

Conference Paper

The Role of Trust in Relationship of Leadership Style and Organizational Effectiveness: Mediation Mechanism

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Abstract

This study is aimed at explaining the effect of leadership style to organizational effectiveness through trust as mediator. The number of samples of this study was 267 university's employee respondents at Universitas Negeri Semarang. The sampling technique used was purposive sampling. The methods of collecting data used were observation, interview, and questionnaire. Hypothesis test used was path coefficient value which was done through t-test using Smart PLS 3.0. Leadership style directly gave positive effect to organizational effectiveness. Furthermore, mediation mechanism had been proven that trust gave important role in determining the relationship between leadership style and organizational effectiveness. This study was expected to contribute to management practice in the field of university in which university need pay attention to effective leadership to encourage employees' trust. As a result, trust can encourage organizational effectiveness. This study also gave contribution to the development of leadership style literature and organizational effectiveness in the field of non-profit organization. This study attempted to answer the need of previous study by adding mediation variable. It was expected that mediation could explain the mechanism of the relationship between leadership style and organizational effectiveness completely. The scope of this study took university field that become novelty and generalization for the previous study.

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1. Introduction

Every organization needs to see their effectiveness, so they can find out the level of their performance. Organizational effectiveness is related to the way to manage or to act effectively rather than other alternatives. Therefore, organization thinks that achieving effectiveness become the ultimate goal (Cameron, 2014). Organizational effectiveness really depends on character, goals, and the member of organization behavior. Role of leader is proposed to be developed and tested among members' behavior aspect (Valk, 2008; Golmoradi & Ardabili, 2016).

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Leader has a role to foster a dynamic relation based on reciprocal effect between leadership and followers that generate higher motivation and development in change (McLaurin & Al Amri, 2008). The leadership style is empirically proven to have an important role in all outcome aspects such as effectiveness, satisfaction, extra effort, performance, organizational commitment, and innovation (Haq & Kuchinke, 2016; Vargas, 2015; Almutairi, 2016; Tahir, 2015; Dunne et al., 2016).

At the end, understanding the relationship between leadership and the result of organization is an important factor to develop effective organization (Elena, 2015). Nevertheless, organizational effectiveness should also involve employee trust. It is because organizational effectiveness occurred when there are employee trust to the organization (Fard & Karimi, 2015). Employee trust to organization contribute positive outcome to reciprocal relationship between organization and employee. The involvement of leader can build trust, open relationship, transparency, and internal communication that can contribute to organizational effectiveness (Men, 2015).

Based on those facts, employee trust and leadership are considered as important determinants of organizational effectiveness (Chughtai et al., 2014). The previous literature showed that employee trust to their leader can lead to the expected result such as higher level of performance, greater idea, and knowledge exchange (Yasir et al., 2016). Ultimately, employee trust play important role in clarifying the relationship between leadership style and organizational outcome (Yasir et al., 2016). This potential mediation had been explained by Agote et al. (2015), explained that leadership style can improve the trust in leader, in which further encourage the emergence of positive attitude to organization, such as organizational citizenship behavior, performance, work satisfaction, or organizational commitment. Trust that appeared between leader and employees is a long-term investment which enables organizational success (Mineo, 2014).

There are several interesting points in this study. First, the model of the relationship between leadership and organizational effectiveness involving behavior aspect as mediator still needs a lot of attention. The presence of mediation variables such as trust in the relationship of leadership and organizational outcome needs to be considered (Shu, 2015). In addition, Elene (2015) also stated that the relationship between leadership and organizational outcome are still unclear, and need to be reviewed a complete mechanism. Therefore, it will be considered as proper study if this study considers trust as behavior aspect which mediates the relationship between leadership style and organizational effectiveness.

Second, it is necessary to review leadership issues and their relation to organizational outcome in different context. Almutairi (2016) stated that there will be a different result by reviewing the model using different cultural model. A study which considers different target, culture, and context of organization is expected to be able to generalize the previous study (Agote et al., 2015; Koohang, 2017). In the previous studies, Choi et al. (2017) examined the relationship of leadership style to effectiveness in different context. Choi et al. (2017) examined effectiveness of team level, the compared context was service and manufacture, and did not involve trust variable as mediator. In other sides, it seems that the study about organizational effectiveness in higher education setting as non-profit organization becomes a need that necessarily to be developed (Jyoti & Bhau, 2015). Therefore, it is appropriate to examine the mediation mechanism of leadership style and organizational effectiveness in the field of higher education.

