

# The Effect of Authentic Leadership on Organizational Effectiveness: The Mediating Effects of Self-Efficacy

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## Abstract

**Background/Objectives:** This study was aimed to identify influential factors on organizational commitment, job satisfaction, and organizational citizenship behavior as an organizational effectiveness of authentic leadership. **Methods/Statistical Analysis:** Smart PLS 2.0 was used to verify the model of this study. As PLS had relatively less strict requirements for sample size and residual distribution and its relationship between measurement item and construct could be used to analyze the model, formative indicator, Smart PLS was used. To that end, the PLS method was used since this study is an exploratory study. **Findings:** Most of the leadership related precedent studies have focused on the role of a leader who leads an organization. This study inquired into the preceding research on authentic leadership and carried out an empirical analysis with the workers in the Korea industry. As a result of the analysis, it was found that authentic leadership had positive impacts on organizational commitment and organizational citizenship behavior, organizational commitment and job satisfaction had positive impacts on organizational citizenship behavior. **Application/Improvements:** In this study, empirical data were used services enterprise. The findings are expected to be applied to making decisions and developing education programs, which are related to leadership in the field.

**Keywords:** Authentic Leadership, Leadership, Organization Effectiveness, OCB, Self-Efficacy

## 1. Introduction

Today, the world is in a long economic slump. If this kind of economic slowdown continues, consumer consumption further decreases, which will in turn have a significant effect on businesses.

Leadership of CEO is of great importance than ever, requiring new roles and responsibilities due to changes in internal and external environments, in the current state of uncertainty in business environments resulting from various factors unlike the past. Furthermore, in the current economic status of ongoing global recession, authentic leadership can be a solution for businesses to weather a crisis, and bring a change with a new take-off.

Leadership is one of the important factors that can concentrate and effectuate capabilities of members of an organization. Recently, resilient leadership is required to increase commitment to overall direction and scope, personnel duties, and organization, based on autonomy and

creativity rather than direct supervision and controls<sup>1</sup>. Authentic leadership is a concept based on transformational, transactional, servant, and ethical leaderships. It refers to a leadership of carefully perceiving the other's thoughts, actions, value, moral sense, knowledge, confidence, hopes, and moral personality<sup>2</sup>.

To survive in these fierce competitions, companies keep working hard. In general, leadership focuses on a leader's role to lead an organization in a top-down manner. However, true leadership refers to the leadership of trust and respect, which integrates conventional leadership.

Notwithstanding these interests, however, there are insufficient empirical studies on authentic leadership. Hence, this study aims to examine influence factors of authentic leadership to organizational effectiveness.

First, it is intended to look at influence factors such as authentic leadership, organizational commitment, job

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satisfaction, and Organizational Citizenship Behavior. Second, it is intended to look at the moderating effects of self-efficacy on authentic leadership, organizational commitment, job satisfaction, and Organizational Citizenship Behavior.

Studies on authentic leadership have been made, but there are few studies on empirical analysis through direct measurement. Accordingly, this study considered precedent studies on authentic leadership and conducted an empirical analysis.

## 2. Theoretical Backgrounds

### 2.1 Authentic Leadership

It was not until 2003 that discussions on authentic leadership began in full-scale. The root of the authenticity concept can be found in Shakespeare's "To Thine Own Self Be True"<sup>3</sup>.

Organizational effectiveness, indicating how well an organization is being operated and referring to interactions continuously occurring among organizational structure, management, and people in order to achieve organizational objectives, is a concept mainly used in evaluation of an organization<sup>3</sup>. In<sup>4,5</sup> studies, said that the term 'authenticity' originates from philosophy and psychology. In<sup>6,7</sup> insisted that 'authenticity' is a process of matching a person's life with his traits in a clear and exact manner.

In<sup>8</sup> said that a true leader should be very aware of what he/she is doing and give confidence to his team members that he knows his values and moral perspective very well. In<sup>9</sup> stated that a leader's authenticity is displayed as a form of leadership when it is perceived by the team members. In<sup>10</sup> defined that true leadership is the promotion of positive ego-development as a process derived from the context of positive mentality and positive organization.

### 2.2 Organizational Effectiveness

Job satisfaction can be defined as occupational interests and enthusiasm of an individual to achieve organizational objectives in a given situation. In<sup>11</sup> argued that job satisfaction is a behavior resulting from consensus or balance of emotions experienced in relation to one's job.

#### 2.2.1 Job Satisfaction

In<sup>12</sup> concluded that 'job satisfaction' is job interest and passion that individuals have to achieve their personal

and organizational goals at their work. Job satisfaction has a positive effect on the behavior and performances of organizational members. Therefore, it is a very important factor to the organization<sup>13</sup>.

#### 2.2.2 Organizational Commitment

Organizational commitment is a degree of attachment to an organization that one belongs to. In<sup>14</sup> claimed that organizational commitment is potential power that drives an individual, as a member of an organization, to perform assigned roles and act innovatively and voluntarily. In<sup>15</sup> said that organizational commitment is an individual's attempt to continue certain behavior with a particular interest in an organization because he/she has made a large investment in the organization.

