Leadership Styles in Relation to Employees’ Trust and Organizational Change Capacity: Evidence From Non-Profit Organizations

Muhammad Yasir¹, Rabia Imran², Muhammad Kashif Irshad³, Noor Azmi Mohamad¹, and Muhammad Muddassar Khan¹

Abstract

This article intends to examine the role of leadership styles (transformational, transactional, and laissez-faire) and employees’ trust toward organizational change capacity (OCC). Data were collected from a convenient sample of managers, coordinators, officers, community facilitators, social organizers, and activists through questionnaires. A total of 250 respondents were sent questionnaire, usable questionnaires were 204. Results revealed positive and significant relationship between transformational leadership and employees’ trust. Moreover, an insignificant relationship was found between transactional leadership and employees’ trust, whereas laissez-faire and employees’ trust were found to be negatively associated. Findings of the study also depicted a positive and significant relationship of transformational leadership and transactional leadership with OCC. However, laissez-faire was negatively associated with OCC. Results also revealed that employees’ trust mediates the relationship between leadership styles (transformational and laissez-faire) and OCC. However, employees’ trust did not mediate the relationship between transactional leadership and OCC. Finally, implications and suggestions for future research are provided.

Keywords

leadership styles, employees’ trust, organizational change capacity, non-profit organizations

Introduction

The importance of leadership has grown significantly in organizations as compared with the past. Globalization, shifting social and demographic trends, enhanced knowledge of workforce, and rapid technological innovations have created a need among organizational top management to utilize all their efforts toward bringing organizational change (Graetz, 2000). Leadership is identified as one of the most important factors for this successful transformation (Kotter, 1995). It is considered as a key contributor towards building organizational capacity for change (Judge, 2011), as organizations aim to enhance their capacity to change requires effective and trustworthy leadership (Judge, 2011; Judge & Elenkov, 2005; Soparnot, 2006). These leaders organize and align followers toward a common goal by giving them direction and defining the most appropriate behaviors and attitudes needed for change (Geller, 2003; Northouse, 2007). They develop trusting followers that ultimately leads to enhanced capacity for organizations to change (Judge, Bowler, & Douglas, 2006).

The available literature provides evidence that the business environment is changing rapidly and becoming impulsive and volatile. Organizations try to cope with such environment and initiate change, but at times they fail due to poor change management and lack of change leadership practices (Higgs & Rowland, 2000; Judge, 2011). Successful leaders and organizational change agents are essential to deal with the unpredictable and hypercompetitive organizational environment (Judge, 2011). Therefore, new dimensions for effectively managing changes are continuously explored to help an organization best handle the process of change.

Organizational change capacity (OCC) is a relatively new theoretical development for effectively managing change (Soparnot, 2011). Judge (2011) described OCC as “a dynamic,
multidimensional capability that enables an organization to upgrade or revise existing organizational competencies, while cultivating new competencies that enable the organization to survive and prosper” (p. 14). Comprehension of the OCC construct is still in its refinement stages (Judge, 2011). Therefore, empirical researchers are required to observe its efficacy and the impact that various related concepts (i.e., leadership and trust) can place on it (Judge, 2011; Soparnot, 2011). Effective navigation of the organization through change capacity development requires involvement of all the employees. It requires trust of the employees in leadership and organization (Geller, 2003; Judge, 2011). Thus, leadership, via building trust of the employees, can surely get them participating in the change process, thereby contributing to the change capacity of an organization. Therefore, the change capacity of an organization, to a great extent, depends upon the leaders. This is the reason that leadership is extremely important and crucial for the effective management and implementation of organizational change (Higgs, 2003; Higgs & Rowland, 2000).

Pakistan is an important part of Asia-South Pacific, where philanthropic and voluntary activities have a long history. These activities are accomplished in the areas of health, civil rights, social welfare, and education. Such activities emerge out of national culture with strong influence of Islamic ideology. The people of Pakistan trust these organizations more than the government organizations and donate generously to them; despite being a developing country, Pakistani society contributes massively to the non-profit organizations (Pakistan Center for Philanthropy, 2015). Thus, non-profit organizations play an important role in Pakistan and to meet the philanthropic needs of the growing population of Pakistan, they should continuously improve and upgrade themselves. Therefore, research is needed to observe the factors that influence the change process, and for this reason, this research intends to examine the factors (leadership and employees’ trust) that influence the change capacity of these organizations.