This study is aimed at examining the direct effect of leadership style to organizational effectiveness. This study is also aimed at examining the role of mediation of trust in the relationship between leadership style and organizational effectiveness. Furthermore, this study was presented in some sections. Section 2 presented review of literature and development of hypothesis. Section 3 presented research method approach. Section 4 presented the result and discussion which are appropriate with the purpose of the study. Finally, the conclusion was presented in section 5.

2. Review of Literature and Hypothesis Development

2.1. Social exchange theory

One of theory underlying this study is a theory of social exchange. According to social exchange theory (Blau, 1983), when employees interact with social environment, the employees need to respond the support and help that they received. Blau (1983) described this relation as a reciprocal norm. When reciprocal norm was fulfilled, the relation of trust and faithful developed among employees (Cropanzano & Mitchell, 2005). Social exchange theory becomes basic to understand the dynamic relationship between the superiors and subordinates. Leader give benefit to their employees and the employees return it by improving their response to leader (Homans, 1974).

Social exchange theory is used to explain how organization implement and perform a set of mentoring or producing ideas to design the work, which allow employees to feel organizational support and trust them. As a result, employees who trust their

organization environment will produce improvement and work performance (Babalola, 2016).

2.2. The Effect of Leadership Style to Organizational Effectiveness

The concept of organizational effectiveness is the center of the analysis of the organizational structure/ input, process, and output. The effectiveness of an organization is closely related to the role of the leader of the organization. Generally, it can be said that leadership style can improve and open the way to achieve the goals of organization. Lussier (2006) stated that leadership style is combination among characteristics, skills, and behavior used by manager to interact to their employees. According to social exchange theory (Blau, 1983), when employees interact with the social environment (leader), the employees need to return the support and help that had been received. It means that when the employees feel that their boss give positive attention, they tend to respond it with positive attitude. Positive attitude shown by the employees when they were working is the key of organizational effectiveness.

The previous study showed that leadership style had important role in encouraging organizational positive outcome. Vargas (2015) showed that leadership style gave positive effect in orientation learning. An effective leadership style is able to improve organizational commitment and OCB (Pradhan & Pradhan, 2015; Orabi, 2016). Leadership style also has important role in encouraging employees to work harder and improve the organization performance (Almutairi, 2016; Tahir, 2015). Furthermore, leadership style is also considered as key to encourage satisfaction and effectiveness (Haq & Kuchinke, 2016). As a result, organizational effectiveness can be presented by involving an open, transparent, and interesting leader to do internal communication (Men, 2015). Based on the explanation, a hypothesis can be stated as follows:

H1: Leadership style give positive effect to organizational effectiveness

2.3. Trust as mediator of leadership style and organizational effectiveness

Trust is a willingness from individual to depend and accept action of others (trustee) expecting the person will do important action to the trustor (Mayeret al., 1995). Trust has relation with assumption whether organization consider as good or not, describing moral characteristic of organization or ethical code of organization. Trust in organization

is expected to become a key in explaining mechanism of leadership style and organizational effectiveness. According to social exchange (Blau, 1983), when employees interact with social environment (leader), the employees need to respond the support and help that they received. Therefore, employees who accept positive aptitude from the leader will act positively such as trusting the organization and work effectively. Koohang (2017) asserted that an effective leadership contribute to the improvement of employee trust.

The previous studies proved that the effect of leadership style to organizational outcome occurred through mediation mechanism. Almutairi (2016) showed that leadership style should be through commitment mediation before influencing the organizational performance. Choi et al. (2016) showed that leadership style should be through social exchange to influence productive and innovative attitude. In accordance with organizational effectiveness, Choi et al. (2017) stated that the leader attitude influenced team effectiveness through structure and working process as mediator. The role of trust in mediating the relationship of leadership to organizational effectiveness is still limited. However, there are some relevant literature supports this mechanism. For instance, Agote et al. (2015) showed that leadership style can improve trust in leader, further; it can influence OCB, performance, work satisfaction, organizational commitment or intention to sign off. In team level, leadership style give effect to team outcome through trust as the mediator (Shen & Chen, 2007; Boies et al., 2015). Furthermore, Yasir et al. (2016) explained that trust is considered as important key in determining the effect of leadership style to positive organizational outcome. Based on that explanation can be drawn a hypothesis as follows:

