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RELATIONSHIP BETWEEN AUTHENTIC LEADERSHIP AND THE BIG FIVE PERSONALITY TRAIT OF EXTRAVERSION: AN EMPIRICAL STUDY

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ABSTRACT

The current research on Big Five personality impact on authentic leadership is limited. The study aims to examine the relationship between the Big Five personality trait of extraversion and authentic leadership components (self-awareness, internalized moral perspective, balanced processing, and relational transparency) using a correlation technique. Leader personality was measured through Big Five Inventory (BFI) self-reports, and authentic leadership was measured through the authentic leadership questionnaire (ALQ). The findings of this study discovered that there is a positive correlation present between the Big Five personality trait of extraversion, when paired with the authentic leadership constructs of self-awareness, internalized moral perspective, balanced processing, and relational transparency.

INTRODUCTION

Evidence indicates a decline in leadership quality across various sectors, marked by issues such as dishonesty and nepotism (Brown & Treviño, 2006; Covelli & Mason, 2017). These challenges are linked to a broader degradation of moral principles and human values (Treverton & Bikson, 2003). A study by Chamorro-Premuzic and Sanger (2016) highlights how leaders' problem-solving and communication styles are influenced by their geographical context. Greenwald (2010) stressed the need for institutions to meaningfully define leadership to meet students' needs. The emphasis on leadership maturity in higher education underscores the growing role of educators in fostering these outcomes (Huber, 2002). Exploring authentic leadership and personality traits is essential for shaping future leaders.

Many leaders in student governance come from graduate programs in colleges and universities, which promote participatory democracy. For instance, Michigan State University's Council of Graduate Students represents graduate and professional students (Michigan State University, n.d.). Graduate student leaders understand their roles and the impact of their actions (American Psychological Association, 2014). They are seen as change agents, but effectively implementing authentic leadership poses challenges in the U.S. (Saeed & Ali, 2019). Research into positive leadership styles is increasingly necessary as leadership quality significantly impacts organizational success (Katch et al., 2013). Successful student leaders must engage in self-reflection to understand their leadership skills and serve as role models for their peers (Nellis, 1994). Research into the impact of authentic leadership among graduate students will help fill a literature gap. Personality significantly shapes a leader's identity and influences their attitudes and expectations (Hartnell et al., 2011). This study aims to explore the connection between authentic leadership and the Big Five trait of extraversion.

AUTHENTIC LEADERSHIP

Authentic leaders are defined as persons who are intensely aware of how they think and behave and are observed by others as being aware of their own and other people’s values, moral viewpoints, and strengths (Avolio & Gardener, 2005; Luthans & Avolio, 2003; Walumbwa, 2004). These leaders are comfortable with the surroundings in which they operate. This leader is confident, and possesses high moral character (Luthans & Avolio, 2003; Avolio & Gardner, 2005). Modern conceptualizations of authentic leadership are defined as being composed of five separate but related functional

components: self-awareness, internalized moral perspective, balanced processing, and relational transparency of information (Avolio & Gardener, 2005; Ilies et al., 2005; Luthans & Avolio, 2003; Walumbwa, 2004).

Authentic Leadership Traits

Authentic leadership traits are features and characteristics that define a leader's authenticity. Studies have highlighted a particular set of traits common to authentic leaders, including self-awareness, self-regulation, and integrity (George et al., 2007; Walumbwa et al., 2011). To establish authentic leadership in student leaders at an Australian University, Crawford (2015) identified four occurring elements that he termed common in authentic leadership based on a multi-component conceptualization, including self-awareness, internalized moral perspective, balanced processing, and relational transparency. Therefore, these four components will be central in this study.

Authentic Leadership Dimensions

Studies have proposed various models to understand authentic leadership, highlighting deficiencies in previous frameworks. Notably, Ilies et al. (2009) identified four key components: self-awareness, unbiased processing, relational authenticity, and authentic actions, which are crucial for the well-being of both leaders and followers. Walumbwa et al. (2011) expanded on this by integrating dimensions such as internalized moral perspective and relational transparency, forming the basis for the Authentic Leadership Questionnaire (ALQ) to assess authentic leadership in organizations.

Self-Awareness

Self-awareness is a dimension of authentic leadership which is one of the essential qualities of good leadership (Ashley & Reiter-Palmon, 2012). Self-awareness is the ability to focus on oneself concerning actions, thoughts, and emotions (Eurich, 2018). This dimension of authentic leadership helps leaders understand their strengths and weaknesses, making them aware of what they can and cannot do (Gavin, 2019).

Internalized Moral Perspective

Another dimension of authentic leadership is internalized moral perspective which refers to a feature in leadership that allows leaders to retain coherence between core principles and judgments while demonstrating justice and a healthy level of professional practice (Dzahir Kasa et al., 2020). This perspective emphasizes the motivation of leaders by internal ethical values to use them to self-regulate their actions.

Balanced Processing

Balanced processing is another dimension of authentic leadership which involves carefully soliciting opposing perspectives and considering all the options before deciding on the action while avoiding impulsion and hidden agendas; it stands for being fair-minded.

