Authentic leadership and organizational culture as drivers of employees’ job satisfaction

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ABSTRACT

The promotion of a flexibility-oriented organizational culture, based on support and innovation, may provide a great value in today’s competitive economy. This type of organizational culture may be a breeding ground for authentic leadership, which, in turn, has positive effects on employees’ attitudes. This study examines how flexibility-oriented organizational cultures facilitate positive outcomes at the employee level through its impact on authentic leadership. Multiple regression analysis was used to analyze the data from 571 employees belonging to several Spanish private organizations. The results show that authentic leadership partially mediates the positive relationship between flexibility-oriented organizational cultures and employees’ job satisfaction. These findings advance theory on the integration of organizational culture in authentic leadership research and provide guidelines for improving employees’ job satisfaction.

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Nowadays, companies operate in a very competitive global environment, punctuated by the financial crisis. Given the rapid and substantial changes occurring in the economic environment, organizations have to adapt to the market and work to become and remain competitive. While market forces, competitive positioning, strategy, and technology are evidently important, highly successful companies have capitalized on the value that resides in developing and managing a unique organizational culture. This culture can be created by the founder, can emerge over time as an organization faces challenges and obstacles, or be developed by the management to improve their company’s performance (Cameron & Quinn, 2006).
In this context, people are more and more interested in working in companies with a flexible organizational culture, in which it has been found that employees show higher levels of job satisfaction (e.g., Lund, 2003; McKinnon, Harrison, Chow, & Wu, 2003; Silverthorne, 2004). Furthermore, flexibility-oriented organizational cultures, by focusing on the support and development of employees and the promotion of innovation, may provide a competitive advantage to face the economic crisis. However, this flexible perspective is a challenge for companies that hold a traditional culture, commonly based on control, rigid structures, and hierarchy. Therefore, analyzing the leadership style that could grow in flexibility-oriented cultures and have a positive impact on employees will provide some guidelines for the companies to improve their efforts towards innovation and employee development. Thus, in this study, flexibility-oriented culture is presented as a breeding ground for authentic leadership (Avolio & Gardner, 2005; Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Gardner, Avolio, Luthans, May, & Walumbwa, 2005; Luthans & Avolio, 2003), a positive form of leadership that has been found to be related to follower positive outcomes (e.g., Moriano, Molero, & Lévy-Mangin, 2011; Peterson, Walumbwa, Avolio, & Hannah, 2012; Wong & Laschinger, 2012).

The aim of this article is twofold. First, we examine the relationship between organizational culture and authentic leadership, which has not been previously examined in the authentic leadership literature. Second, we analyze the mediating role of authentic leadership in the relationship between organizational culture and job satisfaction.

Organizational culture

Organizational culture is defined as “the set of key values, assumptions, understandings, and norms that is shared by members of an organization and taught to new members as correct” (Daft, 2005, p. 422). Organizational culture has been associated with job satisfaction and employee retention (Macintosh & Doherty, 2010; Park & Kim, 2009), leadership behavior (Tsai, 2011), and organizational effectiveness (Gregory, Harris, Armenakis, & Shook, 2009). Given these relationships, organizational culture appears to permeate every facet of the organization.

In this study, organizational culture is considered on the basis of Quinn and Rohrbaugh’s (1983) competing values model. This model consists of two dimensions with contrasting poles: internal vs. external orientation and flexibility vs. control. The first dimension reflects the organization’s point of view. The focus can be internally directed, when the central issue of the organization is the own group, its processes or its people, or, on the other hand, externally directed, when the central issue is the relation of the organization with the market. The second dimension measures the flexibility, the tendency towards decentralization and differentiation, and on the opposite pole the control, i.e., stability and order as the central issues. The combination of both dimensions creates four organizational culture orientations: support, innovation, rules and goal orientation (Van Muijen et al., 1999).

The flexibility dimension is particularly relevant to the discussion of culture and its effects on employees’ well-being and leadership processes. In fact, organizational development interventions are designed to create flexible organizations, empower line employees, and increase the quality of work life (Bennis, 1969; Burke, 1994). Thus, this study focuses on the flexibility dimension of organizational culture described by Quinn and Rohrbaugh (1983).

