses were tested:

H0₁₃: There is no statistically significant difference in the satisfaction of males and females.

H0₁₄: There are no statistically significant differences in the satisfaction of different age groups.

H0₁₅: There are no statistically significant differences in the satisfaction of different race groups.

H0₁₆: There are no statistically significant differences in the satisfaction of employees with different levels of education.

H0₁₇: There are no statistically significant differences in the satisfaction of employees with different years of experience.

H0₁₈: There are no statistically significant differences in the satisfaction of employees within different job grades.

Table 4.5: Analysis of satisfaction and biographic information

	DF	F-Ratio	P-Value
Gender	1	1.05811	0.30451
Age	4	1.09234	0.36054
Race	4	0.556431	0.69448
Qualification	4	1.03846	0.38761
Experience	4	0.182395	0.94742
Job grade	6	1.47147	0.18783

The analysis in Table 4.5 indicates that none of the biographical variables is significantly related to satisfaction, and therefore the null hypotheses pertaining to satisfaction can all be rejected as they are greater than the 0.05 level of significance.

4.5.4 Summary of biographical information analysis

Given the analysis done and summarized in Table 4.3 to Table 4.5 it is concluded that overall, the biographical variables do not have any biasing effect on the main variables studied for this research (authentic leadership, performance, satisfaction).

4.5.5 Hypotheses for testing mediation with regression analysis

Baron and Kenny (1986) suggested a four-step approach to test for mediation. During these four steps, several regression analyses are conducted as the testing progresses.

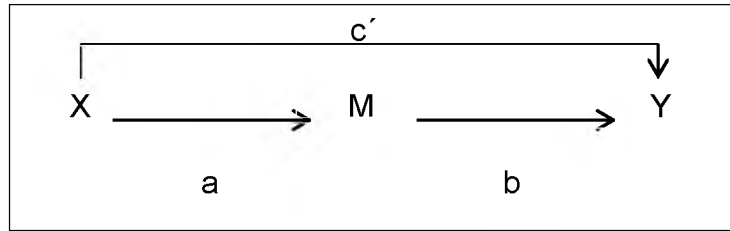


Figure 4.7: Testing for mediation, Baron and Kenny (1986)

M = mediator (satisfaction)

X = predictor (authentic leadership)

Y = outcome (performance rating)

c' = direct effect

a = path that indicates direct effect between authentic leadership and satisfaction

b = path that indicates the direct effect between satisfaction and performance rating

The following hypotheses were tested:

H0₁₉: There is no statistically significant relationship between authentic leadership and performance.

H0₂₀: There is no statistically significant relationship between authentic leadership and satisfaction.

H0₂₁: There is no statistically significant relationship between satisfaction and performance.

H0₂₂: Satisfaction does not mediate the relationship between authentic leadership and performance.

The regression testing required the data for performance to be grouped into above-average performance and below-average performance as can be seen in Figure 4.8. for the following reasons: (a) the classical logistic regression assumes a binary response (dependent variable); (b) using more categories for the dependent variable over-complicates the model (multiple logistic model) and makes interpretation of the outcomes

more complex; and (c) the data collected is not sufficient to reliably evaluate and assess a multiple logistic model.

Performance rating	%	n	
Outstanding	4%	13	Satisfactory performance
Very Strong	22%	65	
Strong	39%	113	
Good	27%	79	
Improvement needed	4%	13	Unsatisfactory performance
Underperforming	0%	1	
Too soon to rate	2%	6	

Figure 4.8: Categories of Performance

The regression with mediation model that was followed included a four step approach:

4.5.5.1 Step 1 (logistic regression: authentic leadership predicting performance)

Table 4.6: Analysis of authentic leadership (X) predicting performance (Y)

	Estimate	Standard error	t-statistic	P-value
b0	1.11417	0.629804	1.76907	0.07794
b1	0.0265462	0.0127436	2.0831	0.03812

Adjusted RSquared = 0.93157

AIC = 28.4903

b0 = intercept

b1 = slope

If $b1 > 0$ then there is a positive relationship between the variables.

Table 4.6 indicates that the p-value for b1 is less than the 0.05 level of significance and therefore X can be used to predict Y, however, b0 cannot be used as the p-value is greater than the 0.05 level of significance.

The scatterplot in Figure 4.9 below indicates the correlation between X and Y.