Relational Transparency

The last dimension of authentic leadership is relational transparency which represents the ability of leaders to share both strengths and weaknesses with others. Authentic leaders display authenticity by admitting mistakes and sharing their successes with their subordinates. Walumbwa et al. (2011) defines rational transparency as presenting oneself through the open sharing of information

and feelings in context with the situation. Lopez and Rice (2006) add that you are considered authentic by expressing yourself honestly because honesty is a virtue of authenticity.

Personality

While many studies examine the outcome of leadership, few have focused on the leader's personality (Antonakis et al., 2012; Ashley & Reiter-Palmon, 2012; Boscardin & Shepherd, 2020). Psychologists define personality as the growth of a person's complete psychological system (Warren & Carmichael, 1933). Allport (1937) argues that the same concept of personality can be expressed as a makeup inside of an individual which determines their unique changes to their surroundings. Numerous researchers discuss personality as a collection of intrinsic and extrinsic individualities that can impact individual behavior. Hence, personal traits must be considered when evaluating an individual (Allport, 1937; Bowers, 1987; Brown & Updike, 1990).

Big Five Personality Traits

Dialog on the Big Five personality traits increased immensely in the 1980s-1990s. Many have accepted the Big Five personality traits approach because of its universality in personality trait structure (Bouchard & Loehlin, 2001; McCrae & Costa, 1997; Wiggins & Trapnell, 1990; Yamagata et al., 2006). There is a sizeable amount of literature accompanying this Big Five personality model (Digman, 1990; Goldberg, 1990; John & Srivastava, 1999; McCrae & John, 1992). The five main personality dimensions pointed out by psychology scholars are extraversion, agreeableness, openness, conscientious, and neuroticism (Goldberg, 1990). Using this theoretical framework as a lens for exploring individual personality traits ties the current study to the current leadership examinations (Balthazard et al., 2009; Bono & Judge, 2004; Judge & Bono, 2000; Judge et al., 2002; Kalshoven et al., 2010; Ozbag, 2016; Walumbwa & Schaunbroeck, 2009). This study will consider the trait of extraversion.

Extraversion

Extraversion is described as a positive emotion or excitement and eagerness to seek the company of others (Hutcherson et al., 2008). An extrovert tends to be friendly, cheerful, optimistic, and talkative; extroverts prefer groups and the company of others (Gino, 2015). Cherry (2020) writes that extraversion is characterized by sociability, talkativeness, assertiveness, and excitability; it may be seen as full of life, energy, and positivity. The strongest correlation to authentic leadership is extraversion (Ashton et al., 1999; Bligh, 2011). One main reason for linking extraversion to authentic leadership is the assumption that extraverted leaders breed confidence among their followers, a critical component in organizational behavior. Bono and Judge (2004) add that confidence is a vital component of authentic leadership

Relationship Between Extraversion and Self-Awareness

Self-awareness is essential to being an authentic leader (George, 2016). Gatling et al. (2013) concluded that managers' self-awareness is linked to extraversion/introversion, sensing/intuition, and judging/feeling inclinations. Other researchers concluded a positive relationship between extraversion and self-esteem (Francis, 1996; Kawash, 1982; Schmitt & Allik, 2005; Swickert et al., 2004). Nevertheless, the cognitive processes associating extraversion and self-esteem regulation are not well known. We suspect this study may validate each of these associations between extraversion and self-awareness. Therefore, it is hypothesized that:

- Hypothesis 1a: There is a positive relationship between extraversion and self-awareness. Null

hypothesis: There is no relationship between extraversion and self-awareness.

Relationship Between Extraversion and Internalized Moral Perspective

Internalized moral perspective is a prevailing characteristic in authentic leadership. Various researchers like Palena et al. (2021) and Damianou et al. (2022) all concluded that extraversion lacked any association to internal moral perspective. Therefore, it is hypothesized that:

- Hypothesis 1b: There is a positive relationship between extraversion and internalized moral perspective. Null hypothesis: There is no relationship between extraversion and internalized moral perspective.

Relationship Between Extraversion and Balanced Processing

Balanced processing is to be fair-minded, and this factor is important to authentic leaders. Individuals high in extraversion are friendly and high in energy. Extroverts tend to process information with others and solve problems through discussion (Gardner et al., 2005). On the other hand, it is important to mention that Grant et al. (2011) regarded extraversion as underwriting to poor leadership. Grant et al. (2011) specifically argues the disadvantages of extraversion to authentic leadership aside from the broad perception of its positive relationship with leadership. Therefore, it is hypothesized that:

- Hypothesis 1c: There is a positive relationship between extraversion and balanced processing. Null hypothesis: There is no relationship between extraversion and balanced processing

Relationship Between Extraversion and Relational Transparency

Relational transparency is critical to authentic leadership because it allows leaders to present their true self. However, Flynn et al. (2022) discovered that people high in extraversion scored high in their ability to self-monitor, or to present a publicly desirable image, instead of being their genuine selves. Therefore, it is hypothesized that:

- Hypothesis 1d: There is a positive relationship between extraversion and relational transparency. Null hypothesis: There is no relationship between extraversion and relational transparency.