The current study focuses on finding the effect of leadership styles on OCC through the mediating role of employees’ trust. The study is novel and original for many reasons. First, few studies in the previous literature depict that there is a lack of empirical research on the notion of OCC both in the Western and Asian contexts, and relatively little is known about its antecedent conditions (Judge, 2011; Judge et al., 2015; Oxtoby, McGuiness, & Morgan, 2002; Ramezan, Sanjaghi, & Rahimian Kalateh baly, 2013; Soparnot, 2011). Second, the literature on the relationship between OCC and leadership (i.e., transformational leadership, transactional leadership, and laissez-faire leadership) lacks attention. Third, the study incorporates employees’ trust as a mediator in the relationship between leadership styles and OCC. Finally, the study is based on the evidence from non-profit organizations that have been working in Pakistan for decades on social, economic, and developmental issues.

Objectives of the current study are to examine the relationship between leadership styles (transformational, transactional, and laissez-faire) and OCC, to investigate the relationship between leadership styles and employees’ trust, and to examine employees’ trust as a mediator in the relationship between leadership styles and OCC, specifically in the non-profit organizations working in Pakistan.

**Literature Review**

**Leadership**

Organizations exist for different purposes. Such as, community-based organizations exist to empower the community, whereas business-oriented organizations are to generate and maximize profits. To achieve their objectives, leadership of these organizations plays an important role. Several leadership models exist; however, the full range leadership model proposes that the leadership process is a continuum that starts from the non-effective leadership approach that is laissez-faire leadership and moves toward an involving leadership approach that is transactional leadership and ends at transformational leadership, a motivating and inspiring leadership style (Avolio & Bass, 2004; Bass & Avolio, 1990a; Xirasagar, 2008).

Transformational leadership is known for its change-oriented leadership style at the organizational, group, and individual level of analysis with positive outcomes (Judge & Piccolo, 2004). Transformational leadership comprises four components (Avolio & Bass, 1991; Bass & Avolio, 1990b): idealized influence is the degree to which the leader instills values, beliefs, respect, a strong sense of purpose, and collective sense of mission; intellectual stimulation is the ability to accept different perspectives and stimulate thinking; individualized consideration is appreciating each individual’s contribution; and inspirational motivation is the ability to motivate and inspire subordinates. These leaders are able to communicate considerable standards, encourage and promote followers to align with organizational goals to attain performance objectives (Imran, Zahoor, & Zaheer, 2012; Kelloway, Barling, & Helleur, 2000), and assist in enhancing employee satisfaction and innovative work behavior (Fatima, Imran, & Zaheer, 2010; Imran, Zaheer, & Noreen, 2011).

However, transactional leaders accomplish goals by rewarding subordinates who meet their expectations (Bass & Avolio, 1990a). These rewards may come in the form of pay increase, advancement, and recognition. However, employees who fail to perform well are penalized. Such transactions or exchanges are characterized as effective transactional leadership (Bass, Avolio, Jung, & Berson, 2003). Moreover, a laissez-faire leadership refers to indifferent or a lack of leadership (Xirasagar, 2008). Therefore, scholars view that both transformational and transactional leadership styles are necessary for an organization in different circumstances. As transformational leadership performs well when an organization is experiencing rapid
change, transactional leadership is suitable for an organization operating in a stable environment (Castiglione, 2006).

**OCC**

OCC is known as the combination of organizational and managerial capabilities that allows an enterprise to adapt more effectively and quickly than its competition to changing situations (Judge & Douglas, 2009). Judge (2011) described OCC as “a dynamic, multidimensional capability that enables an organization to upgrade or revise existing organizational competencies, while cultivating new competencies that enable the organization to survive and prosper” (p. 14). This dynamic capability is critical for all forms of organizations at some point of time (Oxtoby et al., 2002) and is associated with higher levels of organizational performance (Judge et al., 2015; Ramezan et al., 2013). OCC enables organizations to adapt and settle old capacities as well as to cope with newly emerging opportunities (Judge & Elenkov, 2005).

