DOI <https://doi.org/10.18551/rjoas.2017-04.17>

THE MEDIATING ROLES OF TRUST AND VALUE CONGRUENCE ON THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND ADAPTIVE PERFORMANCE

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ABSTRACT

Technology and infrastructures in organizations continue to grow, which means that adaptability is needed in workplace. This research investigated the relationship between transformational leadership and adaptive performance as well as the mediating roles of trust and value congruence. This research used survey method and questionnaires to collect the data. The respondents for this research were the employees of a company at East Kalimantan, Indonesia. The result indicates positive relationship between transformational leadership and adaptive performance. Similarly, trust and value congruence positively mediates transformational leadership and adaptive performance. Transformational leadership has a positive relationship with trust but does not have an impact on value congruence. In addition, future research needs to add more possible variables such as behavior, environment at workplace and technology to know the impacts on adaptive performance.

KEY WORDS

Adaptive performance, transformational leadership, trust, value congruence.

Globalization requires companies to rethink about their strategic orientation. The strategic orientation becomes increasingly urgent since the organization faces rapid environmental changes. Internal factors of the organization such as financial structure, marketing, and human resources may need to be redeveloped in order to create a unique capability. According to this new internal factor reorientation, organizations may need to adapt to dynamic work atmosphere due to technological advances and changes in the infrastructures of the organization. The technological revolution changes productivity and wages in workplace and labor markets through new ways of subcontracting and contracting, new work condition and new business and organizational models (Human Development Report, 2015). The effect of dynamic work environment is that employees may also need to adapt to the changing organizational requirements.

The dynamic work environment has led academic researchers and practitioners of organization and human resource management to put adaptability as one of the central concerns in their studies (Pulakos et al., 2000). Nevertheless, the concept of adaptability is not entirely new. Even though the classic job performance model proposed by Campbell (1999) does not specifically name adaptive performance as a dimension of job performance that exists across all jobs, the dynamic nature of work environment makes adaptive performance a necessity that garners more attention recently (London and Mone, 1999; Campbell, 1999; Pulakos et al., 2000).

Johnson (2001) defines adaptive performance as the proficiency with which a person alters his or her behavior to meet the demands of the environment, an event, or a new situation. Moss et al. (2009) proposes that transformational leadership subsumes all components that refer to behavior which should facilitate the emergence of adaptive performance. Transformational leadership theory is developed by Bass (1985) and consists of idealized influence, intellectual stimulation, inspirational motivation, and individual

consideration (Bass and Avolio, 1994). Transformational leadership has direct and indirect effects on the followers' performance (Jung and Avolio, 2000). Bass (1985) mentions that trust and value congruence are important variables when evaluating the impact of transformational leadership on the followers' development and job performance.

According to Dirks and Ferrin (2002), trust has been more frequently used in transformational leadership than in any other leadership theories. Transformational leadership behavior is similar to ethical behavior, in which the leaders have personal goals that are not centered and in which the ability and willingness to pursue these goals are rooted in trust (Bass and Avolio, 1994). Such behaviors may make followers proud and trust the leader, and willing to work harder to achieve the goals. Previous research finds that trust can fully mediate the impact of transformational leadership on job performance (Jung and Avolio, 2000) and enhance job performance (Zhu et al., 2009). Schaubroeck et al. (2001) also finds that cognitive-based trust influences team performance indirectly. Value congruence is also considered to be a mediator between transformational leadership and the followers' behavior. Krishnan (2002) considers value system congruence between a leader and the followers among the most important characteristic of transformational leadership. Burns (1978) defines leadership as a relationship between a leader and the followers to have the joint purpose that represents motivation and value. The core mediating aspect of transformational leadership is value congruence achieved through a value internalization process and demonstrated trust in the leader (Shamir et al., 1993).

LITERATURE REVIEW

Adaptive Performance. The complexity of contemporary organization has been predicted even nearly half century ago, when Terrebery (1968) stated her argument on the evolution of organization. Therefore, only those organizations successful in adaptive behavior would likely become the most effective ones in the present-day competitive marketplace. For instance, Rosen et al. (2011) suggests that, to effectively manage adaptive team performance, there is a need to better understand team adaptation as well as to generate better team performance measurement system. At the organizational level, organizational effectiveness can be considered in terms of staffing, employee motivation, and learning through change as adaptive performance perspective (Ilgen and Pulakos, 1999). Adaptive performance involves the ability to work creatively and learn new skills, the capacity to manage stressful situation, as well as the capability to accommodate diverse social contexts (Han and William, 2008; Pulakos et al., 2000; Rosen et al., 2011). Adaptive performance is also considered one of the job performance components (Al Shadifat et al., 2013). Therefore, it is proposed that:

Hypothesis 1: There is a positive effect of transformational leadership on adaptive performance.