H2: Trust mediate positive relation of leadership style and organizational effectiveness

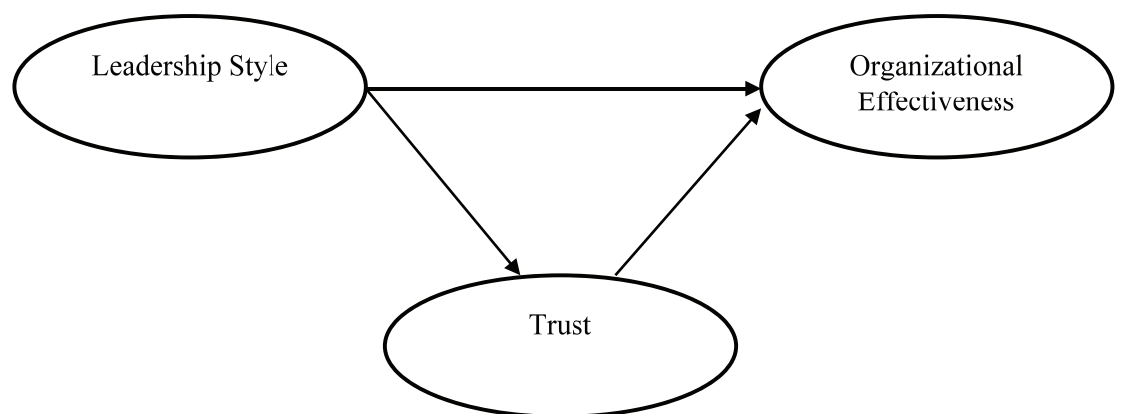


Figure 1: Research Model

3. Research Method

The number of sample in this study were 267 respondents of college employees at Semarang State University. The sampling technique was purposive sampling technique. The method of collecting data used was questionnaire by using likert scale 1-5 distributed to all respondents. The instrument was tested by using convergent validity test with the loading factor $\geq 0,70$ and discriminant, comparing the loading factor $>$ crossloading. The reliability need to fulfilled coefficient composite reliability $> 0,70$ and coefficient Cronbach alpha $> 0,70$ so that it can be reliable. Based on the instrument test, 21 items of question was valid. Meanwhile in the reliability test, all items was reliable. Hypothesis test was done by using path coefficient value and done through t-test using SmartPLS 3.0.

3.1. Variable Measurement

Leadership style variable as the dependent variable was measured by using 10 question items from Ismail et al. (2010). Here are some examples of questions items: “the leader in my unit always builds pride in me”, and “the leader in my unit encourages me to perform”, and “the leader in my unit sets challenging standard.”

Independent variable of organizational effectiveness was measured using 6 question items from Cameron (1978). Here are some examples of question items: “Organization where I worked has quality service improvement in past three years”, Organization where I worked has improved in attracting prospective students in past three years”, and “organization where I worked is able to manage the level of lecturers’ publications of the scientific journal.”

Moderate variable was trust in which measured using 8 question items from Brown et al. (2015). Here are some examples of question items: “Management in my organization is sincere in their effort to fulfill the view of the employees”, “Management in where I worked is able to do efficient work” and “Have a high trust to the skills of my work partner”

4. Result and Discussion

The background of the respondent dominated with male respondent (51,7%) with the average age between 36-42 years (28%). Most of them worked as lecturer (71,5%) and 37,2% of the respondent had 8-15 years of work experience. Mean, standard

deviation, and correlation among variables presented in table 1. The correlation between organizational effectiveness and other variables was about 0.489 to 0.495 (all $\rho < 0.01$) with organizational effectiveness reached the highest value (M =24.25) and scale of leadership style was also high (M= 37. 57). Other variables, trust, was on the value of (M=32.03). It means that structural equation model test can be followed up.