OCC is affected by human capabilities, structural arrangements, statutes, rules, and regulations that are important for routine operations and new developments (Judge & Douglas, 2009; Judge, 2011). Judge and Douglas (2009) found eight distinct but interrelated dimensions of OCC concerning issues of formal organizational processes, informational organizational culture and human capabilities. The identified dimensions of OCC are as follows:

- **Trustworthy leadership** is the ability of top management to earn the trust of employees and to guide them along the path to achieve collective goals.
- **Innovative culture** is the ability of an organization to encourage innovative activities and establish norms of innovation.
- **Involved mid-management** refers to the ability of middle managers/supervisors to effectively link senior officials with the rest of the organization.
- **Trusting followers** is the ability of non-executive employees’ willingness to follow a new path provided by the organizational top management, or to constructively dissent it.
- **Capable champions** refers to the ability of an organization to attract, empower, and retain change leaders to emerge and evolve.
- **System thinking** is the ability of an organization to recognize interdependencies within and outside the organization.
- **Effective communication** refers to the ability of an organization to effectively communicate horizontally, vertically, and with customers.
- **Accountable culture** is the ability of the organization to successfully meet pre-determined deadlines and to carefully manage resources (Judge & Douglas, 2009).

**Leadership and OCC**

Leadership has been linked to a variety of positive outcomes in the previous literature (Khan et al., 2014; Yasir & Mohamad, 2016). There is lucid evidence that leadership plays a key role in the process of change and its significant impact on successful change implementations (Higgs, 2003; Higgs & Rowland, 2001; Kotter, 1990; Lutz Allen, Smith, & Da Silva, 2013). Transformational leadership is considered to be the most appropriate leadership style for effectively managing the change process. These leaders not only influence the change process but also facilitate the change process with their interactive leadership style (Long & Mao, 2008; Northouse, 2007). These leaders are good mentors who evoke emotions, foster a trustworthy climate (Harms & Credé, 2010), and provide a vision for change (Bennis & Nanus, 1997). Therefore, Lutz Allen et al. (2013) suggested that individuals must incorporate and adopt the behaviors of the transformational leadership style for successfully managing and implementing organizational change. Thus, this study assumes that transformational leadership will be positively associated with OCC. Therefore, it is postulated as follows:

**Hypothesis 1:** Transformational leadership is positively related with OCC.

Change is facilitated by a transactional leadership style as it rewards the positive outcomes (Lowe, Kroeck, & Sivasubramaniam, 1996). Scholars view that leaders should be interactive, supportive, and dynamic to acknowledge the efforts of the employees and their achievements by rewarding them (Harms & Credé, 2010; Judge & Piccolo, 2004). Therefore, previous literature shows a positive relationship between transactional leadership and organizational change (Long & Mao, 2008). Moreover, when transactional leaders focus on rewards (contingent reward), managing incentives, and meeting quality standards, they play an important role in supporting and managing organizational change process (Bass & Avolio, 1990a). Therefore, the present study assumes that transactional leadership will be positively associated with OCC. Thus, it is hypothesized as follows:

**Hypothesis 2:** Transactional leadership is positively related with OCC.

During the change phase, a continuous interaction between the leader and followers is vital for success (Kotter, 1995). However, in the case of laissez-faire leadership, there is minimal interaction between leaders and followers (Northouse, 2007). Therefore, laissez-faire leadership negatively influences the organizational change process (Lutz Allen et al., 2013) and negatively influences the change capability of an organization (Long & Mao, 2008). Therefore, the current study assumes that laissez-faire leadership will
have a negative relationship with OCC. So, this study proposes the following:

**Hypothesis 3:** Laissez-faire leadership is negatively related with OCC.

### Employees’ Trust

Employees’ trust in their leadership is widely acknowledged as a critical determinant of organizational effectiveness (Chughtai, Byrne, & Flood, 2015). Previous literature shows that employees trust in their leadership can lead toward desirable outcomes, such as a higher level of performance (Neves & Caetano, 2009) and greater exchange of ideas and knowledge (Renzl, 2008). In previous literature, trust has been conceptualized in several different ways. For instance, Nyhan and Marlowe (1997) viewed trust as “the level of confidence that one individual has in another’s competence and his or her willingness to act in a fair, ethical, and predictable manner” (p. 616). Moreover, Rousseau, Sitkin, Burt, and Camerer (1998) defined trust as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (p. 395). Thus, trust comprises the individuals’ beliefs, assumptions, and expectations regarding the positive outcomes of others’ future behavior (Robinson, 1996). In addition, previous literature shows that individuals with varying cultural, social, and intellectual background differ in their propensity to trust (Hofstede, 1991; Hofstede & Hofstede, 2001).