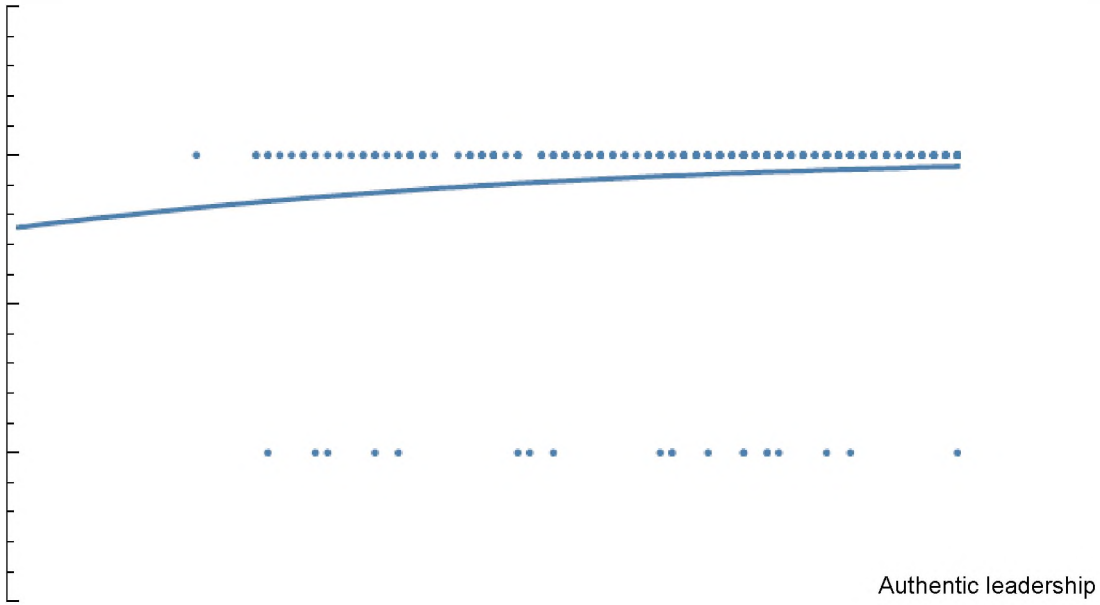


Figure 4.9: Authentic leadership predicting performance

4.5.5.2 Step 2 (linear regression: authentic leadership predicting satisfaction)

Table 4.7: Analysis of authentic leadership (X) predicting satisfaction (M)

	Estimate	Standard error	t-statistic	P-value
b0	22.2507	1.60658	13.8497	≈0
b1	0.120504	0.0263758	4.56874	≈0

Adjusted RSquared = 0.930941

AIC = 31.1458

b0 = intercept

b1 = slope

If $b1 > 0$ then there is a positive relationship between the variables.

Table 4.7 indicates that neither b0 nor b1 is 0. The p-values for both b0 and b1 are less than the 0.05 level of significance and therefore the null hypothesis can be rejected.