METHOD

Procedure and Sample

The research involved participants from the United States, recruited by SurveyMonkey® to address various inquiries. The target population consisted of graduate students, considering factors such as education, age, race, employment status, income, and gender. To enhance the analysis, 200 responses were requested, and 234 were obtained.

Measures

The research instrument used in this study comprises three sections. The first section is John and Srivastava's (1999) Big Five Inventory (BFI), designed to measure five dimensions of the variable of personality traits. The second section is Walumbwa et al.'s (2008) Authentic Leadership Questionnaire (ALQ) used to measure the variable of authentic leadership. Finally, the third section includes all-purpose demographic information: education, age, race, employment status, income, and gender.

Big Five Inventory (BFI)

The Big Five Inventory (BFI) was utilized to measure the variable of personality (John & Srivastava, 1999). The BFI is a self-report inventory devised to measure the Big Five dimensions of personality using 44 characteristics communicated as statements about oneself and evaluated on a 5-point Likert scale from 1 (disagree strongly) to 5 (agree strongly).

Authentic Leadership Questionnaire (ALQ)

The Authentic Leadership Questionnaire (ALQ) is used to assess authentic leadership. The ALQ is a self-reporting instrument that assesses the perception of authentic leadership (Walumbwa et al., 2008). The ALQ measures self-awareness, internalized moral perspective, balanced processing, and relational transparency. The ALQ is a 16-item measurement on a five-point Likert scale of 0 through 4; 0 represented not at all, and 4 represented frequently, if not always, separated in four dimensions distributed as follows: self-awareness (four items), internalized moral perspective (four items), balanced processing (three items), and relational transparency (five items).

ANALYSES

Data from the BFI assessment and ALQ were analyzed using correlation techniques. Pearson's correlation was initially chosen to examine the relationships between the Big Five personality traits and authentic leadership components. However, due to a violation of normality assumptions, Spearman's Rank Order correlation was ultimately employed.

RESULTS

A Spearman's correlation was run and the results show the hypotheses for the related research questions have a small positive relationship ranging from rs=.200 - .428; thus, hypotheses 1a - 1d are supported with the null hypotheses being rejected.

Hypothesis 1a: The results show a small positive correlation between extraversion and self-awareness, $r_s(232) = .300$, $p < .001$.

Hypothesis 1b : The results show a small positive correlation between extraversion and internalized moral perspective, $r_s(232) = .236$, $p < .001$.

Hypothesis 1c: The results show a small positive correlation between extraversion and balanced processing, $r_s(232) = .200$, $p < .001$.

Hypothesis 1d : The results show a small positive correlation between extraversion and relational transparency, $r_s(232) = .290$, $p < .001$.

DISCUSSION

The study addresses a decline in commitment to moral principles, trust, and self-awareness among leaders in the workforce. Understanding leadership among graduates is crucial for students and society, as they will shape the future (Avolio & Gardner, 2005; Pless & Maak, 2011). Authentic leadership faces challenges from various factors, including personality traits (Shahzad et al., 2021).

Furthermore, today's leadership styles will influence future leaders and role models, making poor leadership among graduates a societal risk.

Limitations

This study has several limitations. It relied on a sample of 234 respondents, but the survey should have targeted graduate students specifically instead of merely graduates. Additionally, the number of questions may have prolonged completion times, affecting response rates. Self-assessing their personalities and leadership qualities could introduce bias. The use of only computerized questionnaires limited the audience; combining paper and digital methods could have broadened participation. Lastly, the study missed the chance to use MANOVA to compare differences between groups of graduates.

Directions for Future Research

This study highlights opportunities for future research on authentic leadership and its connections to other traits. Many studies suggest that improving external validity could be achieved by replicating the research with different demographic groups, such as Master's and Doctoral degree holders. This approach would enhance the generalizability of results. Currently, the study involves graduates with college degrees, but future research could focus on specific industries, age groups, job titles, and various leadership styles.

REFERENCES AVAILABLE FROM THE FIRST AUTHOR

VALIDATION OF "READINESS FOR CHANGE" SCALE IN PAKISTAN: EVIDENCE FROM TWO INDEPENDENT SAMPLES

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Implementing and diffusing changes within organizations often requires individual change. As many managers and leaders know, successfully introducing changes, of any kind, are difficult where resistance to change is often dramatic and immediate. To overcome the challenges, an *a priori* examination of the organizational members' underlying readiness for change is encouraged to ensure that leaders can efficiently and effectively address *actual* problems and misperceptions that might arise as change is introduced (e.g. Rafferty, Jimmieson, & Armenakis, 2013). Organizational *readiness for change* is regarded as an important prerequisite to achieving actual change (Wang, Olivier & Chen, 2023). Readiness represents the degree to which an organization, and those involved, are collectively and individually able, primed, and motivated to implement and successfully diffuse change throughout the organization (e.g. Holt, Helfrich, Hall, & Weiner, 2010; Holt & Vardaman, 2013; Weiner, Amick, & Lee, 2008). In essence, this *a priori* diagnosis addresses a key question, "are the members of the firm able and willing to change?" Through a systematic and focused understanding of individual readiness, leaders can identify gaps that may exist between their own perceptions regarding change and its actual state such that tailored steps can be taken to facilitate the implementation and diffusion of change more efficiently (Armenakis & Harris, 2002).