Transformational Leadership. Transformational leadership is one of leadership types that involve inspiring followers to share goals and visions for the organization as well as to be innovative problem solvers (Bass and Riggio, 2006). According to Burns (1978), transformational leadership occurs when followers and the leader raise one another to higher levels of motivation, values and result in a transforming effect on both leaders and followers. The leader seeks to satisfy the followers' higher needs and to engage the followers as a person, resulting in a mutually stimulating and elevating relationship that converts followers to leaders and may convert leaders into moral agents (Burns, 1978). Transformational leaders serve as role models for presence and self-sacrifice, when necessary, to motivate followers to realize the visions (Kouzes and Posner, 1995). The roles of transformational leadership in promoting followers' adaptive performance, which the researchers have found, are to represent a distinct facet of job performance (Allworth and Hesketh, 1999).

Trust. Trust is the individual's belief that the subject of trust will behave in a favorable manner to the individual, at least in a manner that will not be harmful to the individual (Gambetta, 1988). Trust is also a psychological state comprising the willingness to accept vulnerability based upon expectations of positive intentions or behaviors with which it interacts (Rousseau et al., 1998). Interpersonal trust can be categorized into two dimensions:

cognitive and affective (MacAllister, 1995). Cognitive trust refers to that which is based on an instrumental evaluation by the followers of the leader's personal characteristics such as their integrity, competence, reliability and dependability (Dirks and Ferrin, 2002). Cognitive form of trust reflects issues such as the reliability, integrity, honesty, and fairness of the referent. Affective trust refers to trust based on emotional bonds between two parties in a relationship that results from the mutual exhibition of care and concern (Dirks and Ferrin, 2002). Affective forms of trust are the special relationship with the referent that may cause the referent to demonstrate concern about one's welfare. In trust relationships, people make emotional investment, believe in the intrinsic virtue of such relationship, express genuine care and concern for welfare of partners and believe that these sentiments are reciprocated (Pennings and Woiceshyn, 1987; Rempel et al., 1985). Thus a hypothesis is formulated:

Hypothesis 2: There is a positive effect of transformational leadership on trust.

Hypothesis 3: There is a positive effect of trust on adaptive performance.

Value congruence. According to Rokeach and Ball-Rokeach (1989), value is important because value can make a difference in terms of how people feel about their work and about themselves. According to Krishnan (2002), value system congruence between leader and followers could be defined as the extent of agreement between the leader's value system and the followers' value system. Organizational values exist when the members of an organization share value (Wiener, 1988). Value can be divided in two ways, ipsative and non-ipsative (Krishnan, 2002). The ipsative way is in which value is being hierarchical in nature, leading to the idea of a value system. The second, non-ipsative, is in which value does not necessarily look at values as hierarchically organized. Based on Edwards and Cable (2009) value is general beliefs about the importance of normatively desirable behavior. Therefore, it is proposed that:

Hypothesis 4: There is a positive effect of transformational leadership on value congruence.

Hypothesis 5: There is a positive effect of value congruence on adaptive performance.

Hypothesis 6: There is a positive effect of trust on value congruence.

Hypothesis 7: Trust has a positively mediating effect on transformational leadership and adaptive performance.

Hypothesis 8: Value congruence has a positively mediating effect on transformational leadership and adaptive performance.

Hypothesis 9: Trust and value congruence have a positively mediating effect on transformational leadership and adaptive performance.

METHODS OF RESEARCH

This research was conducted in a fertilizer industry setting and focused on one of the fertilizer companies in Indonesia. Participants in this study were the employees at three companies including one parent company and two subsidiaries in Bontang, East Kalimantan. The researcher spread 300 questionnaires, 111 responses of which were returned to researcher. However, only 105 questionnaires were eligible to be used for this study. The researcher spread the questionnaires in three departments of the three companies. Due to suspicious response patterns, some questionnaires were removed.