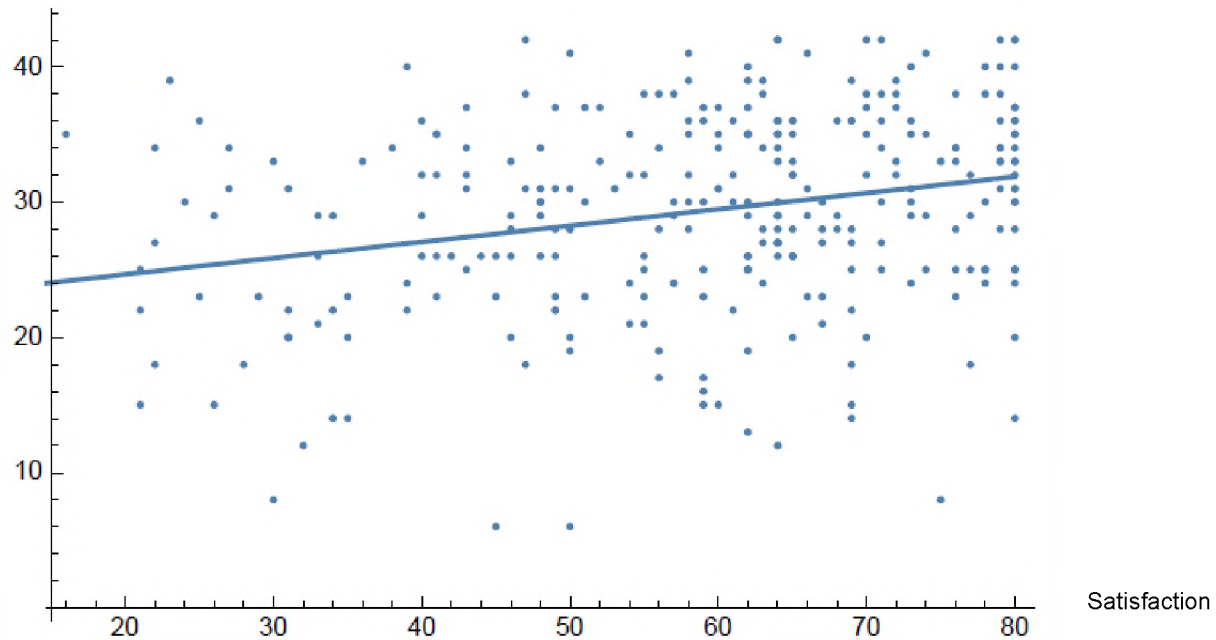


Figure 4.10: Authentic leadership predicting Satisfaction

4.5.5.3 Step 3 (logistic regression: satisfaction predicting performance)

Table 4.8: Analysis of satisfaction (M) predicting performance (Y)

	Estimate	Standard error	t-statistic	P-value
b0	1.60988	0.758062	2.12367	0.03455
b1	0.0345708	0.0279671	1.23612	0.21742

Adjusted RSquared = 0.930941

AIC = 31.1458

b0 = intercept

b1 = slope

If $b1 > 0$ then there is a positive relationship between the variables.

Table 4.8 indicates that $b1 = 0$ and therefore satisfaction cannot predict performance. The null hypothesis cannot be rejected as the p-value is 0.217, which is greater than the 0.05 level of significance. Therefore it is concluded that mediation does not occur. The RSquared and AIC, however indicate a good fit.