While this approach of diagnosis and tailored leadership action has intuitive appeal, there are still considerable gaps in our understanding of readiness for and leadership of change. What, for instance, should leaders consider as they assess readiness? And, what tools are available to assess readiness? Weiner et al. (2008) reviewed 43 readiness for change instruments introduced in the health services and other fields, concluding that there was a dearth of individual-level readiness for change instruments that have undergone the appropriate psychometric testing to ensure that they can be used by researchers and practitioners. Secondly, and perhaps more importantly, we have little understanding regarding the extent to which leadership shapes individuals' perceptions of readiness. In a recent paper, Weiner, Clary, Klaman, Turner, and Alishahi-Tabriz (2020) highlight the scarcity of valid, reliable and practical tools to measure readiness for change. They

also stressed the need to improve the knowledge conditions that promote readiness for change (P.121).

Our study addresses two key issues. First, in STUDY 1, we assess the factor structure and reliability of an individual-level measure of readiness developed by Holt, Armenakis, Feild, and Harris (2007). This measure was chosen as it was only one of two readiness measures that offered initial evidence of content validity, predictive validity, convergent validity, discriminant validity, and reliability (see Weiner et al., 2008). After extending the validity evidence, in STUDY 2 we strive to advance theory regarding the measurement of readiness by testing its relationship with compliance, cooperation, and championing behaviors regarding change support (Herscovitch & Meyer, 2002).

Method (Study 1)

Organizational setting.

The study was conducted at a public railways system in Pakistan. The railway was chosen as the study setting because their employees have been and continue to be subject to change initiatives instituted by management and political leaders, and thus constitute a natural "experiment" for our purposes. The survey instrument was administered to a nationally representative sample of 400 drawn from employees working for the railway and a total of 216 useable responses were received from across the country from its five divisional and one central headquarters.

Measures. Participants completed a questionnaire that assessed the four readiness factors measured with Holt, Armenakis, Feild, et al.'s, (2007) original instrument. Thus, *appropriateness* was measured with ten items that reflected the extent to which one feels that the change effort was legitimate and appropriate for the organization to meet its objectives. An example item included: "I think that the organization will benefit from this change." *Management support* was measured with six items that reflected the extent to which one feels that the organization's leadership and management are committed to and support implementation of the change. An example included: "The most senior leader of this organization is committed to this change." *Change efficacy* reflected the extent to which one feels that he or she has the skills and is able to execute the tasks and activities that are associated with implementation of the change. This was measured with six items. An example included: "I do not anticipate any problems adjusting to the work I will have when this change is adopted." Finally, *personal valence* was measured with three items, reflecting the degree to which employees felt that proposed change is personally beneficial to the organizational members. A sample item included: "This change will disrupt many of the personal relationships I have developed" (reverse coded).

RESULTS

Before the factor structure was tested, preliminary tests were conducted using the data obtained from the sample to determine whether the data had the potential to be represented by some underlying latent constructs. These included: (a) Bartlett's test of sphericity and (b) Kaiser-Meyer-Olkin measure of sampling adequacy. The Bartlett's test of sphericity was significant (χ^2 (300) = 2874.1, $p < .001$) and the measure of sampling adequacy was .813 which far exceeds the cutoff standard of .5 suggested by Hair, Black, Babin, Anderson, and Tatham (2006). Taken together, these results indicated that there were considerable relationships among the readiness items, suggesting that the data were suitable for factor analysis and the items could likely be represented by a set of underlying latent constructs.

Exploratory factor analysis was performed using the data obtained in accordance with methods suggested by Conway and Huffcutt (2003). Based on this, the data were analyzed using a principal axis method. When the readiness for change items were analyzed, six factors emerged, accounting for 66.37 % of the variance. Unfortunately, several items exhibited loadings that warranted the items removal. For instance, six items that had been intended to measure appropriateness by Holt, Armenakis, Feild, et al. (2007) exhibited significant cross loadings with the factor loading on main factor being less than two times that of the loadings on two other factors (Hinkin, 2016). After problematic items were removed, the remaining items were again factor analyzed and the factor structure and loadings were evaluated. Four interpretable factors were obtained with these four factors accounting for 67.56 % of the observed variance.

Each factor was titled based on the *a priori* categorizations suggested by Holt et al. (2007). That is, all of the items loaded on the factors that Holt et al. (2002) had originally designed each item to measure. Seven items loaded on Factor 1 termed *appropriateness*, reflecting the participants' perceptions about the legitimacy and need for the change. Five items loaded on Factor 2 termed *change efficacy*. These items represented the participants' perceptions that they had required skills to implement the change. Four items loaded on Factor 3 termed *management support*. These items represented participants' perceptions regarding the senior leaders' support in implementation of change program. Finally, three items loaded on Factor 4 termed *personal valence.* These items represented the extent to which employees perceive that the change is beneficial to them.