### Leadership and Employees’ Trust

Successful leaders create and maintain employees’ trust through their leadership behavior (Bennis, 2002). Likewise, a transformational leader understands the individual capabilities and needs of followers, and demonstrates that they care about followers; therefore, these leaders can be trusted (Conger, Kanungo, & Menon, 2000; Jung & Avolio, 2000). Transformational leaders’ practice individualized support and foster acceptance of group goals, which are positively related to trust in leadership (Butler, Cantrell, & Flick, 1999; MacKenzie, Podsakoff, & Rich, 2001). Similarly, Gillespie and Mann (2004) argued that, when leaders act in a way that builds respect, pride, and confidence of their followers, they will be trusted. Therefore, employees who believe that their supervisors are engaged in transformational leadership behavior will have a higher degree of trust in their leadership (Holtz & Harold, 2008). Therefore, this study hypothesizes the following:

**Hypothesis 4:** Transformational leadership is positively related with employees’ trust.

There exists mixed reporting on the effect of transactional leadership on employees’ trust. Transactional leadership, in contrast to transformational leadership, is believed to not acquire a higher level of trust between leaders and followers (Jung & Avolio, 2000). Some empirical studies report that transactional leadership does not influence employees trust in the leader (Pillai, Schriesheim, & Williams, 1999; Podsakoff, MacKenzie, Moorman, & Fetter, 1990), whereas other studies report a positive association between transactional leadership and employees’ trust in the leader (Dirks & Ferrin, 2002; Shamir, 1995). As transactional leaders reward subordinates for their compliance with the set directions (Bass & Riggio, 2006) and leadership style, equipped with a contingent reward will contribute toward trust-building process (Gillespie & Mann, 2004). These leaders admire a follower’s achievements through providing contingent rewards, thus building employees’ trust in their leadership (Shamir, 1995). Therefore, this study proposes the following:

**Hypothesis 5:** Transactional leadership is positively related with employees’ trust.

Laissez-faire leadership has an unattractive characteristic toward the trust-building process (Bass, 1985). Employees’ trust in their leadership requires leadership’s presence, constant support, and input from the leaders. However, laissez-faire leadership style means absence of leadership with no or minimal interaction with employees (Northouse, 2007). Therefore, scholars assert that laissez-faire leadership fails to develop employees’ trust in the leader (Gillespie & Mann, 2004; Northouse, 2007). Therefore, this study proposes the following:

**Hypothesis 6:** Laissez-faire leadership is negatively associated with employees’ trust.

### Employees’ Trust and OCC

OCC requires the trust of employees in their organization and its leadership (Judge, 2011; Soparnot, 2011). Therefore, change attempts are stifled, if employees’ trust in their leader is inadequate (Ertürk, 2008). Moreover, employees’ trust in their leadership and organization makes them dedicated to bring about successful change with greater commitment; thus, the trusting followers become an aide for the overall change capacity of the organization (Judge, 2011). Thus, scholars argue about the significance of employees’ trust for OCC in an organization (Judge & Douglas, 2009; Soparnot, 2011). Therefore, this study hypothesizes the following:

**Hypothesis 7:** Employees’ trust is positively related with OCC.

### OCC, Employees’ Trust, and Leadership

Scholars argue about the significance of trust as a core emotional and cognitive process in the dynamics of the
leader–follower’s relationship (Bligh & Kohles, 2013). Trust leads to greater employee confidence in a leader’s fair intentions behind the change (Harvey, Royal, & Stout, 2003). Past research demonstrates that trust in leadership is an important element for organizational change (Smollan, 2013), and might be as a consequence or a predecessor of the relationship at work (Neves & Caetano, 2009; Saunders & Thornhill, 2003).

Scholars argue that effective goal achievement by the employees of an organization during the change phase is solely dependent upon the level of trust employees have in their leadership (Kotter, 1995). Scholars also identified that interpersonal trust within the team members is important for an organization to perform well during the change phase. It is dependent upon the way a leader treats her or his subordinates or team members (Ferrin & Dirks, 2003). Therefore, this study proposes the following hypotheses:

**Hypothesis 8:** Employees’ trust mediates the relationship between transformational leadership and OCC.

**Hypothesis 9:** Employees’ trust mediates the relationship between transactional leadership and OCC.

**Hypothesis 10:** Employees’ trust mediates the relationship between laissez-faire leadership and OCC.

**Method**

**Sampling**

The current study was based on the survey of 11 non-profit organizations in Pakistan. The sampling frame addressed the non-profit, community, and project-based organizations working for women’s development (civil rights, education, health, and economic empowerment) in Pakistan. Data were collected from a convenient sample of managers, coordinators, officers, community facilitators, social organizers, and activists through questionnaires. A total number of 250 respondents were sent the questionnaire, and usable questionnaires were 204 with a response rate of 81%. The sample consists of 61% female and 39% male, 79% employees belonged to the age group of 25 to 40 years, and 21% employees belonged to the age group of 40 to 55 years.

