Daddy, What’s Next?
The effect of paternalist leadership on perceived uncertainty in organizations which had gone through merger or acquisition.

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Abstract

Leadership has been subject to so many studies examining the high performing organizations in literature. Besides leadership style, cultural competitiveness is emphasized as another high performing factor in literature. Within the framework of merger acquisition, our study focuses on the notion that paternalist leadership negatively effects perceived uncertainty. The survey of this study is conducted on 118 white collar employees in performing banks which had gone through merger or acquisition in Turkey. The obtained data from the questionnaires are analyzed through the SPSS statistical packaged software. Analyses result revealed that the dimensions of paternalist leadership negatively effects perceived uncertainty. There is also some significant evidence on demographic variables. It was seen that male employees perceive their leaders more paternalistic than female employees. Employees are found to perceive more uncertainty than managers. Employees who have female managers perceive more paternalistic leadership than the ones who have male managers.

Keywords: Merger or acquisition, Leadership styles, Paternalist Leadership, Uncertainty

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1. Introduction

Merger and acquisition (M&A), history in Turkey dates back to the 90’s, where the liberalization of the Turkish economy starts nurturing the corporate environment. As financial institutions develop and financial markets deepen, M&A activity accelerates starting at the beginning of the 90’s and through the 2000’s. Especially after 2004, with the enhancement of economic stability and reforms designed to attract foreign investors, the transactions mostly involve foreign banks and insurance companies entering the Turkish market by acquiring a Turkish company (Ozmen, 2010). Although corporate mergers and acquisitions have become an important part of Turkish commerce, it is only recently that researchers and practitioners have become concerned about their effects on employees. According to recent studies in Turkey, after M&A announcement, paternalistic leadership and intention to quit is negative correlated (Ozer, 2012) and also organizational commitment is negatively correlated with employee silence (Soycan, 2010). Specifically, the problems that arise from uncertainty regarding the organizational and personal changes that usually follow mergers and acquisitions have received considerable attention. That uncertainty creates stress for employees but cannot be easily avoided since many of the changes associated with mergers and acquisitions are evolutionary (Jemison & Sitkin, 1986a,b; Schweiger & Weber, 1989; Schweiger, Ivancevich, & Power, 1987) and the only way for management to deal with the anxiety that follows a merger or acquisition announcement is to communicate with employees as soon as possible about all the anticipated effects of the change (Schweiger et al., 1991).

2. Literature Review And Hypotheses

2.1. Paternalist Leadership

In today’s rapidly globalizing business world, organizations spread out all over the world competing with much more of rivals than before. As a requirement of globalization, the borders of business world began to disappear and people from different cultures began to be in much closer relationships. Increasing the performance and effectiveness of organizations in different cultures is one of the most crucial responsibilities of managers. Most research focuses on the theory of transactional and transformational leadership which was initially developed by Burns (1978) and further refined by Bass (1985). Burns’s (1978) theory of “transforming leadership” was an early, and to a degree unsophisticated form of transformational leadership theory. It describes the evolving relationship process through which political leaders can influence follower behaviour, through either responsiveness or non-responsiveness. Bass’s (1985) theory of transformational leadership is more detailed and intricate and extends Burns’s earlier foundational research from the political arena into the wider organizational arena. However leadership styles also depends on culture.

Paternalism is a complex construct that has controversial descriptions (Aycan, 2005). Webster’s (1975) defines it as “the principle or system of governing or controlling a country, group of employees, etc. in a manner suggesting a father’s relationship with his children.” This definition implies that paternalism occurs in a dyadic and hierarchical relationship between a superior and subordinate, and that there is a role differentiation in this relationship (Aycan, 2005). That is, the paternalistic superior behaves in such a way as to create a family atmosphere at the workplace, establishes close and individualized relationships with his or her subordinates, and involves in non-work domain in his or her relationships with his or her followers. In addition, his or her role is to provide care, protection and guidance to the subordinates both in work and non-work domains. He or she takes care of employees like a parent and is involved in every aspect of their lives (Aycan & Fikret-Pasa, 2003). In return, the subordinates are expected to be loyal and deferent to the superior and react in such a way as to consider the workplace as a family (Aycan, 2001, 2005; Padavic & Earnest, 1994). Aycan (2005) conceptualized paternalistic leadership behaviors as comprising five dimensions: (1) creating a family atmosphere at workplace, (2) establishing close and individualized relationships with subordinates, (3) involving in non-work domain, (4) expecting loyalty and deference in exchange for care and guidance, and (5) maintaining status hierarchy and establishing authority.