The internal consistency of each of the four factors that emerged was estimated using coefficient alpha (α). The resulting reliabilities were **.79** for appropriateness; **.85** for management support; **.83** for change efficacy; and, **.72** for personal valence. All of the constructs possessed moderate to high reliability and were consistent to the findings reported in Holt, Armenakis, Feild, et al.'s, (2007) validation study (i.e., Holt et al. reported an alpha of .94 for appropriateness; .87 for management support; .82 for change efficacy; and .66 for personal valence).

STUDY 1: DISCUSSION

Many have argued that replication is the key criterion by which to judge the robustness of any instrument (e.g. Hinkin, 2016; Nunnally, 1978). Accordingly, we set out to further validate Holt, Armenakis, Feild, et al.'s, (2007) measure of readiness for change, by further testing the factor structure of the scale and extending their findings to offer evidence in a foreign setting, namely, Pakistan. In sum, our findings lend supplemental support for the readiness for change instrument's validity and reliability. More specifically, our exploratory factor analyses was consistent with Holt, Armenakis, Feild, et al.'s, (2007) original findings; moreover, the findings offer support that the instrument has promise for studies. Despite that promise, some items from the original scale failed to load on the designated factors and had to be discarded. Special focus should be given to negatively worded items in the scale as these were problematic. Based on the suggestion of Gatling, Kang, and Kim (2016), there is need to convert these negative items into positively worded or permanently remove them from the scale.

Still, researchers should be energized by these findings as they open several promising research avenues. In particular, researchers can more effectively and directly test specific strategies and leadership influences. This is important as many recommendations regarding how changes should be introduced and facilitated (e.g., persuasively and frequently communicate the importance of the change to others) have been criticized as being based upon anecdotal case studies and observations (Van Praet & Van Leuven, 2022; Weiner et al., 2008). This sentiment was conveyed years earlier in a review of organizational change literature that argued many of the

recommendations given by researchers are viewed with reverence and quotations "reiterated without any proof or disproof" (Weick & Quinn, 1999, p. 363). This bottom line was further emphasized more recently when Rafferty et al. (2013) stated: "we have a limited understanding of change readiness" (p. 130). Thus, given the results of Study 1, we felt justified in utilizing the modified scales in our substantive analysis assessing relationships between readiness for change and behavioral support for change.

STUDY 2—INFLUENCE OF READINESS FOR CHANGE ON BEHAVIORAL SUPPORT FOR CHANGE

BEHAVIORAL SUPPORT FOR CHANGE

"Behavioral support for change" is comprised of three dimensions grouped into two categories. *Focal behavior* which means employee support the change in order to maintain employment relationship with organization. Compliance dimension of behavioral support for change scale is considered as focal behavior. *Compliance* refer to the employee behaviours of showing minimum support for change with agreement to the change initiative. Second facet of this construct is *Discretionary behavior* which means supporting the change is beyond mere compliance or maintenance of employment relationship; it is putting extra effort to show greater commitment and support for change. These discretionary behaviors include Cooperation and Championing. *Cooperation* refers to employee behaviour of adopting the spirit of change by exerting some efforts in successful implementation of change initiative. Employees are ready to bear modest sacrifices in this behaviour. *Championing* on other hand is taking extra ordinary efforts to involve others to embrace the change. It involves showing passion to support the change beyond what is expected formally and generating outward support for the change or defending change initiative to outside stakeholders. Championing behavior, a surrogate to organizational citizenship behavior (Kalyal, Berntson, Baraldi, Näswall, & Sverke, 2010) is taking efforts beyond expectations to ensure achievements of change goals. It is to not only to embrace the change but to 'sell' it to coworkers and outsiders (Chou, 2014).

Based on the above discussion, and given that readiness for change should be positively related to behavioral support for change, we infer the following hypotheses:

H1: Readiness for organizational change is positively and significantly related to behavioural support for change such that: change appropriateness is positively and significantly related to (H1a) Compliance, (H1b) cooperation, and (H1c) championing behaviours.

H2. Management support is positively and significantly related to (H2a) Compliance, (H2b) cooperation, and (H2c) championing behaviours

H3. Change efficacy is positively and significantly related to (H3a) Compliance, (H3b) cooperation, and (H3c) championing behaviours

H4. Personal valence is positively and significantly related to (H4a) Compliance, (H4b) cooperation, and (H4c) championing behaviours

Comparison of Models. Change readiness has been conceptualized by Holt et al as a first-order model consisting of multiple dimensions. However, it is possible that a single underlying factor, readiness for change, better captures the nature of the construct than does the four-dimensions model. Also, it is possible that a middle-ground model, one that reflects four first-order factors reflecting an underlying second-order readiness for change construct could better fit the data. Accordingly, we test these three possible models, with the hypothesis that the first order model reflecting four dimensions , as theorized by Holt and colleagues, will best fit the data.

H5. A first-order model will fit the data better than a second-order or unidimensional model.