**Instruments and Control Variables**

Leadership styles (transformational, transactional, and laissez-faire) were measured by using the “Multifactor Leadership Questionnaire” by Bass and Avolio (1995). The instrument comprises 36 items, that is, 20 items for transformational leadership, 12 items for transactional leadership, and four items for laissez-faire leadership. A sample item from the instrument is as follows: “My supervisor expresses confidence that goals will be achieved.” The employees’ level of trust in their leader was measured by a scale developed by Robinson and Rousseau (1994). It comprises seven items with a sample item as follows: “In general, I believe my supervisor’s motives and intentions are good” and “I am not sure that I fully trust my supervisor”; the latter item was reverse coded. The capacity of an organization for change was measured through the OCC scale developed by Judge and Douglas (2009) comprising 32 items. Sample item include the following: “Do frontline employees have opportunities to voice their concerns about change?” All items were rated on a 5-point Likert-type scale, anchored at 0 = not at all, 1 = once in a while, 2 = sometimes, 3 = fairly often, and 4 = frequently, if not always.

Age, gender, level of experience, current position, and level of education were tested as control variables to test their effect on dependent variables. The results indicated that these demographic variables had an insignificant effect on the dependent variable OCC; thus, they can be treated as control variables.

**Results**

This section illustrates the results of statistical procedures applied to test the hypothesized model. This section is divided into two parts. First part deals with the reliability and validity of the measurement model using Cronbach’s alpha and inter-construct correlation. In addition, this part also provides the descriptive statistics of the constructs. Second part deals with the structural model validation through direct and indirect effects.

Table 1 demonstrates that OCC is significantly and positively correlated with transformational leadership (r = .74, p < .05), transactional leadership (r = .31, p < .05), and employees’ trust (r = .59, p < .05), whereas laissez-faire leadership (r = -.29, p < .05) is significantly but negatively correlated with OCC. This correlation measures the extent and direction of the relationship between the variables of interest (Bryman & Cramer, 1990).

Moreover, Table 1 reveals that transformational leadership is significantly and positively correlated to employees’ trust (r = .68, p < .05). The table shows that transactional leadership and employees’ trust (r = .16, p < .05) are significantly and positively correlated. Whereas laissez-faire leadership and employees’ trust (r = -.32, p < .01) are found to be significantly but negatively correlated.

**Common Method Bias**

Scholars argue about the effects of common method bias in self-reporting variables (Conway & Lance, 2010). Therefore,
previous literature has identified several statistical remedies to detect and control for any possible common method bias (Chang, Van Witteloostuijn, & Eden, 2010). This study used Harman’s one-factor test to check for common method bias. Table 2 shows the overall variance of 21.255%, which is less than the 50% threshold for substantive common method variance.

**Model Evaluation**

For the analysis, structural equation modeling (SEM) has been used. Preacher and Hayes (2008) suggested path analysis technique to investigate mediation using bootstrapping technique to overcome criticism raised on Baron and Kenny (1986) four-step mediation model. Therefore, SEM has recently become a widely used statistical tool applied in academic research (Hayes, 2009). For this study, two models have been tested. Model 1 represents the direct effect between leadership styles and OCC, whereas Model 2 represents the indirect effects. Fit indices and path coefficient are shown in Table 3.