- Creating a family atmosphere at workplace; describes the leader as behaving like a father to his or her subordinates. For instance, a paternalistic leader is expected to give fatherly/motherly advice to his or her subordinates in their professional as well as personal lives.
• **Establishing close and individualized relationships with subordinates:** The paternalistic leader is expected to know every subordinate in person (personal problems, family life, etc.), be genuinely concerned with their welfare, and take a close interest in their professional as well as personal lives.

• **Getting involved in the non-work domain:** Leaders’ involvement in subordinates’ non-work lives, entails leader behaviors such as attending important events (e.g., wedding and funeral ceremonies, graduations, etc.) of their subordinates as well as of their immediate family members; providing help and assistance (e.g., financial) to their subordinates who are in need; and acting as a mediator between an employee and his or her spouse when there is a marital problem.

• **Expecting loyalty:** represents loyalty and commitment expectations of the leaders from their subordinates. For instance, employees are expected to immediately attend to an emergency in the company even if this requires them to compromise their private lives. For a paternalistic leader, loyalty and commitment of the subordinate are the two most important criterions in evaluating the performance of the subordinate.

• **Maintaining authority/status:** involves leader behaviors such as giving importance to status differences (position ranks) and expecting employees to behave accordingly. The paternalistic leader believes that he or she knows what is good for the subordinates and their careers. He or she would also want that none of his or her subordinates doubt his or her authority.

In Turkey, parallel to the rapid changes in the sociocultural life, there are also significant changes in the business life (Aycan, 2001). For instance, almost 80 percent of the business organizations are established after 1980 (Aycan, 2001). Fikret-Pasa, Kabasakal and Bodur (2001) stated that private holding companies that are run by family members and state economic enterprises are dominant in business life in Turkey. While trying to measure the pattern and frequency of leaders’ behaviors that are observed in Turkish organizations, Fikret-Pasa and her colleagues (2001) found that four types of universal leader behaviors were dominant in Turkish organizations. The first one described ‘transactional and team-oriented’ leaders. This type of leaders consulted and collaborated with their staff, and used contingent rewards and punishment. The second type included ‘paternalistic and considerate’ leaders, who supported and cared for their subordinates and helped out with their family problems, and who wanted to be loved and respected by their followers. The third type included ‘laissez-faire’ leaders, who did not control their employees and let them do the work the way they know. Finally, the fourth type of leader in Turkish organizational context was ‘autocratic and hierarchical’. Leaders in this category controlled their subordinates closely and tried to maintain the hierarchical structure of the organization. According to Fikret-Pasa and her colleagues, among these leadership types, the most frequently observed types were ‘autocratic and hierarchical’ and ‘paternalistic and considerate’ leader types.

### 2.2. Perceived Uncertainty

Weber (1997, p.19) views the concept of uncertainty as an attribute of “how we know what we know”. This view leads to the development of four branches of uncertainty in literature, based on an actor's (individual, group or organization) ability to gather and process information, ability to predict consequences of actions, use of intuition and perception of the environment (Weber, 1997). The present study is primarily focused on the perception of uncertainty in work environment which is caused by a change that the organization passes through and the effect of uncertainty on individuals. Uncertainty has been usually defined as a characteristic of the environment or a psychological state. Since the focus of this study is on its effect on individual, it is aimed to handle the research from the aspect of psychological uncertainty. Milliker (1987, p.136) defines uncertainty as “an individual’s perceived inability to predict something accurately”. So, the psychological aspect is based on the perception of individual. Tannenbaum (1950, p.24) states that “whenever the future is anticipated, uncertainty is present.” It is present for two reasons: Firstly, an individual never has the knowledge to determine accurately the nature of the consequences which will follow the choice or the probability of occurring. Secondly, all other related elements such as time and environment will not remain constant (Simon, 1947).

Uncertainty is an unavoidable characteristic of organizations (Lawrence & Lorsch, 1967) because “organizations are continually changing, routinely, easily and responsively; but change within organizations cannot be arbitrarily controlled...” (March, 1981, p.563). Daft (2008) defines organizational change as adoption of a new idea or behavior by an organization. If change is successively handled by organization, then it may be central to the organizational phenomena such as development, innovation, learning, etc. On the other hand, not knowing how the change will affect
the entire organization may cause stress (DiFonzo & Bordia, 1998). That is why organizational theory identifies organizational uncertainty as a fundamental problem of organizations (Thompson, 1967; Short and Clarke, 1992).