TABLE 1: Mean, Standard Deviation, and Correlation among Variable

	Variabel	Mean	s.d.	EO	GK	K
1.	Organizational effectiveness	24,25	3,32	1		
2.	Leadership style	37,57	6,32	0.495	1	
3.	Trust	32,03	4,08	0.489	0.754	1

TABLE 2: Outer Model (Weights or Loading)

	Organizational effectiveness	Leadership style	Style
EO1	0.723	0.443	0.472
EO2	0.804	0.349	0.340
EO3	0.843	0.399	0.387
EO4	0.836	0.383	0.387
EO5	0.791	0.357	0.352
EO6	0.789	0.413	0.374
GK1	0.303	0.702	0.578
GK3	0.328	0.722	0.576
GK5	0.359	0.756	0.597
GK6	0.429	0.872	0.629
GK7	0.466	0.859	0.630
GK8	0.444	0.866	0.646
GK9	0.376	0.708	0.484
K1	0.383	0.596	0.799
K2	0.347	0.589	0.776
K3	0.423	0.620	0.819
K4	0.386	0.544	0.756
K5	0.405	0.663	0.819
K6	0.388	0.624	0.839
K7	0.366	0.607	0.828
K8	0.412	0.545	0.721

Table 2 showed the result of convergent validity test and discriminant to each question variable in this study. There are three items of questions from the variables of

TABLE 3: Composite Reliability dan Cronbach's Alpha

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Organizational effectiveness	0.886		0.888	0.913
Leadership style	0.896		0.902	0.919
Trust	0.917		0.918	0.932

leadership style which was not valid since the loading factor was ≤ 0.70 . The items was omitted since represented in other items of questions that considered can represent each dimension of leadership style. It had been done a retest for validity test to check valid result that suited to convergent validity criterion. After doing retest for validity test, all of item had fulfilled the criterion of discriminant validity that loading factor $>$ crossloading. Therefore, it can be said that the statement can measure the problem that happened in this study and it based on the real condition. Reliability test can present consistent measurement concept without any bias with the value of *Composite reliability* and *Cronbach's alpha* was above 0.5. The result presented in table 3 showed that the instrument in this study fulfill the recruitment of reliability test. Therefore, the instrument had been said valid and reliable and it can be follow up with hypothesis test.

4.1. Result of Hypothesis Test

This study examined the mediation mechanism in the the mechanism of the relationship of leadership style on the organizational effectiveness. This mediation mechanism involved trust. The result of the study can be seen as follows:

TABLE 4: The result of Study

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership Style -> Organizational effectiveness	0.292	0.289	0.084	3.459	0.000
Leadership Style -> Trust	0.754	0.754	0.033	22.506	0.000
Trust -> Organizational effectiveness	0.269	0.281	0.094	2.849	0.002
Leadership Style -> Organizational effectiveness	0.203	0.211	0.069	2.932	0.002
Leadership Style -> Trust					
Trust -> Organizational effectiveness					