Following this model, flexibility-oriented cultures encompass innovation orientation, characterized by openness to new ideas, and support orientation, characterized by personal confidence and support for development (Van Muijen et al., 1999). These cultures are characterized by spontaneity, change, openness, and responsiveness and are based on adaptability and readiness to achieve growth, innovation, and creativity (Henri, 2006).

Authentic leadership

As Schein (1985) pointed out, organizational culture provides a system of expectations that sets norms and a standard of behavior for employees, providing a reason for leadership behavior. Thus, a relationship between authentic leadership and organizational cultures that are in line with authentic leadership may be expected.

Authentic leadership is defined as “a process that draws from both positive psychological capacities and a highly developed organizational context, which results in both greater self-awareness and self-regulated positive behaviors on the part of leaders and associates, fostering positive self-development” (Luthans & Avolio, 2003, p. 243). Thus, an authentic leader shows hope, trust, positive emotions, optimism, relational transparency, and a moral and ethical orientation towards the future (Avolio et al., 2004). Walumbwa, Avolio, Gardner, Wernsing, and Peterson (2008) identified and validated four components to describe authentic leadership: self-awareness, which refers to understanding not only their own strengths and limitations, but how they affect others; balanced processing, which involves analyzing all relevant information objectively before coming to a decision; relational transparency, which refers to openly sharing the authentic self, their true thoughts and feelings to followers; and internalized moral perspective, which refers to self-regulation guided by internal moral standards and values.

Previous studies have examined the relationship between authentic leadership and various organizational outcomes, finding that authentic leadership was positively related to employees’ job performance (Peterson et al., 2012) and job satisfaction (Bamford, Wong, & Laschinger, 2012), followers’ commitment (Leroy, Palanski, & Simons, 2012), work engagement (Walumbwa, Wang, Wang, Schaubroeck, & Avolio, 2010), employees’ organizational citizenship behavior (Edú, Moriano, Molero, & Topa, 2012), and employees’ extra effort (Moriano et al., 2011), among others.

The authentic leadership model by Luthans and Avolio (2003) included the positive psychological capacities and a positive organizational context as antecedents of the authentic leadership. Regarding the context in which authentic leadership is developed, the authors highlighted the importance of organizational context, including organizational vision, strategy, and culture as antecedents of authentic leadership development and characterizing this organizational culture as an authentic, mature, and highly developed culture which would motivate and support optimal leadership development (Luthans & Avolio, 2003). As far as we know, however, the influence of organizational culture on authentic leadership remains unexplored.

Regarding the relationship between flexibility-oriented cultures and authentic leadership, through honest and transparent relations with employees, the internal characteristics of authentic leaders that are supposed to stimulate employees’ creativity and innovativeness may be perceived by others. Thus, we suggest that in a highly innovative organizational culture we are likely to see authentic leaders who foster innovative behavior on followers. Moreover, support-oriented cultures value and respect participation, collaboration, egalitarianism, and interpersonal relationships (Maier, 1999). Those values may be shared among employees through authentic leadership and the relational transparency of the authentic leader may serve as a catalyst to foster the support and positive development of employees.

Therefore, analyzing organizational cultures focused on innovation and support and their relationship with authentic leadership and their positive effects on employees can provide the key for today’s human resources management. Hence, the following hypothesis is proposed:

H1: Flexibility-oriented cultures will be positively related to authentic leadership.
Job satisfaction

For organizations and managers, the interest in satisfaction comes from its relationship with work-related behaviors and job performance (Judge, Thoresen, Bono, & Patton, 2001; Riketta, 2008). Job satisfaction is defined as “the pleasurable emotional state resulting from the perception of one’s job as fulfilling or allowing the fulfillment of one’s important job values” (Locke, 1976, p. 1342).

Regarding organizational culture, the effect that different types of organizational culture or cultural dimensions have on job satisfaction has been previously examined. For instance, Lund (2003), based on Cameron and Quinn’s (1999) typology of cultures, identified a positive relationship between flexibility and internally oriented cultures and job satisfaction and a negative relationship between control and externally oriented cultures. Similarly, Silverthorne (2004) found that job satisfaction is more likely when culture is supportive, then when it is innovative and finally when it is bureaucratic. In the same way, McKinnon et al. (2003) suggested that respect for people, innovation, and stability had a positive effect on job satisfaction.