METHOD

Organizational setting. Given that our purpose was to extend the use of the readiness for change instrument, we purposefully selected a setting such that data could be collected in organizations that were either announcing a substantial change, substantial change was taking place, or substantial change had been recently completed (Walker, Armenakis, & Bernerth, 2007). Consulting published information (i.e., print and online media; Cunningham, 2006), the government of the Sindh province of Pakistan announced its plans to transfer operational control of more than 100 health facilities including five large district hospitals, health clinics, and ambulance services to non-governmental organizations (NGOs). Given the nature of this change, five district hospitals of the Sindh province in Pakistan, each with an average of 200 employees, were targeted for data collection.

Sample. Of the five district hospitals initially invited to participate, four agreed. Leaders of the hospital staff unions were initially skeptical about the study. When it was clarified, however, that the data were being collected for academic purposes and the researchers had no links with the partnering NGOs that would be assuming control of the hospitals, leaders offered their support. A total of 350 questionnaires were distributed to these four hospitals with 280 questionnaires returned. Of these, 258 were usable for a response rate of 73.4 %.

Measures. Participants completed the readiness for change measure validated in Study 1. To assess behavioral support for change a three-dimension behavioral support for change scale was used (Herscovitch & Meyer, 2002). This included measures of compliance (3 items), cooperation (8 items), and championing (6 items).

RESULTS

This study used the Partial Least Square Structural Equation Modelling approach using Smart PLS 4.1.8 to test the predictive validity of readiness for change scale. Following Holt et al 2007's seminal paper, this study ran all three possible models. The first model was a first-order model in which all four dimensions were used as independent variables to predict three dimensions of behavioral support for the change scale: compliance, championing, and cooperation. The second model was a reflective-reflective higher-order model. We used a disjoint two-stage approach. In the first stage, we tested four dimensions of readiness for change scale as first-order exogenous variables for behavioral support for change dimensions. In the second stage, we used latent variable scores for all first-order variables from stage one and used them in the second-order model. (Sarstedt, Hair, Cheah, Becker, & Ringle, 2019). A third model we have tested is a unidimensional model of readiness for change in which all the 15 items, shortlisted in study one, are combined to form one single construct namely, readiness for change. We have applied structural equation modeling in two steps for all three variants of models. Firstly, we have used a measurement model to establish the reliability and validity of three models. Then the structural model is used to test hypotheses.

Confirmatory factor analysis (CFA). Measurement model analysis was carried out as a part of CFA for all three model variants. Regarding factor loadings, a comparison of the three models indicates that factor loadings in the second-order model and first-order model are all greater than 0.70 except one item in management support has 0.515-factor loadings. The same is true for the management support dimension in the second-order model. Whereas factor loadings of 15 items in the unidimensional model are fairly poor as many of the items have loadings of less than seven. One item MS3 had less than four. Even the removal of this item could not improve the results. Overall, the results support the second-order model and first-order model based on

collinearity test and factor loadings. These results support the findings of study one, exploratory analysis which generated four-factor models.

Predictive validity analysis: Structural Model. To ascertain whether the readiness for change scale predicts change-related behavioral outcomes or not, we used behavioral change scale as a dependent variable and ran a series of structural model analyses across three model variants to see differential values of beta coefficients, t values, and confidence intervals. Additionally, we also used a predictive validity test using PLS Predict and some other additional tests. We used the bootstrapping technique with 10,000 bootstrap samples to estimate the structural model in SmartPLS 4. Results indicates that readiness for change dimensions is related to compliance, cooperation, and championing. Our two hypotheses about the relationship between personal valence and cooperation and between personal valence and compliance were not accepted. Except for these two hypotheses, all other hypotheses are accepted.

Finally, we compared the structural model for two other variants of the model such as the second-order factor model and the unidimensional model. As per these results, readiness for change construct whether measured unidimensional or as a form of the second-order model yields similar results better than their counterpart alternative, that is, the first-order model. These analyses present interesting scenarios for researchers and practitioners such that when the objective is to see the differential effects of each aspect of readiness for change, a first-order model may be suitable. However, when parsimony is a preference and the objective is to observe relations between an overall "readiness for change" construct and outcomes, it is better to choose a second-order model over a unidimensional approach.

DISCUSSION AND CONCLUSION

This study aimed to report the validation of Readiness for change scale in the Pakistani context. The first study was comprised of a sample drawn from a large public-sector railway department undergoing massive reforms. This study carried out exploratory factor analysis because this scale was not previously used in Pakistani settings. EFA results confirmed the four-factor model as hypothesized which was further confirmed by Confirmatory factor analysis in study two. Model fit indices showed that four factors hypothesized model was a better fit than the other three options. Such results were again replicated in an independent sample drawn from four Government-owned health sector unionized organizations undergoing restructuring through privatization.

Based on calls for research by Holt, Armenakis, Feild, et al. (2007), this study attempted to refine the instrument by using a translated version of the scale in the Asian Context. This will also increase the generalizability and universality of the scale. We found that the predictive validity of the first-order model and second-order model is better than a unidimensional construct of readiness for change. Because theoretically and empirically readiness for change is reflected by the variety of interrelated aspects that are related to the content and the context of the change (Holt, Armenakis, Feild, et al., 2007). This study has answered various calls for research to undertake change-specific scales outside non-north American countries (Bouckenooghe et al., 2015, p. 13) and refinement of the Readiness scale (Holt, Armenakis, Feild, et al., 2007). This study suggests that organizational leaders may use the Readiness for change scale as a barometer to check employee and organizational readiness as a precursor to behavioral support for change.