Quantitative research methodology approach was used in this research. Survey technique was used to collect the data, as it was considered well suited for descriptive research, in which the interest was in counting how much a sample possessed particular attributes (Bryman and Bell, 2007). Furthermore, PLS-SEM is a causal modeling approach aimed at maximizing the explained variance of the dependent latent construct (Hair et al., 2011). Thus, for the analysis, PLS-SEM analyses were used to generate the results since, based on the previous research, PLS-SEM can be used for small sample sizes (Hair et al., 2011). PLS-SEM, compared to CB-SEM, is more robust with fewer identification issues, works with much smaller as well as much larger samples and readily incorporates formative as well as reflective construct.

RESULTS OF RESEARCH

The first step involves the evaluation of reliability and validity. Cronbach alpha was used to test the internal consistency of the four variables. Cronbach's alpha for the adaptive performance and composite reliability is .977 and .979, respectively. Cronbach's alpha for transformational leadership is .932 and the composite reliability is .942. Cronbach's Alpha and composite reliability for trust is .946 and .954, respectively. Cronbach's Alpha for value congruence is .940 and its composite reliability is .952. Based on the criteria, the results in this study are reliable because Cronbach's Alpha is higher than .7. Meanwhile, validity was examined using convergent validity and discriminant validity. Convergent validity is based on Average Variance Extracted (AVE) method. The result in this study shows that AVE for adaptive performance is .773, while AVE for transformational leadership is .574. Indeed, the AVE for trust variable is .677 and, lastly, AVE for value congruence is .740.

Table 1 – Reliability and Validity

CR	AVE	α	Variable	AP	TL	T	VC
.979	.773	.977	AP	.879			
.942	.574	.932	TL	.750	.757		
.954	.677	.946	T	.877	.743	.823	
.952	.740	.940	VC	.702	.525	.645	.860

Table 2 – Effect on Endogenous Variables

Variable	R ²	Q ²	f ²	q ²
Adaptive Performance	.818	.613		
Trust	.552	.367	.668	.229
Value Congruence	.421	.300	.135	.038

Table 3 – The Results of Structural Model for Direct Effect

Hypothesis	Direct effect			Total effect		
	Path coefficient	t	Supported	Path coefficient	t	Supported
H1: Transformational leadership → adaptive performance	.196	3.383***	YES	.750	17.782***	YES
H2: Transformational leadership → trust	.743	16.226***	YES	.743	16.226***	YES
H3: Trust → adaptive performance	.591	6.037***	YES	.715	1.974***	YES
H4: Transformational leadership → value congruence	.102	.838	NO	.525	6.450***	YES
H5: Value congruence → adaptive performance	.218	2.556**	YES	.218	2.556**	YES
H6: Trust → value congruence	.570	4.463***	YES	.570	4.463***	YES

*significant $t(.1; 105) = 1.65$, **significant $t(.05; 105) = 1.96$, ***significant $t(.01; 105) = 2.62$.

Table 4 – The Results of Structural Model for Indirect Effect

Hypothesis	Indirect effect		
	Path coefficient	t	Supported
H7: Transformational leadership → trust → adaptive performance	.124	1.900*	YES
H8: Transformational leadership → value congruence → adaptive performance	.423	4.415***	YES
H9: Transformational leadership → trust → value congruence → adaptive performance	.553	9.438***	YES

*significant $t(.1; 105) = 1.65$, **significant $t(.05; 105) = 1.96$, ***significant $t(.01; 105) = 2.6$.

R^2 for adaptive performance is .818. Trust and value congruence have R^2 .552 and .421, respectively. Meanwhile, construct cross-validated redundancy for adaptive performance has Q^2 point at .613, for trust .367 and for value congruence .300.

Table 3 shows the results of direct effect in this study. Based on the table, the results of t-statistic support hypothesis 1, hypothesis 2, hypothesis 3, hypothesis 5 and hypothesis 6 because t-statistic observed is greater than t-table (.01; 105 = 2.62). Hypothesis 4 was rejected because the observed t-statistic is smaller than t-table (.1; 105 = 1.65). Hypothesis 1: there is a positive relationship between transformational leadership and adaptive performance ($3.383 > 2.62$). Hypothesis 2: there is a positive relationship between transformational leadership and trust ($16.226 > 2.62$). Hypothesis 3: there is a positive relationship between trust and adaptive performance ($6.037 > 2.62$). Hypothesis 4: there is a positive relationship between transformational leadership and value congruence ($.838 < 1.65$), and thus hypothesis 4 was rejected. Hypothesis 5: there is a positive relationship between value congruence and adaptive performance ($2.556 > 1.96$). Hypothesis 6: there is a positive relationship between trust and value congruence ($4.463 > 2.62$).