When an individual perceives that he/she lacks sufficient information to make predictions accurately or that he/she is unable to discriminate relevant data from irrelevant data, he/she experiences uncertainty (Gifford, Bobbitt & Scolum, 1979). Jackson (1989) indicates in his uncertainty model that individual abilities (perceptual and cognitive abilities, reasoning, etc.) influence in experiencing uncertainty and giving response to it (Table 1). It can be said that the degree of uncertainty that the individual perceives is affiliated with the extent of how his/her ability to perceive, store and use data (Weber, 1999). Perceptions of fear or distrust may cause individual to discount certain data and distort the data that is gathered; and in turn, provide a perception of uncertainty. Similarly, feelings of no confidence can cause an actor to accept only the data which reinforce current knowledge and thus produce perceptions of absolute certainty (McCalla, 1992).

2.3. Development of Hypotheses

Uncertainty is widespread during organizational change and transitions (Ashford, 1988; DiFonzo & Bordia, 1998; Nadler, 1987; Schweiger & Denisi, 1991; Schweiger & Ivanecvich, 1987). The change situation may be a merger, acquisition or downsizing strategy. During the change, the employees experience the discomfort of not predicting the consequences of the change. This leads to increase in stress (Ashford, 1988) and in anxiety (Miller and Monge, 1985); and eventually to decrease in job satisfaction, commitment to workplace and trust in the organization (Schweiger & Denisi).

Berger and Bradac (1982) state that knowledge, which refers to certainty, is essential to gain control and achieve desired aims. Uncertain events and outcomes of organizational change lead to a feeling of lack of control (Bordia et al., 2004). In general, reduction of uncertainty and increased control over the change are important for employee well-being and adaptation to change (Bordia et al.). Because people dislike situations in which they lack of control, they try to regain control by some means. Information seeking is one of them and people generally do it by communication. So, it can be said that supportive communication reduces perception of uncertainty. Supportive communication either leads to increase well-being or it helps to maintain well-being against uncertainty (Bordia et al.). Otherwise employees can feel overwhelmed by uncertainty of the future and lack of control over job issues. Furthermore, they can even think of leaving the organization (Johnson et al., 1996). During this period having a paternalist leader who creates a family atmosphere at workplace, establishes close and individualizes relationships with subordinates, gets involved in non-work domain would negatively effects on employees perceived uncertainty.

H1: There is relationship between paternalist leadership and perceived uncertainty.
H2: Paternalist leadership negatively affects perceived uncertainty.

In accordance with the regression analyses results, research model is being shaped as it has been shown at Figure 1 below:

![Fig 1. Final Research Model](image-url)
3. Methodology

3.1. Research Goal

The aim of the study is to identify the effect of paternalist leadership style on perceived uncertainty in organizations which had gone through merger or acquisitions.

3.2. Sample and Data Collection

The survey of this study is conducted on 118 white collar employees performing in banks which had gone through merger or acquisitions in Turkey, between the years of 2000-2012. Data obtained from those 118 questionnaires were analyzed through the SPSS statistical packet program and two proposed relations were tested through regression analyses. According to demographic analysis, the sample consists 43% female and 57% male, 67% marriage and 33% single, 47% employee and 53% manager.

3.3. Analyses and Results

Results of this study were evaluated using the Statistical Package for the Social Sciences (SPSS) version 16.0 for Windows. Throughout the statistical analysis, significance level of 0.05 was taken into consideration. Descriptive statistics was used to present the main characteristics of the sample. For the factor structure of the scales, factor analysis was performed with principal components model and factor loadings were taken into consideration. For the internal consistency of the scales, reliability analysis was performed and coefficient alphas were taken into consideration. Before the regression analysis, in order to test the relationships among factors and the variables, bivariate correlations were conducted. To test the hypotheses, multiple and simple regression analyses were used. Lastly, to test the demographic differences of the variables, Mann-Whitney rank sum test and Kruskal–Wallis one-way analysis of variance by ranks were conducted. The reason of using these non parametric difference tests is that the sample groups did not provide the normality condition.