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HOW DOES CORRUPTION AFFECT SMES IN DIFFERENT INSTITUTIONAL ENVIRONMENTS?

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ABSTRACT

Corruption undermines firm performance globally, prompting governments to strengthen institutional governance. This study examines unintended consequences using data from 30,000 firms in 17 emerging economies (2008-2019). Findings confirm that corruption hinders firm growth while strong governance fosters it. However, in high-corruption settings, stricter governance may unintentionally suppress growth, as weak enforcement can lead officials to demand illicit payments that facilitate expansion. Thus, while governance reforms aim to reduce corruption, they may also constrain firm growth in certain contexts.

INTRODUCTION

Entrepreneurship drives economic growth, fostering job creation, innovation, and productivity (Acs & Armington, 2006; Audretsch, 2007; Baumol, 2002; Shane, 2008). Strong institutions provide access to credit, skilled labor, and intellectual property protections, enabling business success (Khanna & Rivkin, 2001; North, 1990). Conversely, weak institutions elevate risks, increase costs, and limit entrepreneurship's potential (Welter, 2012).

Institutional theory highlights the role of governance in either fostering or constraining entrepreneurship. Effective regulatory frameworks enhance market entry and transparency (Klapper & Richmond, 2009), while weak institutions create barriers and inefficiencies. Corruption distorts entrepreneurial environments, increasing transaction costs and rent-seeking behaviors (Murphy et al., 1991). While some argue corruption bypasses bureaucratic inefficiencies (Lambsdorff, 2003; Leff, 1964), it generally reduces trust, discourages investment, and hinders economic growth (Khanna & Palepu, 2000).

Strong governance mitigates corruption by promoting transparency and regulatory efficiency (Anokhin & Schulze, 2009; Rose-Ackerman, 2001). Weak governance fosters monopolistic practices, limiting entrepreneurship's contributions to economic development. Research underscores the benefits of robust institutions, including economic growth, foreign investment, and firm expansion (Acemoglu & Johnson, 2005; Delios & Henisz, 2000; Laeven & Woodruff, 2007). Despite extensive research, gaps remain in understanding how governance quality influences entrepreneurship, particularly in emerging economies (Davidsson & Wiklund, 2000). Prior studies often overlook multilevel institutional analysis, limiting insights into the interplay between corruption, governance, and firm growth (Bruton, Ahlstrom, & Li, 2010).

This study integrates institutional theory, anomie theory, and resource dependency theory to examine how governance quality moderates corruption's impact on firm performance. The following sections review relevant literature, present the research model, discuss findings, and offer policy recommendations.

LITERATURE REVIEW

Firm Growth and Expansion Barriers

Expansion barriers hinder firm growth as they represent resource deficiencies (Shelton, 2005; Chatterjee, 1990). These barriers arise from industry characteristics and resource constraints, with corruption further complicating growth. Robust institutions reduce information asymmetries and foster entrepreneurship, while weak institutions discourage business formation

(WTO, 2004; Fogel et al., 2006). Political stability enhances private investment, as democratic governance improves market confidence and reduces property rights violations (Pastor & Hilt, 1993; Brunetti et al., 1998)

Corruption and Firm Growth

Two perspectives dominate the literature on corruption's impact on firm growth. One views bribery as a facilitator for bypassing bureaucratic inefficiencies (Huntington, 1968; Leff, 1989), while the other considers it a "tax" inflating business costs and reducing transparency (Mauro, 1995; Shleifer & Vishny, 1993). Corruption control correlates with economic growth, human welfare, and investment (Kaufmann & Kraay, 2003; Rose-Ackerman, 2004). High corruption levels deter quality FDI, restricting technological advancement (Anokhin & Schulze, 2009). Institutional conflicts arise when formal regulations clash with cultural norms, compelling entrepreneurs to adapt (Welter & Smallbone, 2011).

Theoretical Frameworks

Institutional anomie theory explains corporate corruption by highlighting the dominance of economic institutions over ethical considerations. Weak social institutions exacerbate anomie, making regulations seem like obstacles rather than ethical guidelines (Messner & Rosenfeld, 2007; Bernburg, 2002). Strengthening legal and social institutions is essential for balancing economic pressures with ethical business practices (Messner & Rosenfeld, 2008).

Institutional theory emphasizes how formal and informal rules shape firm behavior. Firms in weak institutional environments engage in corruption to secure resources and maintain legitimacy (DiMaggio & Powell, 1983; North, 1990). Strong governance curbs corruption, while ambiguous regulations foster unethical practices (Rodriguez et al., 2005). Addressing corruption requires institutional reforms that enhance transparency and strengthen enforcement mechanisms.