Table 3 describes the models fitness indices using Amos 21 software. The suggested value for chi-square/degree of freedom ratio (CMIN/DF) is minimum 2 and maximum 5, whereas the value for goodness of fit index (GFI), adjusted goodness of fit index (AGFI), normed fit index (NFI), and comparative fit index (CFI) should be greater than 0.90 and root mean square of approximation (RMSEA) should not be greater than 0.08, indicating a good model fit (Hair et al., 2006). Table 2 shows the model fit values for the hypothesized Model 1, which are CMIN/DF = 3.3, GFI = 0.933, AGFI = 0.912, NFI = 0.921, CFI = 0.932, and RMSEA = 0.070, this indicates a good fitness of the hypothesized Model 1. For Model 2, the values are CMIN/DF = 4.2, GFI = 0.919, AGFI = 0.901, NFI = 0.906, CFI = 0.910, and RMSEA = 0.040, this indicates a good fitness of the hypothesized Model 2. Therefore, both the models fulfill the threshold values of GFI, AGFI, NFI, CFI, and RMSEA (see Table 3).

Path coefficients were examined for Model 1, and all the paths are found to be significant and in line with the stated hypothesis. Transformational leadership is found to be positively related with OCC having path coefficient value .67 and p value less than .05, which provides evidence to support Hypothesis 1. Transactional leadership is found to be positively related with OCC having path coefficient value of .20 and p

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**Table 3. Model Fit Indices.**

| Models   | CMIN/DF | GFI          | AGFI         | NFI          | CFI          | RMSEA       |
|----------|---------|--------------|--------------|--------------|--------------|-------------|
| Model 1  | 3.3     | 0.933        | 0.912        | 0.921        | 0.932        | 0.070       |
| Model 2  | 4.2     | 0.919        | 0.901        | 0.906        | 0.910        | 0.040       |

Note. CMIN/DF = chi-square/degree of freedom ratio; GFI = goodness of fit index; AGFI = adjusted goodness of fit index; NFI = normed fit index; CFI = comparative fit index; RMSEA = root mean square of approximation.
value less than .05; therefore, Hypothesis 2 is supported. Laissez-faire leadership is found to be negatively related with OCC having path coefficient value of −.17 and \( p \) value less than .05; thus, Hypothesis 3 is supported (see Figure 1).

In Model 2, employees’ trust has been added as a mediator between leadership styles and OCC. Path analysis indicates that transformational leadership has a positive direct effect on employees’ trust with a path coefficient .63 having \( p \) value less than .05; so, Hypothesis 4 is supported. Transactional leadership has an insignificant relationship with employees’ trust; therefore, Hypothesis 5 is not supported, whereas, Hypothesis 6 is supported with path coefficient −.21 and \( p \) value less than .05, and indicates a negative relationship between laissez-faire leadership and employees’ trust. Finally, employees’ trust and OCC were found to have a positive direct relationship, with path coefficient .59 and \( p \) value less than .05; therefore, Hypothesis 7 is supported (see Figure 2).

This study investigated the mediating role of employees’ trust in the relationship between leadership styles and OCC. Therefore, indirect effects have been examined as suggested by Preacher and Hayes (2008) using bootstrapping technique with 1,000 iterations to test the significance of indirect effects (see Table 4).

The indirect effect of transformational leadership (TFL) on OCC through employees’ trust (ET) is having path coefficient value .37 and is significant with \( p \) value less than .05. Ratio of indirect effects to the total effect is 55.3%. Moreover, upper confidence level was 0.49 and lower confidence level was 0.11 (zero is not between the lower and upper confidence level). Thus, ET mediates the relationship between TFL and OCC; hence, Hypothesis 8 is supported.

The indirect effect of transactional leadership (TSL) on OCC through ET is having path coefficient value .03 and is insignificant, which indicates that employees’ trust does not mediate the relationship between transactional leadership and OCC; thus, Hypothesis 9 is not supported.

The indirect effect of laissez-faire leadership (LFL) on OCC through ET is having path coefficient value −.12 and is significant with \( p \) value less than .05. Ratio of indirect effects to the total effect is 72.3%. Furthermore, upper confidence level was −0.07 and lower confidence level was −0.20. Thus, employees’ trust in their leadership mediates the relationship between laissez-faire and OCC; therefore, Hypothesis 10 is supported.
Discussion

Findings from this study, based on 204 employees from the non-profit organizations of Pakistan, provided enough support to all of our propositions with the exception of two. First, there was no significant relationship found between transactional leadership and employees’ trust. Second, employees’ trust was not found to mediate the relationship between transactional leadership and OCC.