Despite these studies, the relationship between organizational culture and job satisfaction is still unclear and there is a lack of empirical evidence to suggest a strong link between these variables. Nevertheless, we suggest that, in line with previous research, certain cultural orientations, such as flexibility orientation, which includes innovation and support, may predict job satisfaction through its impact on authentic leadership. Thus, the following hypothesis is proposed:

H2: Flexibility-oriented cultures will be positively related to job satisfaction.

Among the diverse outcome variables of leadership, job satisfaction has been widely related to authentic leadership in scientific literature. For example, in a study conducted in 11 multinationals Walumbwa et al. (2008) found that followers’ perception of authentic leadership of their supervisors was positively related to followers’ job satisfaction. More recently, Giallonardo, Wong, and Iwasiw (2010) examined this relationship in a sample of 170 graduate nurses finding that nurses paired with leaders perceived as authentic, feel more engaged and are more satisfied. Similarly, a positive relationship between authentic leadership and job satisfaction was found by Wong and Laschinger (2012) in a sample of 280 nurses. Consequently, the following hypothesis is proposed:

H3: Authentic leadership will be positively related to employees’ satisfaction.

The ability to understand and work within an organizational culture has been considered a condition for leadership effectiveness (Hennessey, 1998). Leaders must deeply understand the organizational culture to communicate and implement new visions and inspire follower commitment to the vision (Schein, 1990). Leaders facilitate the accomplishment of goals that otherwise may not have been attempted and encourage the need for change (Rousseau, 1996; Schein, 1985; Trice & Beyer, 1993) and, therefore, they may be the key to foster the development of certain types of culture through their impact on followers’ positive attitudes.

A flexibility-oriented culture may be found in the positive organizational context defined by Luthans and Avolio (2003) as the framework in which authentic leadership development occurs. In this context, authentic leaders may have the ability to understand and share the values of a flexibility-oriented culture, specifically those aspects related to follower development and the promotion of new ideas through balanced processing. Thus, an authentic leader may emerge in flexibility-oriented cultures due to the shared values of the organization and the leader and an authentic leader would, in turn, facilitate the accomplishment of the cultural values through his/her impact on employees’ job satisfaction. Therefore, we suggest that flexibility-oriented culture has a positive, indirect effect on job satisfaction through authentic leadership.

H4: Authentic leadership will mediate the relationship between flexibility-oriented organizational culture and employees’ job satisfaction.

Method

Sample

The sample consisted of 571 employees from 114 Spanish private companies belonging to different sectors: industry (20%), trade (17.9%), IT (9.5%), scientific, and technical activities (8.8%), health (7.9%) and administration (6.2%), among others. The companies were small (60.8%), medium (26.1%), and large (13.1%). In this sample, 53.8% of the participants were female, the average age was 35.62 years (SD = 8.61), and the average seniority was 7.85 years (SD = 7.32); 41.7% of participants had a college degree and 21.9% were graduated from vocational school.

Measures

Organizational culture. We used the Spanish version (González-Romá, Tomás, & Ferreres, 1995) of the FOCUS 93 questionnaire (Van Muijen et al., 1999), which assesses how frequent certain situations in your workplace are. Flexibility-oriented culture was measured with 4 items from the support scale (e.g., “How often does your organization search for new markets for existing products?”, α = .80) and 9 items from the innovation scale (e.g., “How often does your organization search for new markets?”, α = .82). A six-point Likert scale from 1 (never/nobody) to 6 (always/everyone) was employed. The alpha coefficient for this study was .85.

Authentic leadership. This variable was measured using the 13-item Spanish adaptation (Moriano et al., 2011) of the Authentic Leadership Questionnaire (ALQ) developed by Walumbwa et al. (2008), assessing relational transparency, internalized moral perspective, balanced processing, and self-awareness. A sample item is “My leader says exactly what he or she means”. A seven-point Likert scale from 1 (never) to 7 (always) was employed. The alpha coefficient for the ALQ in this study was .91.

Job satisfaction. A seven-item scale dealing with several aspects of employees’ job satisfaction (e.g., co-workers, work conditions, and salary) was used. A version of this scale was used previously in other studies showing a good reliability (Moleró, Cuadra, Navas, & Morales, 2007). A sample item is “I am satisfied with my salary”. A seven-point Likert scale from 1 (strongly dissatisfied) to 7 (strongly satisfied) was employed. The alpha coefficient for this scale in the current study was .87.