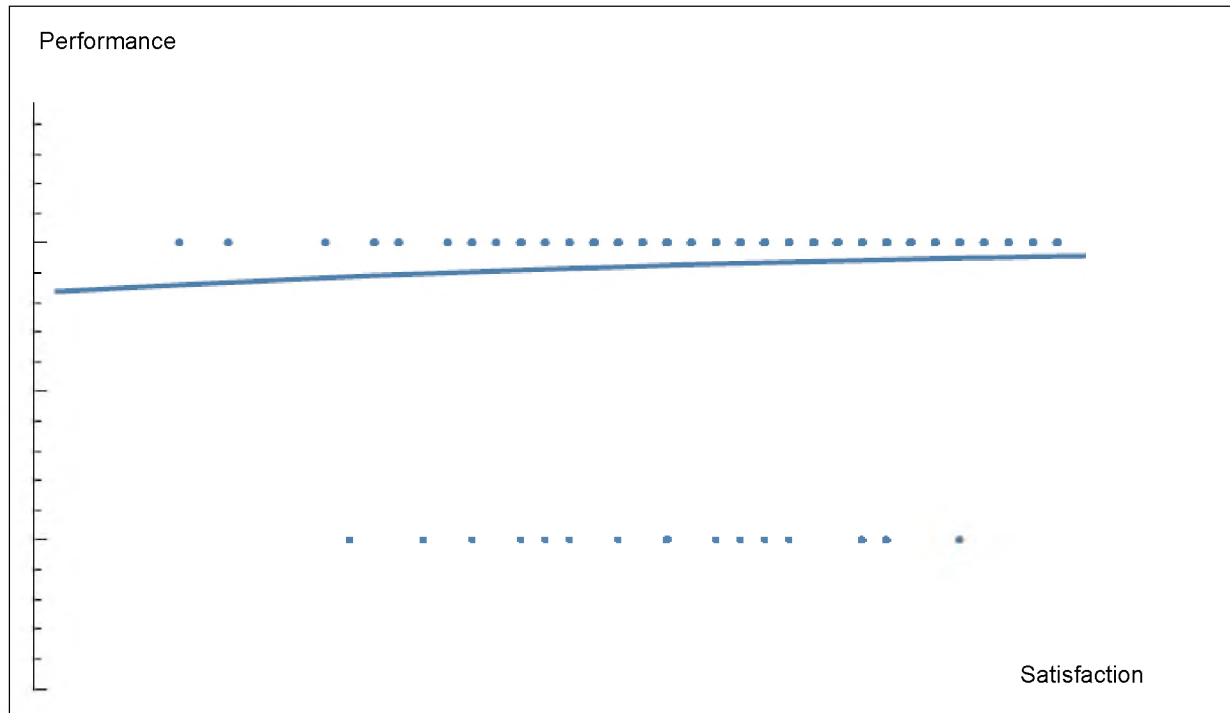


Figure 4.11: Satisfaction predicting performance

4.5.6 Conclusion on mediation

Due to the fact that the results of step three has proven to be insignificant as an inference is drawn that $b_1 = 0$, there was no reason to continue to complete step four of the analysis. Step four would have consisted of a multiple regression analysis where authentic leadership (X) and satisfaction (M) would have been used to predict the outcome of performance (Y). The purpose of steps one to three in the mediation analysis, are for the researcher to establish that a zero-order relationship does indeed exist amongst the variables and if one or more of these relationships are insignificant, it suffices for the researcher to conclude that mediation is not unlikely (Iacobucci, 2012).

Table 4.9: Summary of the outcomes of the testing of hypotheses

	Hypotheses	Outcome
H0 ₁	There is no statistically significant difference in the performance of males and females.	Accepted
H0 ₂	There are no statistically significant differences in the performance of different age groups.	Rejected
H0 ₃	There are no statistically significant differences in the performance of different race groups.	Accepted
H0 ₄	There are no statistically significant differences in the performance of employees with different levels of education.	Accepted
H0 ₅	There are no statistically significant differences in the performance of employees with different levels of experience,	Rejected
H0 ₆	There are no statistically significant differences in the performance of employees within different job grades.	Rejected
H0 ₇	There is no statistically significant difference in authentic leadership as rated by males and females.	Accepted
H0 ₈	There are no statistically significant differences between the different age groups of respondents in their authentic leadership ratings of their leaders.	Accepted
H0 ₉	There are no statistically significant differences between the different race groups of respondents in their authentic leadership ratings of their leaders.	Accepted
H0 ₁₀	There are no statistically significant differences in authentic leadership ratings with regards to the qualification of respondents.	Accepted
H0 ₁₁	There are no statistically significant differences in authentic leadership ratings with regards to the experience of respondents.	Accepted
H0 ₁₂	There are no statistically significant differences between the different job grade groups of respondents in their authentic leadership ratings of their leaders.	Accepted

H013	There is no statistically significant difference in the satisfaction of males and females.	Accepted
H014	There are no statistically significant differences in the satisfaction of different age groups.	Accepted
H015	There are no statistically significant differences in the satisfaction of different race groups	Accepted
H016	There are no statistically significant differences in the satisfaction of employees with different levels of education.	Accepted
H017	There are no statistically significant differences in the satisfaction of employees with different years of experience.	Accepted
H018	There are no statistically significant differences in the satisfaction of employees within different job grades.	Accepted
H019	There is no statistically significant relationship between authentic leadership and performance.	Accepted
H020	There is no statistically significant relationship between authentic leadership and satisfaction.	Accepted
H021	There is no statistically significant relationship between satisfaction and performance.	Rejected
H022	Satisfaction does not mediate the relationship between authentic leadership and performance.	n/a

4.5 Chapter Summary

Figure 2.4 illustrated how authentic leadership was integrated into a simplified model of the Leadership Psychological Contract, which was tested in this study. The hypothesis testing done in this chapter has confirmed that none of the biographical variables of the respondents had an impact on the three main variables used in the model. The analysis further confirmed that there is a significant positive relationship between authentic leadership and performance. Also, there was a significant positive relationship between authentic leadership and satisfaction, but not between satisfaction and performance. It was

therefore concluded that, in this study, satisfaction was not a mediating variable between authentic leadership and performance.

CHAPTER FIVE

DISCUSSION

5.1 Introduction

This chapter presents a discussion of the results from the statistical analysis that was done in Chapter Four and will aim to answer the research statement that was identified for this study. The discussion will also present the results using the theoretical framework of the literature review that was presented in Chapter Two.

The key variables that were discussed in the literature review were authentic leadership, satisfaction and performance. The leadership psychological contract (Figure 2.2) was explained as a model for organizations to implement to ensure that employees deliver extra-ordinary performance, which will ultimately deliver better results for the organization.