Table 4 shows indirect effect in this study. Hypothesis 7: trust positively mediates the relationship between transformational leadership and adaptive performance ($1.900 > 1.65$). Hypothesis 8: value congruence positively mediates the relationship between transformational leadership and adaptive performance ($4.415 > 2.62$). Hypothesis 9, trust and value congruence positively and doubly mediate the relationship between transformational leadership and adaptive performance ($9.438 > 2.62$). Based on Table 4 hypothesis 7, hypothesis 8 and hypothesis 9 are accepted.

DISCUSSION OF RESULTS

Transformational leadership has an impact on adaptive performance, both direct and indirect effects. The results show that there is a positive relationship between transformational leadership and adaptive performance. Based on the results, transformational leadership can influence adaptive performance in the company. This finding is consistent with Moss et al. (2009), who argues that transformational leadership subsumes components that refer to the behavior that should facilitate the emergence of adaptive performance. Managers or leaders should choose one type of leadership and learn the behavior. The relationship between a leader and the followers is important; how the leader manages their organization will influence the performance of the organization. Indeed, the relationship between a leader and the followers should include variable of trust. In this study, transformational leadership has a positive relationship with trust and trust mediates between transformational leadership and adaptive performance. To increase followers' trust, a leader needs to learn the behavior of charismatic leadership and respect the followers. If the followers' trust in the leader is strong, that will enhance job performance. Trust in the workplace is also an important factor to increase organizational performance (Williams, 2001).

Value congruence is one variable that has an impact on and can influence adaptive performance. Transformational leadership does not have a positive relationship with value congruence. However, value congruence mediates the relationship between transformational leadership and adaptive performance. This result is similar to the previous research, i.e. value congruence mediates transformational leadership and performance. The present study finds that, if doubled, trust and value congruence has a positive relationship with and can mediate transformational leadership and adaptive performance. This result is similar to the previous research, such as Jung and Avolio (2000), who find that transformational leadership has indirect and positive effects, mediated through trust and value congruence, on followers' performance. Trust and value congruence are important variables when evaluating the impacts of transformational leadership on the followers' development and performance (Bass, 1985).

Managerial Implication. In modern workplace, relationship between leader and followers will influence their adaptive performance. This study finds that transformational leadership has an impact on adaptive performance. Trust and value congruence are

important variables in this relationship because, according to the results of this study, mediator variables such as trust and value congruence have an impact on the relationship between transformational leadership and adaptive performance. Transformational leadership plays an important role to enhance adaptive performance because a leader is a role model in an organization and he or she will manage and develop the organization to achieve the goals. A leader should pay attention to his or her transformational leadership behavior in order to contribute to the organization and increase individuality or team adaptability. A leader needs to establish trust among the followers before developing the organization because when a leader and the followers trust each other, they can achieve the goals of the organization together and make the organization bigger. They need to find strategies too because the strategies might be utilized by a leader to enhance performance and help the organization to remain competitive in the globalization era. The value between a leader and the followers needs to be considered as well because followers will be more satisfied if they have the same values as the leader's and they trust the leader with the same values more.

LIMITATION AND FUTURE RESEARCH

The results of this study need several investigations. First, this study only focuses on respondents in Indonesia. It might have a different result if this method is used in another country. Further research can be conducted by selecting respondents from different background to obtain the result. The social culture, which is different in each country, also becomes another factor that will influence the result. Second, adaptive performance is a part of job performance. The researcher used the relationship of each variable with job performance because a lot of research has examined job performance but only few research examined adaptive performance more specifically. Thus, future research can discuss more about the relationship with adaptive performance because modern technology changes workplace and will change the infrastructures of an organization. Future research might also investigate any other possible factors that might mediate or moderate the independent and dependent variables. The factors can comprise the internal and external factors of an organization such as the leader's or the followers' personality, behavior, culture and environment.

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