For perceived uncertainty, It was seen that KMO value was 0.873 and Bartlett’s Test of Sphericity was significant (p= 0.000 < 0.001); which indicated that the data was adequate and appropriate to conduct factor analysis. When the factor analysis was conducted, it was seen that the factors were divided to four factors. Unfortunately the item #19 was taking place by itself as a whole factor. Since a single item cannot constitute a factor (Gordon, 2005), the item was placed under a related factor. Consequently, all the items took place in the factor analysis and the factors were named as future uncertainty (11 items), current uncertainty (5 items) and uncertain organizational culture (2 items). It was seen that the factors explain 74.179% of the variance. The reliability analysis of these factors revealed high internal consistency (Cronbach’s αfuture uncertainty = 0.937, Cronbach’s αcurrent uncertainty = 0.808, Cronbach’s αuncertain org culture= 0.711). As to Paternalistic leadership, KMO sampling adequacy test (0.839) and Bartlett’s test of Sphericity (p =.000 < .001) demonstrated that the factor analysis could be done for the scale. As a result, five factors were acquired of which explained 77.810% variance of the scale. Nevertheless the factor loading of the item #10 was seen not be convenient under any factor. It was thus included under a related factor. Finally, four factors were acquired: Family atmosphere (9 items), establishing individualized relationships (4 items), expecting loyalty (5 items) and establishing authority (2 items). The Cronbach alpha values for these factors are respectively 0.946, 0.915, 0.82 and 648.

As it is seen in Table 1, which demonstrates the bivariate correlation analysis, a weak negative relationship between perceived uncertainty and paternalistic leadership has been found (r = -0.281, p < 0.01). This finding supports the first hypothesis of the research, which assumed a significant relationship between the research variables. Among the factors of paternalistic leadership, family atmosphere is the one which has the strongest relationship with perceived uncertainty (r = -0.366, p < 0.01).
In order to test the second hypothesis which assumes a causal relationship between paternalistic leadership and perceived uncertainty, simple regression analysis was conducted. Table 2 shows the equation model of the relationship between independent and dependent variable. As a result, it is seen that paternalistic leadership could statistically explain perceived uncertainty ($R^2=0.079$, $p = 0.002 < 0.05$). According to this result, hypothesis #2 is said to be supported.

Table 1: Means, Standard Deviations and Correlations for Study Variables

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<tr>
<td>Mean 3,492</td>
<td>3,657</td>
<td>3,393</td>
<td>3,514</td>
<td>3,481</td>
<td>3,523</td>
<td>4,085</td>
<td>4,343</td>
<td>3,852</td>
</tr>
<tr>
<td>SD 1,09</td>
<td>1,13</td>
<td>0,94</td>
<td>0,92</td>
<td>1,23</td>
<td>1,53</td>
<td>1,09</td>
<td>1,14</td>
<td>1,02</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>.633**</td>
<td>1</td>
<td>-.386**</td>
<td>-.265**</td>
<td>-.224*</td>
<td>-.254</td>
<td>-.279**</td>
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<tr>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
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<td>9</td>
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* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2 tailed)

Besides the independent variable, its factors were also included in the multiple regression analysis to see their contributions to the dependent variable (Table 3). When the analysis was conducted, family atmosphere and authority were seen to explain statistically perceived uncertainty ($R^2=0.171$, $p = 0.000 < 0.05$). While family atmosphere has a negative contribution to the dependent variable, authority was seen to affect it negatively ($\beta_{\text{family atmosphere}}=-0.365$, $\beta_{\text{authority}}=0.181$)

Table 2: Results of Simple Regression Analysis for Perceived Uncertainty

<table>
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<tr>
<th>Variables</th>
<th>Beta</th>
<th>t</th>
<th>p</th>
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</thead>
<tbody>
<tr>
<td>Paternalistic Leadership</td>
<td>-.254</td>
<td>-3.148</td>
<td>.002</td>
</tr>
</tbody>
</table>

Model 1: Perceived Uncertainty

R=.281; R$^2=.079$; F= 9,908; p=.002
In terms of difference tests, both variables and their factors showed significant difference among demographic groups. Between gender groups, it was seen that male employees perceive their leaders more paternalistic than female employees (\( \mu_{\text{RankMale}} = 50.31 \)). Employees are found to perceive more uncertainty than managers (\( \mu_{\text{RankFemale}} = 56.73 \)). Employees who have female managers perceive more paternalistic leadership than the ones who have male managers (\( \mu_{\text{RankFemale}} = 53.09 \)). In terms of the time past since the merger, employees who went through a merger 1-3 years ago perceive more current uncertainty than the ones who went through a merger 4-5 years ago (\( \mu_{1-3 \text{ years}} = 59.17 \), \( \mu_{4-5 \text{ years}} = 49.21 \)). Lastly, employees with higher tenure were found to perceive less uncertainty than the newer ones (\( \mu_{6-25 \text{ years}} = 49.77 \)).