5.2 Main results

The researcher followed a four step approach to statistically test the relationship between authentic leadership and the performance of an employee, as well as the possibility of satisfaction serving as a mediator for performance. The analysis confirmed a significantly positive relationship between authentic leadership and performance (H0₁₉). Furthermore, it confirms a significantly positive relationship between authentic leadership and satisfaction (H0₂₀). The analysis could not prove the relationship between satisfaction and performance as the results proved to be insignificant (H0₂₁). In order to conclude the analysis for the research problem, multiple logistic regression analysis would have been undertaken, with authentic leadership and satisfaction predicting performance (H0₂₂), but this step was not concluded due, to the fact that no relationship could be established between satisfaction and performance. Therefore it would not make sense to have embarked on this last step of the study. The following three sections will discuss the results of this four step approach in the light of the literature.

5.3 Authentic leadership versus performance

H0₁₉: There is a statistically significant positive relationship between authentic leadership and employee performance.

Walumbwa *et al.* (2008) posited that authentic leadership will have a positive impact on employee performance whilst Leroy *et al.* (2015) posited that authentic leadership contributes to motivating employees to perform at high levels. The results confirmed that H0₁ cannot be rejected as the p-value (0.038) is less than the level of significance of 0.05. This study posits that there is a significant positive relationship between authentic leadership and performance which is in line with the literature review done in respect of this study.

5.4 Authentic leadership versus satisfaction

H0₂₀: There is a statistically significant positive relationship between authentic leadership and satisfaction.

DeCremer (2003) argued that the quality of leader-employee relationship is significantly related to an employee's job satisfaction whilst Kiarie *et al.* (2017) argues that a leader's personality traits is an important determining factor for satisfying employees. The results of the regression analysis have confirmed H0₂ cannot be rejected as the p-value (≈ 0) is less than the level of significance of 0.05 and therefore posits that there is a positive relationship between authentic leadership and satisfaction.

5.5 Satisfaction versus performance

H0₂₁: There is a statistically significant positive relationship between satisfaction and performance.

The psychological contract was explored in the literature review of this study due to the importance of the relationship between employer and employee specifically with regards to those "unwritten" contracts. Rousseau (1989) posited the psychological contract as a set of reciprocal promises that relates to the relationship of the employment between

employer and employee. To this end, this study has identified the leadership psychological contract (Salicry and Chelliah, 2014) to test the relationship between a leader (as the representative of the employer) and the employee. For the purposes of this study, a simplified version of Figure 2.2 as described in Figure 2.4 indicates that satisfaction can possibly be used as a variable to test the model of authentic leadership as the leadership promise that will deliver extra-ordinary performance. Although the leadership psychological contract is made up of several variables, this study only explores satisfaction as a variable. The questions that were identified to be part of the questionnaire, were chosen by the researcher as they were questions that were developed as part of a well-established psychological contract questionnaire developed by Freese and Schalk (2008).

The analysis of H0₂₁ therefore aimed to explore the relationship between satisfaction and performance it was found that there is no statistically significant positive relationship between the two variables. This study therefore rejects H0₃ as the results indicate that there is no relationship.

Herzberg's two-factor theory (Herzberg, 1966; Herzberg, Mausner and Snyderman 1959) can be referred to in an attempt to establish a possible reason why the positive relationship between satisfaction and performance could not be found. Herzberg's two-factor theory, is possibly one the most frequently used theories when doing research on job satisfaction (Dion, 2006). This theory posits that there is a difference between motivation factors and hygiene factors when referring to job satisfaction and renders hygiene factors less important to motivation factors when studying job satisfaction (Alshmemri, Shahwan-Akl and Maude, 2017). Hygiene factors are described as those factors that aim to avoid unpleasantness. Crow and Hartman (1995) suggested that it is more important to reduce dissatisfaction rather than improve satisfaction. Due to the need of an employee to fulfil his or her need for self-growth and self-actualization, motivation factors are considered to have a positive impact on job satisfaction.

The job description index (JDI) is a widely used measurement of job satisfaction and includes five dimensions: (1) the work itself; (2) pay; (3) supervision; (4) co-workers; and (5) promotional opportunities (Arshad, 2014). These elements are closely linked to the

motivation factors of Herzberg's two-factor theory that describes the motivation factors as: (1) advancement; (2) work itself; (3) possibility of growth; (4) responsibility; (5) recognition; and (6) achievement. Hygiene factors are described as: (1) interpersonal relationship; (2) salary; (3) policies and administration; (4) supervision; and (5) working conditions (Arshad, 2014). In other words, concepts like quality of work-life, well-being, work-life balance and life satisfaction, are closely linked to the hygiene factors and not motivators.