Past literature provides evidence that leadership plays an important role toward OCC, as transformational leadership is found to have a positive impact on the change process (Brown, 1994; Long & Mao, 2008). Furthermore, Soparnot (2011) identified that transformational leadership plays a significant contribution toward OCC of an organization. Moreover, Lutz Allen et al. (2013) suggested that individuals must adopt the behaviors of transformational leadership style for successful implementation of organizational change, particularly in non-profit organizations. Thus, transformational leadership facilitates OCC and increases the likelihood for successful management and implementation of change. Previous literature also shows the existence of a positive association between transactional leadership and change (Bass & Avolio, 1990a; Long & Mao, 2008).

Moreover, Lowe et al. (1996) suggested that change is also facilitated by the transactional leadership style as it rewards the positive outcomes. Therefore, transactional leaders who acknowledge their subordinate’s efforts by encouraging and rewarding them will play an important role in supporting OCC. The current research also proposed a negative relationship between laissez-faire leadership and OCC. Findings from the study also reported this relationship. Previous literature shows that laissez-faire leadership is negatively associated with change capability of an organization (Long & Mao, 2008). As the interaction between leaders and followers is essential for successful change phase (Kotter, 1995), however, in laissez-faire leadership, there exists minimum interaction between leaders and followers (Northouse, 2007). Therefore, laissez-faire leadership negatively affects the change process, particularly in non-profit organizations (Lutz Allen et al., 2013). Hence, individuals with laissez-faire leadership behavior will negatively affect OCC.

The results of this study reveal a positive relationship between transformational leadership and employees’ trust in the leader. Our findings are similar to the previous literature which identifies the positive relationship between transformational leadership and employees’ trust in leaders (Conger et al., 2000; Gillespie & Mann, 2004; Holtz & Harold, 2008; Jung & Avolio, 2000; Kotter, 1995; Pauw & Eastman, 1997). Scholars assert that transformational leadership behavior builds confidence of their followers (Gillespie & Mann, 2004), motivates and inspires them (Bass & Avolio, 1990a), and shares a vision of the organization with them, which contributes toward the trust-building process (Pauw & Eastman, 1997). These leaders understand individual needs of followers and assist them; thereby followers tend to trust their leadership (Conger et al., 2000; Jung & Avolio, 2000). Therefore, transformational leadership behavior will assist in developing the trust of the employees in their leadership, due to their inspiring and motivational attitude. However, the current research exhibits that there is no association between transactional leadership and employees’ trust in non-profit organizations of Pakistan, as mixed evidences of the nature of association between transactional leadership and employees’ trust exist in previous literature. Pillai et al. (1999) and Podsakoff et al. (1990) provided empirical evidence that transactional leadership does not influence a follower’s trust. The concept of transactional leadership is based on contingent rewards, which is rewarding the positive outcomes and punishing for poor performance (Northouse, 2007). However, transactional leaders are unlikely to motivate, inspire, and address individual needs of the followers; hence, transactional leadership behavior does not assist in developing an employee’s trust in the leader, specifically in the non-profit organizations of Pakistan. However, there is an existence of a significant though negative relationship between laissez-faire leadership and employees’ trust. Findings of this research are congruent with the postulations of early researchers (Northouse, 2007), as laissez-faire leadership has an unattractive behavior toward trust-building process due to their minimal input, support, and interaction with followers. Thus, laissez-faire leadership behavior negatively affects an employee’s trust in their leadership.
Scholars’ argue that employees’ trust in their leader plays a crucial role in achieving a higher level of OCC; in addition, trust can be strengthened (or destroyed) during the course of discussions and acts (Soparnot, 2011). Thus, employees’ trust in their leader positively contributes toward OCC, as results of the current study reveal a significant and positive relationship between employees’ trust and OCC. Findings of the present research are in line with previous studies (Judge, 2011; Judge et al., 2006; Soparnot, 2006; Soparnot, 2011). Past researches identify that a successful change process depends upon the level of employees’ trust in their leadership (Kotter, 1995; Smollan, 2013), and employees who trust their leaders will assist the change capacity of an organization (Judge, 2011). Therefore, transformational leaders build trust of the employees in their leadership for the reason that they engage employees in the change process, inspire them, and appreciate them for their contribution, which positively affects OCC. Previous literature also identifies that laissez-faire leadership negatively affects trust of the employees in their leadership (Northouse, 2007) and organizational change (Long & Mao, 2008; Lutz Allen et al., 2013). However, findings of the current study show that if employees’ trust their leaders, even if they have laissez-faire leadership behavior, employees’ trust will assist in decreasing the negative effects of laissez-faire leadership on OCC. Although, in most cases, laissez-faire leadership fails to produce employees’ trust, therefore, its positive contribution toward OCC through employees’ trust can be an exceptional case from the non-profit organizations of Pakistan. But, employees’ trust was not found to play a mediating role in the relationship between transactional leadership and OCC, because transactional leadership behavior fails to build employees’ trust in the current study findings. However, transactional leadership has a positive relationship with OCC.