### 4. Conclusion

Hofstede proposed that the connotation and styles of leadership are affected by culture (Hofstede, 1980, 1983, 1987, 1993, 1997). In most situations, leadership style does not depend on individual will, but reflects cultural values. An effective leadership style will be influenced by the social context (Farh and Cheng, 2000), and leadership behavior is likely to differ across cultures (Silin, 1976; Redding, 1990; Cheng, 1995a, b; Westwood, 1997; Gelfand et al., 2007). Past research shows that the cultural values of Turkey are remarkably different to those of Western (Aycan, 2001). This study, which is conducted on having gone through merger or acquisition banks in Turkey shows us that leadership style is critical issue for employees under uncertain situations. The most striking result to emerge from data is that paternalist leadership negatively affects perceived uncertainty of employees. Hence, H1 (There is relationship between paternalist leadership and perceived uncertainty) and H2 (Paternalist leadership negatively affects perceived uncertainty) are fully supported. These findings are consistent with the literature on leadership and perceived uncertainty. As previously mentioned, paternalistic leadership behaviors are developed to humanize and re-moralize the workplace. Hence, it can be asserted that one of paternalist leader dimensions is family atmosphere may conduces to decrease the perception of uncertainty.

Phillips (1995) indicates that female owners of family businesses display a greater sensitivity to interpersonal relationships and tend to focus on caring and nurturing. Rosener (1990) further highlights the differences that result from the different social expectations of genders, with females expected to play the roles of wife, mother, teacher and nurse and to show cooperation, support, understanding and kindness. This means that female leaders are likely to show relationship-oriented leadership. The constructs of individual caring and tolerance and consideration that characterize the benevolent leadership style are typical of relationship-oriented leadership (Cheng, 1995b, a; Farh and Cheng, 2000; Cheng et al., 2004), and are more consistent with the female roles of concern, tolerance, nurturing and understanding. As leadership that is consistent with gender roles affects leadership effectiveness (Eagly et al., 1995; Rojahn and Willemesen, 1994), female supervisors are likely to receive lower ratings for leadership effectiveness when they show less benevolent leadership. This argument supports our findings that employees who have female managers perceive more paternalistic leadership than the ones who have male managers.

### Table 3: Results of Multiple Regression Analysis for Perceived Uncertainty

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Variables</th>
<th>Beta</th>
<th>t</th>
<th>p</th>
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<tbody>
<tr>
<td></td>
<td>Family Atmosphere</td>
<td>-0.275</td>
<td>-4.236</td>
<td>0.000</td>
</tr>
<tr>
<td>R= .366; R²= .134; F= 17,945; p= .000</td>
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<table>
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<tr>
<th>Model 2</th>
<th>Variables</th>
<th>Beta</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Family Atmosphere</td>
<td>-0.365</td>
<td>-4.852</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Authority</td>
<td>0.181</td>
<td>2.256</td>
<td>0.000</td>
</tr>
<tr>
<td>R= .413; R²= .171; F= 11,832; p= .000</td>
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</table>
In addition, as we mentioned in literature part, the problems that arise from uncertainty regarding the organizational and personnel changes that usually follow mergers and acquisitions have received considerable attention. That uncertainty creates stress for employees but cannot be easily avoided since many of the changes associated with mergers and acquisitions are evolutionary, and final outcomes are often not known during negotiations (Jemison & Sitkin, 1986a,b; Schweiger & Weber, 1989; Schweiger, Ivancevich, & Power, 1987). Even when top managers do know what changes will occur, they are often unable or unwilling to discuss the changes with employees for a number of reasons discussed later in this article (Mirvis & Marks, 1986). Regardless of its cause, any failure to communicate leaves employees uncertain about their futures, and it is often that uncertainty, rather than the changes themselves, that is so stressfully for employees. In such situations, it is not surprising that employees perceive higher future uncertainty than managers.

The present study provides significant contributions to the literature. It extends the earlier research and explains the relationships of these concepts in organizations on the human side of M&A. It also provides empirical evidence for explaining the relations between the most frequently observed leadership style of Turkey paternalistic leadership and perceived uncertainty. Therefore, decreasing the perceived uncertainty after M&A announcement would be helpful for employee’s adaptation in merging of cultures.

5. Limitations and Suggestions for Future Study

This study is conducted on banking sector in Turkey; findings might not be transferable to all types of organizations in different sectors. Thus, it is recommended that further researches can be conducted on other organizations and, also in different countries for generalize of findings. Another limitation of this study is about the methodology which has preferred quantitative measurement methods. For future study before applying quantitative measurement qualitative measurement technique would be helpful to measure concepts deeply.

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