Since the satisfaction questions used for this study relate more to hygiene factors than motivation factors, in Herzberg's terms, employees can at most, be *not dissatisfied*. It is therefore proposed that further research be undertaken on a model that incorporates both motivation factors and hygiene factors. Another alternative is to incorporate affective commitment of employees as set out in Salicry and Chelliah's (2014) model of the leadership psychological contract.

5.6 Chapter summary

A statistically significant positive relationship was confirmed between authentic leadership and performance as well as between authentic leadership and satisfaction. Although no relationship could be established between satisfaction and performance, the reason for this was explained using Herzberg's two-factor theory and suggests that satisfaction in a broader sense can be seen as a hygiene factor.

The next chapter will conclude by highlighting the main results and presenting recommendations for further research.

CHAPTER SIX

CONCLUSION

6.1 Introduction

Employees are often seen as the most valuable asset in an organization and therefore it is undoubtedly in the best interest of the organization to understand their employees and what factors impact their performance. This chapter will highlight the main results of the study and make recommendations for both management and future research. In conclusion it discusses the delimitations, limitations and contributions of this study to the body of knowledge.

6.2 Main results

The literature review in Chapter Two described the importance of the psychological contract and the obligation it creates for both the organization as well the employee in terms of expectations. Furthermore, the study has described the psychological contract as useful and meaningful for the organizations as it focusses on organizational behavioural matters that impact a complex working environment. Salicry and Chelliah (2014) have developed a leadership psychological contract that is based on Guest's (1998) causal model and suggest it will address the agency problem that was identified as a challenge in the psychological contract. The leadership psychological contract identifies the immediate line leader as the representative of the organization.

This study used the leadership psychological contract (Figure 2.2) to explore the relationship between authentic leadership and employee performance. Authentic leadership was identified in literature as possibly being the new approach to leadership whilst ethics is described to be at the heart of leadership. The data analysis (regression analysis) that was done in chapter four confirms the positive relationship between authentic leadership and employee performance.

The second part of the regression analysis explored the relationship between authentic leadership and satisfaction as argued by Kiarie, Maru and Cheruiyot (2017). A positive relationship was identified in this study.

The next relationship of importance to the researcher was between satisfaction and employee performance. However, the study noted that no relationship could be established and therefore conclude that satisfaction cannot serve as a mediator between authentic leadership and employee performance.

6.3 Recommendation for management

An existing questionnaire (Authentic Leadership Questionnaire) was used to establish if employees are of the opinion that their immediate line leaders are authentic or not, however, there is a second part to the questionnaire that refers to line leaders rating themselves. It might be of benefit for the organization to establish if there a relationship between what employees rated their leaders and what leaders rate themselves. This could create more awareness around the four elements of Authentic Leadership.

A key recommendation for management is to establish a development programme that will focus on the development of authentic leaders within the organization. Although it was established that the majority of the employees that partake in the study perceive their immediate line managers to be authentic, the benefit for the organization to embark on a formal leadership development programme might be substantial. The results of this study is very clear on the relationship between authentic leadership and performance, therefore the benefit of developing leaders as authentic leaders will assist the organization with reaching its performance objectives.

6.4 Recommendations for further research

Recommendations are considered from the perspective of the limitations of the study, its delimitation and its contribution.

6.4.1 Limitations

Like any other study, this study was not without its limitations. A reasonable sample size was used for data collection purposes; however, the response rate to the questionnaire was lower than what was expected by the researcher. A higher response rate could possibly have added a different dimension to the study.

6.4.2 Delimitations

The study was done with only three variables extracted from the leadership psychological contract, namely authentic leadership, satisfaction and performance. The leadership psychological contract model (Salicry and Chelliah, 2014) suggests that other variables (i.e. affective commitment, discretionary effort and innovation) may mediate the relationship between authentic leadership and performance. Future research could also look at the incorporation of all these variables in the same model.

The sample that was used for the study was obtained only from the Eastern and Southern Cape and therefore makes it very specific in terms of the culture of a more rural province. Future research should support a sample that is representative of all of the provinces in South Africa.

The study was done in the financial industry and therefore cannot be generalized to other sectors of our country. Future research should focus on other industries.

6.4.3 Contribution

This research builds on various studies that were done on authentic leadership, satisfaction, performance as well as the psychological contract.