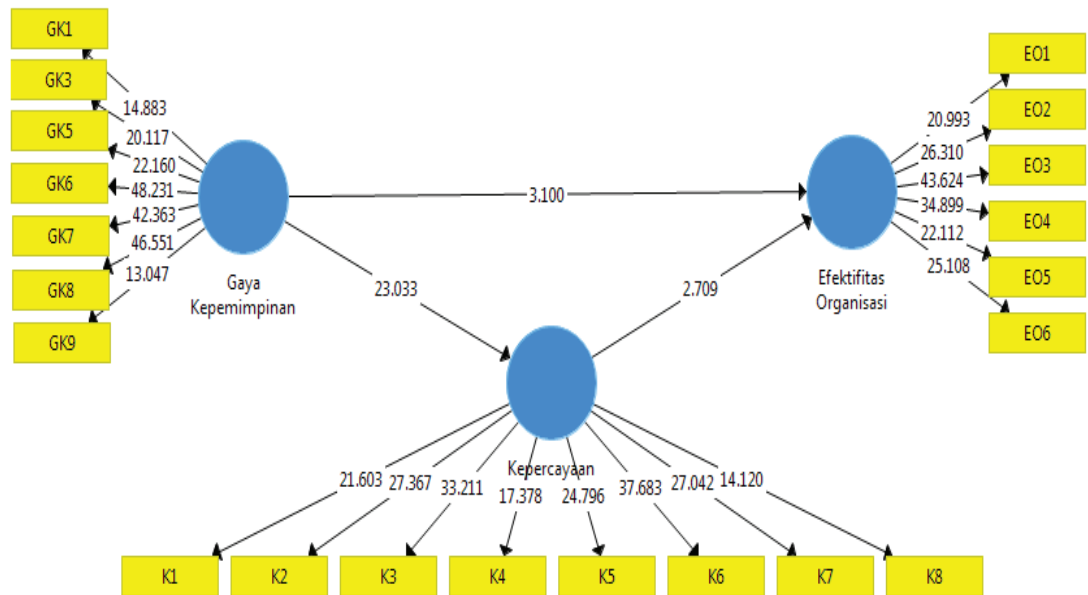


Figure 2: The result of Study

Based on the result on table 4, it showed that the direct effect of leadership style to organizational effectiveness ($\beta = 0.292, p < 0.001$) was positive and significant (H1 was accepted). Furthermore, a direct effect of leadership to trust ($\beta = 0.754, p < 0.001$) was positive and significant; trust to organizational effectiveness ($\beta = 0.269, p < 0.005$) was positive and significant. Meanwhile, mediation analysis which involved trust showed that ($\beta = 0.203, p < 0.005$), it means that trust can mediate the relationship of leadership style on organizational effectiveness (H2 was accepted). This result was supported by relevant previous literature.

Some studies had shown positive relation between leadership style and organizational outcome. Leadership style was considered as the key in encouraging orientation learning (Vargas, 2015), organizational commitment and OCB (Pradhan & Pradhan, 2015; Orabi, 2016), and organizational performance (Almutairi, 2016; Tahir, 2015). Besides that, leadership style was considered as key in encouraging satisfaction and effectiveness (Haq & Kuchinke, 2016). This is in line with Men (2015), which showed that effectiveness can be created with the appropriate leadership style. Some of literatures provide supportive statement that leadership style is important to encourage positive organizational outcome such organizational effectiveness. The better leadership style in organization, the better organizational effectiveness will be.

The result of this study also showed that leadership style can influence trust which can improve organizational effectiveness. Leader who can motivate the employees to work

to achieve the goals not only for short term personal interest but also achieve achievement and self-actualization, will create trust from the employees that can improve organizational effectiveness (McLaurin & Al Amri, 2008). Some previous study rarely examined trust as mediator of relationship between leadership style and organizational effectiveness. However, there are some relevant literature support the relationship of mediation mechanism. The leadership style are proved need a commitment mediation (Almutairi, 2016) and a social exchange process (Choi et al., 2016) before influencing productive behavior and organizational performance. In relation with organizational effectiveness, Choi et al. (2017) showed that leader behavior influence the team effectiveness through structure and work process as mediator.

After that, Agote et al. (2015) showed that leadership style can improve trust in leader, which further influence the organizational performance and commitment. Ultimately, trust was considered as important key in explaining how the leadership style give impact to the positive organizational outcome (Shen & Chen, 2007; Boies et al., 2015; Yasir et al., 2016). Some studies support leadership style can influence organizational outcome (i.e. organizational effectiveness) through mediation mechanism such as trust. The better leadership style of organization, will encourage employee trust to the organization in which trust can give impact to the improvement of organizational effectiveness.

5. Conclusion and Suggestions

This study is aimed at examining the effect of leadership style to organizational effectiveness either through direct way or through mediation. It can be concluded that organizational effectiveness was determined by an effective leadership style and employee trust to the organization. Trust was considered as key clarifying the leadership mechanism and organizational effectiveness that has been proved as the mediator. The more effective of leadership style in an organization will encourage employee trust to the organization. As a result, the trust will give impact to the improvement of organizational effectiveness.

The result of this research is expected to contribute to the implementation of organization, especially in higher education field. Leaders should maintain and improve the trust of employees in the organization. Theoretically, this study is expected to contribute to leadership style and organizational effectiveness literature. This study is also expected to lead to board study in the level of higher education (non-profit organization)

In the end, it will be so meaningful if the further research examine leadership style mechanism on organizational effectiveness using longitudinal approach. For further

research, it is necessary to collect different types and number of sample to get generalized result. Further result also should consider the role of moderation which can strengthen or impede the effect of leadership style to organizational effectiveness.

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