The current study has laid the foundation to test the newly emerging concept of change management with other variables. The study examined the relationship of leadership styles (i.e., transformational leadership, transactional leadership, and laissez-faire leadership) with OCC, which is a novel contribution to the literature of leadership and change management. The research has also created a link between the two change management paradigms, that is, management and complex. The study has found a significantly positive relationship between transformational leadership and OCC. Transformational leadership is a part of the driving dimension of the management paradigm in the theories and concepts of change management (Klarner, Probst, & Soparnot, 2007), whereas OCC is a part of the complex paradigm (Judge & Elenkov, 2005). Establishing a link between the two different components of management paradigm and complex paradigm, that is, transformational leadership and OCC, is a promising and unique contribution within the change management literature.

**Limitations and Future Research**

Constructs of leadership styles, employees’ trust, and OCC have been examined unidimensionally. Impact of the facets of leadership behavior, that is, idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management by exception-active, and management by exception-passive, are recommended to be tested individually with OCC in a future study. Moreover, the current study sample is from the non-profit organizations. Future studies should consider the role of leadership styles and employees’ trust for OCC in private (for profit) or public sector organizations. Another limitation was its cross-sectional research design. Also, the examination of the process of leadership behavior and employees’ trust, and its impact on OCC requires a relatively longer period. For instance, the relevance of pre-existing levels of trust and tendency to trust were not examined. Therefore, a follow-up of this study may be performed with a longitudinal study design, which will present a true picture of perceived trustworthiness of change leaders. In addition, a more enriched comparison should be completed with culturally diverse organizations exploring cross-cultural replication of this study, thereby adding depth to the existing knowledge. Finally, the present study respondents were from both long- and short-term projects of the non-profit organizations. Future studies may examine the current model in long- and short-term projects separately, or make a comparative study of it. The current research uses a convenient sampling design that is simple to use but is vulnerable and lacks generalizability. Future researches may use a reliable sampling design.

**Conclusion**

Organizations aiming toward successful transformation, based on their capacity to change, need to focus on their leadership behavior. For successful implementation and management of the change process, organizations are required to develop their capacity for change, which demands active, supportive, responsive, interactive, and trustworthy leadership. Transformational leadership is found to be much more successful in developing the change capacity of an organization, because the leaders are inspiring, active, and supportive. Similarly, transactional leadership also seems to have an important role, while laissez-faire leadership negatively influences the change capacity of an organization. Therefore, top management, while going through the change phase, needs to avoid the laissez-faire leadership style, and focus more on the transformational leadership behavior with a complementing role of transactional leadership behavior to the extent of rewarding employees’ efforts for successfully managing the change phase. Finally, employees’ trust plays a crucial role in developing OCC as the present study shows that, if employees trust their leaders, even if they have the laissez-faire
leadership behavior, the trust factor can minimize the direct negative effect of laissez-faire leadership on OCC.

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## Author Biographies

**Muhammad Yasir** is a PhD Candidate in the Department of Business Administration, Universiti Teknologi Malaysia, Johor Bahru, Malaysia. His research interests include leadership development, ethics and emotional intelligence.

**Rabia Imran**, PhD, is an Assistant Professor in the Department of Management and Marketing, Dhofar University, Salalah, Oman. Her areas of expertise include innovation, leadership and human resource development.

**Muhammad Kashif Irshad** is a Lecturer in the Department of Management Sciences, Abbottabad University of Science and Technology, Havelian, Pakistan. His research interests include change management and leadership development.

**Noor Azmi Mohamad**, PhD, is a Senior Lecturer in the Department of Business Administration, Universiti Teknologi Malaysia, Johor Bahru, Malaysia. His areas of expertise include strategic management and leadership development.

**Muhammad Muddassar Khan** is a PhD Candidate in the Department of Business Administration, Universiti Teknologi Malaysia, Johor Bahru, Malaysia. His areas of interest include conflict management and organizational culture.