The study contributed to the construct of satisfaction and suggests that there are different forms of satisfaction as per Herzberg's two factor theory. There are satisfiers that are experienced as motivators and then there are hygiene factors that will not necessarily increase satisfaction; however it will not leave the employee dissatisfied either. In this study, the LPC refers to these hygiene factors. This study further confirmed the positive relationship between authentic leaders and performance. It confirmed that if leaders

display authentic leadership characteristics, employee performance will increase which will ultimately support the organization to meet its performance objectives. Given that authentic leadership has been used successfully here within the leadership psychological contract model, further research can incorporate this conceptualization of the leadership variable and thereby build on the contribution of this study.

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Annexure A

Dear Respondent

You are herewith invited to participate in an academic research study that is conducted by Liane Petzer, whom is a Master of Business Administration student at Rhodes Business School.

The aim of the study is to investigate if there is a positive relationship between authentic leadership and employee performance, specifically relating to a variable called satisfaction.

Your participation in this study is very important to both the student and the University; however, you may choose not to participate as the completion of the survey is totally voluntary. Your answers will, of course, be treated as confidential. You will not be identified in any of the research reports emanating from this research as the survey is totally anonymous. Kindly answer the questions as truthfully and honestly as possible – it should not take you more than 15-20 minutes to complete.

Note that the results of the research will only be used for academic purposes and may be published in an academic journal. Should you wish, we will provide you with a summary of our findings on request.

Please sign below to indicate your willingness to participate in the study.

Yours sincerely

Liane Petzer

**Note: A mandatory response button will be inserted in the e-mail that will be send to the respondents (Agree/Don't Agree)*

SECTION A: BIOGRAPIC INFORMATION (Mark the applicable box with an X)

Gender	Male	Female

Age in years	18-24	25-34	35-44	45-54	55-64	65+

Race	Black African	White	Coloured	Indian	Other (please specify)

Highest level of education	National Senior Certificate	Post-secondary school certificate	Diploma	Bachelor's Degree	Post-graduate qualification	Other (please specify)

How long have you been working for Absa?	<1 year	1-3 years	4-6 years	7-9 years	>10 years

SECTION B: YOUR PERFORMANCE RATING

Instructions: Please confirm your last performance rating (December 2016) by marking the applicable rating in the last column.

Overall standard	Rating	Please mark in this column
Top standards	Outstanding	
Meeting high standards	Very Strong	
	Strong	
	Good	
Below high standards	Improvement needed	
	Underperforming	
	Too soon to rate	

What is your current job grade? (Please mark with an X)

Principal (P)	
Vice President (VP)	
Assistant Vice-President (AVP)	
BA4	
BA3	
BA2	
BA1	

SECTION C: RATE YOUR IMMEDIATE LINE LEADER

Instructions: The following 16 questions refer to your leader’s style, as you perceive it. **Judge how frequently each statement fits his or her leadership style using the following scale:**

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

My immediate line leader:

- | | |
|--|-----------|
| 1. says exactly what he or she means | 0 1 2 3 4 |
| 2. admits mistakes when they are made | 0 1 2 3 4 |
| 3. encourages everyone to speak their mind | 0 1 2 3 4 |
| 4. tells you the hard truth | 0 1 2 3 4 |
| 5. displays emotions exactly in line with feelings | 0 1 2 3 4 |
| 6. demonstrates beliefs that are consistent with actions | 0 1 2 3 4 |
| 7. makes decisions based on his or her core values | 0 1 2 3 4 |
| 8. asks you to take positions that support your core values | 0 1 2 3 4 |
| 9. makes difficult decisions based on high standards of ethical conduct | 0 1 2 3 4 |
| 10. solicits views that challenge his or her deeply held positions | 0 1 2 3 4 |
| 11. analyses relevant data before coming to a decision | 0 1 2 3 4 |
| 12. listens carefully to different points of view before coming to conclusions | 0 1 2 3 4 |
| 13. seeks feedback to improve interactions with others | 0 1 2 3 4 |
| 14. accurately describes how others view his or her capabilities | 0 1 2 3 4 |
| 15. knows when it is time to re-evaluate his/her position on important issues | 0 1 2 3 4 |
| 16. shows he or she understands how specific actions impact others | 0 1 2 3 4 |

SECTION C: EMPLOYEE SATISFACTION

Instructions: Tell us how satisfied you currently feel about the various items below. Rate your satisfaction as per the scale below (i.e. 1 very dissatisfied and 7 very satisfied).

How satisfied do you currently feel about ...