#### 2.2.3 Organizational Citizenship Behaviors

Organizational citizenship behavior refers to discretionary and positive behavior on behalf of one's organization for unassigned tasks without particular compensation<sup>16</sup>.

defined that Organizational Citizenship Behavior (OCB) is voluntary behaviors of workers, not those directly or clearly admitted by an official compensation system. From a general perspective, it is personal behaviors which facilitate organizational functions<sup>17</sup>.

In<sup>18,19</sup> stated that the OCB is all positive behaviors of workers relating to the organization. Some studies also insisted that the OCB has a positive effect on service quality, customer satisfaction and productivity and is influenced by trust, transformational leadership, leadership effectiveness, organizational commitment and job satisfaction.

### 2.3 Self-Efficacy

The results that individuals expect are dependent upon their own judgment on how well they can handle under a given circumstance. In general, people tend to think of results, compare them to their imaginations and then predict their capability prior to taking a certain action. In<sup>20</sup> suggested efficacy expectancy and outcome expectancy as the expectations that individuals can have at achievement with an emphasis on the fact that a human behavior changes with an expectation that it could be done by him/her after all<sup>20</sup>. In<sup>21</sup> argued that self-efficacy influences one's choices over behavior and environment, and leads to strong tendency of coping with confidence when the person thinks that he or she is capable of managing the particular situation.

## 3. Research Methods and Hypothesis

### 3.1 Research Models

This study aims to examine, with focus on K Company, how authentic leadership affects job satisfaction, organizational commitment, and organizational citizenship behavior, and whether self-efficacy has moderating effects on authentic leadership and organizational effectiveness (Figure 1).

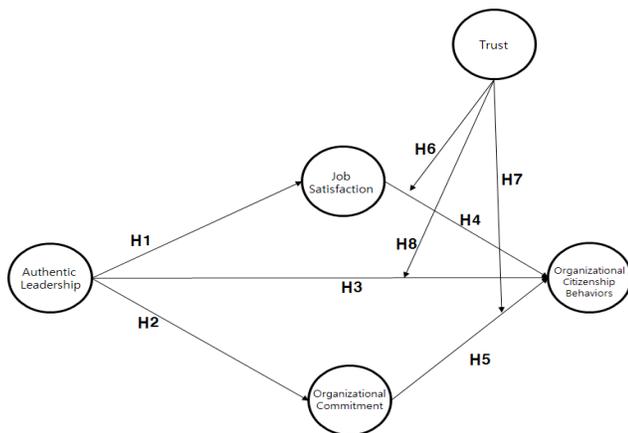


Figure 1. Research model.

### 3.2 Establish Hypothesis

Leadership is a series of processes to influence workers or members to achieve an organizational goal. True leadership motivates workers to take a right and proper action. A leader's behaviors can have a positive or negative effect on workers.

As a result of analyzing the studies on the relationship between authentic leadership and organizational effectiveness, it is found that the higher the authentic leadership is, it has a more positive influence on organizational effectiveness<sup>3,4,12</sup>. By considering this point, the following hypothesis is set up.

H1. Authentic leadership has positive effect on job satisfaction.

H2. Authentic leadership has positive effect on organizational commitment.

H3. Authentic leadership has positive effect on organizational citizenship behaviors.

H4. Job satisfaction has positive effect on organizational citizenship behaviors.

H5. Organizational commitment has positive effect on organizational citizenship behaviors.

Analyzed psychological capital in the influence of true leadership on organizational effectiveness, using moderating effects. In<sup>22</sup> that self-efficacy has a positive effect on organizational effectiveness in analysis on the influence of true leadership and self-efficacy on organizational effectiveness.

If self-efficacy is added as a parameter for authentic leadership to have a positive influence on organizational effectiveness, it would enhance positive effects in general. By considering this aspect, the following hypothesis is set up.

H6. The relationship between job satisfaction and organizational citizenship behaviors is affected by self-efficacy.

H7. The relationship between organizational commitment and organizational citizenship behaviors is affected by self-efficacy.

H8. The relationship between authentic leadership and organizational citizenship behaviors is affected by self-efficacy.

## 4. Research Methods

### 4.1 Characteristics of Sample and Analysis Method

Smart PLS 2.0 was used to verify the model of this study. As PLS had relatively less strict requirements for sample size and residual distribution<sup>23</sup> and its relationship between measurement item and construct could be used to analyze the model, formative indicator, Smart PLS was used.

The subjects of this study are employees working for Company K. For this study, 300 copies of questionnaire were distributed from Oct. 10 to Oct. 30, 2015 and then collected. Among the copies collected, some of them were excluded because they had problems. Finally, 239 copies were selected and used for final analysis.

### 4.2 Validity Analysis of Measurement Factor

PLS analysis requires a verification of internal consistency, convergent validity, and discriminant validity for measurement item and construct. As a result of verification, composite reliability appeared at the standard value of 0.7

or higher<sup>24</sup> and as reliability verification, cronbach's alpha value appeared at the standard value of 0.7 or higher.