Socio-demographic data. The following socio-demographic data were collected: age, gender (coded as 1 = male and 2 = female), educational level (coded as 1 = primary education, 2 = secondary education, 3 = vocational training, 4 = graduate degree), organizational size (coded from 1 = micro to 4 = large, depending on the number of employees), seniority, and years working with the same leader.

Procedure

Employees belonging to working groups with the same leader were asked to complete a questionnaire. The number of participants per work team ranged between 3 and 6 (not including the manager or supervisor) and the mean was 4.97 employees per work team (SD = 0.36). Subjects participated on a voluntary basis and were assured confidentiality. IBM Statistics SPSS (version 21) was used to analyze our data.
Results

Since we collected all data in a cross-sectional survey, Harman’s single factor test (Harman, 1967) was carried out to address the issue of common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). While one factor contributing to more than 50% of total variance is considered an indication of common method bias, the first factor in our analysis accounts for only 35% of the total variance. This suggests that common method bias is not likely to be a serious problem with this data.

The descriptive results (Table 1) revealed medium levels of authentic leadership perceived by the employees in their leaders (M = 4.25, SD = 1.20). The correlations between the variables of the study were calculated, obtaining significant and positive relationships between flexibility-oriented culture and authentic leadership (r = .59, p < .01) and job satisfaction (r = .53, p < .01), and between authentic leadership and job satisfaction (r = .55, p < .01). Few relationships were found between the demographics and the study variables. Business size was found to be related to authentic leadership (r = .10, p < .05) and job satisfaction (r = .15, p < .01). Although the variables in our study were highly correlated, statistical checks suggest multicollinearity is not a significant concern (VIF < 2.5, tolerance > .40; cf., Allison, 1999).

In the first hypothesis, flexibility-oriented culture was suggested to be positively related to employees’ perceptions of their leader’s authentic leadership. Hierarchical multiple regression revealed that 37% of the variance in authentic leadership was explained by flexibility-oriented culture (R² = .37, F = 56.20, p < .01). Regarding job satisfaction, authentic leadership and flexibility-oriented culture were posited to positively predict employees’ job satisfaction. As shown in Table 2, 32% of the variance in job satisfaction was explained by flexibility-oriented culture (R² = .32, F = 45.87, p < .01). When authentic leadership was entered into the regression, flexibility-oriented culture and authentic leadership accounted for 39% of the variance in job satisfaction (R² = .39, F = 53.11, p < .01). Furthermore, flexibility-oriented culture and authentic leadership were both significant predictors of job satisfaction (β = .35, t = 8.49, p < .01 and β = .33, t = 8.97, p < .01), supporting Hypotheses 2 and 3.

In the fourth hypothesis, it was proposed that authentic leadership mediates the relationship between flexibility-oriented cultures and job satisfaction. According to Baron and Kenny (1986), four conditions are required to establish mediation: (1) the independent and mediating variables must be significantly related, (2) the independent and dependent variables must be significantly related, (3) the mediator and dependent variable must be significantly related, and (4) the relationship between the independent variable and dependent variable should be non-significant or weaker when the mediator is added.

In the present study, flexibility-oriented culture was positively related to authentic leadership (β = 0.60, p < .01); thus, condition (1) and Hypothesis 1 were supported. Flexibility-oriented culture was positively and significantly related to job satisfaction (β = 0.55, p < .01) and thus, supported condition (2) for mediation and Hypothesis 2. Authentic leadership was positively related to job satisfaction (β = .33, p < .01) and thus, supported condition (3) and Hypothesis 3. Furthermore, results show that after authentic leadership was taken into account the effects of flexibility-oriented culture (β = .35, p < .01) became weaker, albeit still significant, which suggests partial mediation (Table 2). To further assess the significance of the mediation, a Sobel test (1982) was applied (Sobel test: z = 8.99, p < .001, MacKinnon et al., 2002). Results show that the mediating effect of authentic leadership for flexibility-oriented culture and job satisfaction was significant. Thus, Hypothesis 4 was partially supported.