	☹				☺			
	Very dis-				Very			
	Satisfied				satisfied			
a) your life in general?	1	2	3	4	5	6	7	
b) your family life?	1	2	3	4	5	6	7	
c) your leisure time?	1	2	3	4	5	6	7	
d) your state of health and well-being?	1	2	3	4	5	6	7	
e) your work-life balance?	1	2	3	4	5	6	7	
f) the financial situation of your household?	1	2	3	4	5	6	7	

Thank you for taking part in this survey

Contact details of the researcher

Mobile:

e-mail:



To whom it may concern,

This letter is to grant permission for Liane Petzer to use the following copyright material for his/her research:

Instrument: ***Authentic Leadership Questionnaire (ALQ)***

Authors: ***Bruce J. Avolio, William L. Gardner, and Fred O. Walumbwa***

Copyright: ***2007 by Bruce J. Avolio, William L. Gardner, and Fred O. Walumbwa***

Three sample items from this instrument may be reproduced for inclusion in a proposal, thesis, or dissertation.

The entire instrument may not be included or reproduced at any time in any published material.

Sincerely,

A handwritten signature in black ink, appearing to read "Liane Petzer".

Mind Garden, Inc.
www.mindgarden.com

Annexure C

From: C. Freese

Sent: 07 December 2016 12:29

To: Petzer, Liane: Absa

Subject: RE: Research instrument

Dear Liane,

Our questionnaire can be used for scientific purposes, as long as no commercial activities are involved. Good luck with your research, best wishes, Charissa Freese

From: Petzer, Liane: Absa

Sent: donderdag 1 december 2016 9:39

To: C. Freese

Subject: FW: Research instrument

Dear Charissa,

I trust that this e-mail finds you well.

As mentioned in my e-mail to Rene below, I am a MBA student at Rhodes Business School in South Africa and am currently doing my research. I was wondering if you are willing to give me permission to use the instrument for the Tilburg Psychological Contract?

Thanking you in advance,

Liane Petzer

From: M.J.D. Schalk

Sent: 01 December 2016 16:03

To: Petzer, Liane: Absa

Subject: RE: Research instrument

Dear Liane Petzer,

Questions 17, 18 and 19 in the attached questionnaire (Psycones) are on psychological contracts.

For the Tilburg Psychological Contract questionnaire you could contact Charissa Freese (c.freese@uvt.nl)

Best regards,

René Schalk

From: Petzer, Liane: Absa

Sent: woensdag 30 november 2016 2:40

To: M.J.D. Schalk

Subject: Research instrument

Dear Rene,

I trust that this e-mail finds you well?

I am currently busy with my dissertation for my MBA. My provisional title is “The relationship between authentic leadership and employee performance”. My hypotheses are as follows:

Ha1: There is a significant positive relationship between authentic leadership and employee satisfaction.

Ha2: There is a significant difference in the level of employee satisfaction between high, medium and low performing employee groups.

The first hypothesis refers to the psychological contract and I was hoping that I could locate your research instrument for my research purposes. I was able to get the document attached, however, it does not give a lot of guidance in terms of the actual questions and would really appreciate if there is any way that you could help. I could off course arrange to make the data available to you after the process has been completed.

Best regards,

Liane Petzer | Provincial Manager Sales Support | Eastern and Southern Cape | Business Banking | RBB

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Annexure D

From: Mhlantla, Tshiwela: Absa
Sent: 14 February 2017 07:49
To: Petzer, Liane: Absa
Cc: Funani, Simphiwe: Absa
Subject: RE: MBA research approval

Approved.

Tshiwela Mhlantla | Provincial Managing Executive | Retail and Business Bank | Eastern & Southern Cape

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-----Original Message-----

From: Petzer, Liane: Absa
Sent: Monday, February 13, 2017 08:53 PM South Africa Standard Time
To: Mhlantla, Tshiwela: Absa
Cc: Funani, Simphiwe: Absa
Subject: MBA research approval

Good evening Tshiwela,

Trust that you are well.

During a discussion we had last year, I asked you for permission to conduct my MBA research within RBB Eastern Cape and you were comfortable that I proceed. I, do however, need your formal approval from yourself to attach to my “ethics form” for approval by the Rhodes University. My understanding is that e-mail approval will suffice.

I attach my conceptual analysis for context of my study as well as the questionnaire that I will be distributing (electronically) to staff members within RBB EC.

I really appreciate your support. Enkosi!

Kind regards,

Liane Petzer | Provincial Manager Sales Support | Eastern and Southern Cape | Business Banking | RBB
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