AVE appeared at the standard value of 0.5 or higher<sup>23,25</sup> and factor loading values of construct all appeared at the verification standard value of 0.7 or higher except some items (Table 1).

**Table 1.** discriminant validity analysis

	Factor loading	Composite reliability	Cronbach's $\alpha$	AVE
Self-awareness 1	0.737	0.948	0.941	0.534
Self-awareness 2	0.716			
Self-awareness 3	0.723			
Self-awareness 4	0.647			
Relational transparency 1	0.697			
Relational transparency 2	0.706			
Relational transparency 3	0.773			
Relational transparency 4	0.725			
Balanced analytical processing 1	0.782			
Balanced analytical processing 2	0.704			
Balanced analytical processing 3	0.726			
Balanced analytical processing 4	0.753			
Internalized morality 1	0.715			
Internalized morality 2	0.754			
Internalized morality 3	0.754			
Internalized morality 4	0.768			
Organizational Commitment 1	0.859	0.862	0.760	0.676
Organizational Commitment 2	0.794			
Organizational Commitment 3	0.811			

Job satisfaction 1	0.860	0.910	0.868	0.717
Job satisfaction 2	0.876			
Job satisfaction 3	0.832			
Job satisfaction 4	0.818			
Organizational citizenship behaviors 1	0.836	0.884	0.844	0.567
Organizational citizenship behaviors 2	0.846			
Organizational citizenship behaviors 3	0.811			
Organizational citizenship behaviors 4	0.801			
Organizational citizenship behaviors 5	0.620			
Organizational citizenship behaviors 6	0.550			
Self-Efficacy 1	0.871	0.891	0.817	0.732
Self-Efficacy 2	0.848			
Self-Efficacy 3	0.846			

As a result of analyzing discriminant validity, the smallest value (0.731), among the AVE's square root values, exceeded the biggest coefficient value (0.636). Also, discriminant validity can be verified through confirmatory factor analysis. As a result of analysis, all survey items met this requirement (Table 2).

### 4.3 Hypothesis Testing Results

The PLS analysis results in the model of this study and the explanation power for the path model is expressed with explained variance,  $R^{225}$ . As a result of analyzing  $R^2$ , it appeared that effects on organizational commitment was 22.8%, explanation power for job satisfaction 31.9%, and effects on organizational citizenship behavior 36.0%. Path-coefficient for structural model was obtained by using the entire sample and path-coefficient value t was calculated by using bootstrap as shown in Table 3.

Hypothesis 1 and 2 that authentic leadership will have a positive impact on organizational commitment and job satisfaction and Hypothesis 3 that authentic leadership

**Table 2.** Correlation between latent variable

	Authentic Leadership	Job satisfaction	Organizational Commitment	Organizational citizenship behaviors	Self-Efficacy
Authentic Leadership	0.731				
Job satisfaction	0.565	0.847			
Organizational Commitment	0.477	0.636	0.822		
Organizational citizenship behaviors	0.483	0.565	0.412	0.753	
Self-Efficacy	0.452	0.514	0.418	0.605	0.855

**Table 3.** Hypotheses testing

Hypothesis	Path coefficient	t-value	Result	
H1	AL → OC	0.4772	12.518	Accepted
H2	AL → JS	0.5652	15.992	Accepted
H3	AL → OCB	0.2325	4.123	Accepted
H4	OC → OCB	0.0428	0.732	Rejected
H5	JS → OCB	0.4071	6.833	Accepted
H6	AL*SE → OC	0.062	1.167	Rejected
H7	AL*SE → JS	0.083	0.803	Rejected
H8	AL*SE → OCB	-0.042	0.832	Rejected

will have a positive impact on organizational citizenship behavior were all accepted. Also, Hypothesis 5 that job satisfaction will have a positive impact on organizational citizenship behavior was accepted, but Hypothesis 4 that organizational commitment will have a positive impact on organizational citizenship behavior was rejected.

The hypotheses about the moderating effects of self-efficacy (H6, H7, H8) were all found to have no moderating effects.

## 5. Conclusions

Most of the leadership related precedent studies have focused on the role of a leader who leads an organization. However, authentic leadership is a concept that encompasses the existing leadership. So it seems that the necessity of authentic leadership that could be acknowledged and trusted by members of an organization as truly as possible is likely to increase gradually.

As a result of analyzing the factors that authentic leadership has an impact on: organizational commitment, job satisfaction, and organizational citizenship behavior, it was found that all factors were influenced positively.

This result has high implications for a company. From the leader's position, it is thought that leadership is very important. Leadership is the strongest, in order to lead an organization. Accordingly, if authentic leadership is exerted, as shown in this study, it would be a great help for creating corporate performance.

Accordingly, this study conducted a survey of service providers. As a result of analysis, it appeared that authentic leadership had an impact on organizational commitment, job satisfaction, and organizational citizenship behavior and that job satisfaction had a significant impact on organizational citizenship behavior. However, organizational commitment did not have an impact on organizational citizenship behavior. However, unlike the precedent studies, self-efficacy had no moderating effects. This result seems to be attributable to a small number of sample. Further studies need to expand the range of survey target and obtain more samples.

## 6. Acknowledgment

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