Table 2
Linear regression model on job satisfaction

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
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<td>0.054</td>
<td>0.048</td>
</tr>
<tr>
<td>Age</td>
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<td>-.026</td>
<td>-.017</td>
</tr>
<tr>
<td>Education level</td>
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<td>0.022</td>
<td>0.031</td>
</tr>
<tr>
<td>Seniority</td>
<td>0.031</td>
<td>0.017</td>
<td>0.009</td>
</tr>
<tr>
<td>Years with leader</td>
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<td>0.006</td>
<td>0.015</td>
</tr>
<tr>
<td>Company size</td>
<td>0.157**</td>
<td>0.195**</td>
<td>0.141**</td>
</tr>
<tr>
<td>Flexibility-oriented culture</td>
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<td>.350**</td>
<td></td>
</tr>
<tr>
<td>Authentic leadership</td>
<td>---</td>
<td>.334**</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.027</td>
<td>0.328</td>
<td>0.398</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.018</td>
<td>0.321</td>
<td>0.390</td>
</tr>
<tr>
<td>∆R²</td>
<td>0.027*</td>
<td>0.301**</td>
<td>0.070**</td>
</tr>
</tbody>
</table>

Note. Standardized coefficients reported: * = p < 0.01, ** = p < 0.001.

Discussion

The aim of this study was to examine how flexibility orientation in organizational cultures facilitates positive outcomes at the employee level through its impact on authentic leadership. The findings confirm that flexibility-oriented cultures exert their positive effects on employees’ job satisfaction through partially authentic leadership.
Organizational culture literature has underlined the role of leaders in maintaining particular types of culture (Schein, 1985) and fostering organizational change through the knowledge of organizational culture (Brooks, 1996). In addition, the literature on leadership points out that understanding and working within a culture fosters leadership effectiveness (Block, 2003). Specifically, authentic leadership flows through to the followers and finally becomes part of the fabric of the organizational culture (May, Chan, Hodges, & Avolio, 2003), and it may be the key to foster job satisfaction in flexibility-oriented cultures.

Our first hypothesis examined the relationship between organizational culture and authentic leadership by finding that employees' reported levels of flexibility-oriented culture were related to the perception of their leader's authentic leadership. Furthermore, flexibility-oriented culture was related to job satisfaction, supporting our second hypothesis. Regarding authentic leadership, those employees who perceived their leaders to be more authentic also reported higher levels of job satisfaction, supporting our third hypothesis. These findings suggest that the promotion of a flexibility-oriented culture in which leaders provide a context for cooperation and support could provide a great value due to its relationship with authentic leadership, which, in turn, produces positive effects on followers and organizations, such as job satisfaction.

Supporting our fourth hypothesis, a mediating effect of authentic leadership on the relationship between flexibility-oriented organizational culture and satisfaction was found. These findings could mean that the effects of certain types of cultures are expressed through the leadership that embodies the values of a culture. An authentic leader fosters the effects of flexibility-oriented culture on employees due to the shared values of the organization and the leader. This proposition has implications for organizational culture and authentic leadership development: hiring or training authentic leaders would enhance employees' job satisfaction in flexibility-oriented organizations.

Regarding the control variables, employees from large organizations reported higher levels of job satisfaction. These results are in line with the statements made by Goldschmidt and Chung (2001), who proposed that employees in large organizations tend to be more satisfied with the facets of pay and promotion.

The results support the mediating role of authentic leadership in the relationship between flexibility-oriented culture and job satisfaction, which has been largely related to job performance (Judge et al., 2001; Riketta, 2008). Thus, this study contributes to a theoretical extension of the research on leadership through the integration of organizational culture in the research on authentic leadership, which has not been sufficiently explored in the past, and serves as a stimulus for future research.

As a limitation of this study, the exclusive use of self-report measures to analyze the variables should be noted. Self-reported data contain several potential sources of bias that should be noted as limitations, such as social desirability, and inflation of the observed relationship between the measured constructs (Podsakoff et al., 2003). It is essential for the development of research in this area to include objective measures that affect organizations. Therefore, future research should analyze how these relationships have an impact on business objectives and indicators of job performance, absenteeism and sales, among others. Another limitation of the present study is that job satisfaction was the only outcome variable examined. It would be interesting to analyze other outcomes. Performance and unit effectiveness would be particularly interesting to investigate in future studies in order to assess the effects of flexibility-oriented culture and authentic leadership on employees and organizations.

Given our results and the highly competitive nature of today's economy, which highlights the increasing value of human capital as a key element in organizational growth, this study provides a framework for understanding the context in which authentic leadership occurs and its effects on followers by offering guidelines for promoting employees' job satisfaction.

**Conflicts of interest**

The authors of this article declare no conflicts of interest.

**References**