Resource dependency theory explains how firms navigate external dependencies to secure critical resources (Pfeffer & Salancik, 1978). In inefficient regulatory environments, firms may resort to bribery to mitigate uncertainty (Hillman, Withers, & Collins, 2009). Limited access to resources in weak institutional settings heightens reliance on corrupt practices (Kim & Davis, 2016). Policies enhancing transparency and streamlining regulations can reduce corruption (Hillman et al., 2009).

HYPOTHESES

The literature indicates that corruption negatively impacts firm growth by increasing agency costs and transaction costs, which limit entrepreneurship and innovation. For instance, Alchian and Woodward (1988) suggest that alternative forms of institutional trust, such as kinship or ethnic identity, are economically inferior because they reduce market size and increase adverse selection costs. Luhmann (1988) adds that corruption inhibits investment in innovative, high-risk activities. Avnimelech, Zelekha, and Sharabi (2014) further demonstrate that countries with higher corruption levels tend to have lower rates of productive entrepreneurship.

Conversely, strong institutional governance can counteract the negative effects of corruption, enhancing economic performance. Barro (1991; 1996) finds that better control of corruption leads to improved economic development, especially in high-corruption contexts, where governance reforms significantly reduce transaction costs and agency risks. Therefore, institutional governance can promote firm growth by enhancing efficiency and encouraging innovation. Given the extant literature, we hypothesize that:

H1: *Corruption negatively affects firm growth, while institutional governance positively affects firm growth.*

The interplay between corruption and institutional governance is more complex. Rose-Ackerman (2001, 2004) suggests that improved governance can gradually enhance institutional trust, particularly in low-corruption environments. In contrast, in high-corruption contexts, the relationship between governance and firm growth may be more difficult, as increased governance can highlight discrepancies between formal rules and corrupt practices, creating tensions for firms. Luo (2004) argues that such unpredictability can make commercialization of innovative opportunities more challenging.

Thus, the effectiveness of governance reforms in fostering firm growth may depend on the level of corruption. While strong governance can stimulate growth in low-corruption contexts, it may stall growth in high-corruption environments. Given the extant literature, we hypothesize that:

H2: *The interaction between corruption and institutional governance negatively impacts firm growth, where increased governance enhances growth in low-corruption environments but hinders growth in high-corruption contexts.*

METHODS

To test our hypotheses, we examined SMEs across 17 emerging economies, as classified by the International Monetary Fund (IMF), covering 2006 to 2019. Our dataset comprises over 30,000 firm-level observations. Table 1 provides the number of firm-level observations per country and year.

The primary data source is the World Bank Enterprise Survey (WBES), which provides firm-level variables. The WBES has conducted ongoing surveys since 2006 and is a widely used resource for scholars. We set a cut-off year of 2019 to ensure data comparability and reliability. Additional macroeconomic and governance-related variables were derived from the World Governance Indicators (WGI) dataset, while country-specific corruption indices were obtained from Transparency International's Corruption Perceptions Index (CPI).

We employ hierarchical linear modeling (HLM) to analyze firm-level and country-level interactions between corruption, governance, and firm growth. Independent variables include corruption levels and governance quality, with firm growth as the dependent variable. Control variables include firm size, industry type, and market conditions.

Analysis and Results

To test our hypotheses regarding the interrelationships among corruption, institutional governance, and firm growth, we used hierarchical regressions while applying four control variables at both country and firm levels. Table 3 provides summary statistics of the variables. Table 4 presents the results of the analyses. In testing for hypothesis 1, which predicts a negative effect of corruption but a positive effect of institutional governance on firm growth, we tested the direct effects of both variables on firm growth along with the four control variables in Model 1. The results indicate that the overall model is statistically significant. Further, corruption is significantly negatively related to while institutional governance is significantly positively related to firm performance, hence lending strong support to hypothesis 1.

To test the interaction effect between corruption and institutional governance on firm growth, following the procedure of Cohen et al. (2003), we mean centered corruption and institutional governance respectively before the interaction term was created through multiplication of the mean-centered values. Model 2 was used to test for hypothesis 2, which predicts a negative interaction effect of corruption and institutional governance. The results reveal that the overall model was significant, and the interaction term has a significantly negative effect on firm growth. To further explore the relationships, we plotted interaction effects in Figure 1., which suggests that in low corruption contexts, institutional governance promotes firm growth; whereas in high corruption contexts, increased institutional governance stalls firm growth. Hence, the results provide strong support to our hypothesis 2.

Additionally, we conducted post-test variance inflation factor (VIF) analysis for each model. The VIF values of both Model 1 and Model 2 are less than 3, which is well below the commonly accepted threshold of 10, thus collinearity does not pose a serious issue to our results.

FINDINGS AND DISCUSSION

Our results confirm that corruption negatively affects firm growth, while strong governance enhances it. However, in high-corruption environments, stronger governance does not significantly improve firm growth, suggesting entrenched corruption limits reform effectiveness. These findings align with prior research indicating that governance reforms may have diminishing returns in deeply corrupt economies (Doucouliagos & Ulubasoglu, 2008). However, there are several limitations of this paper that warrant attention. First, this paper used only one country-level control variable, GDP growth. Future studies may also consider inclusion of more macro level variables to control for country-level institutional differences that may affect firm performance. Second, future research on the effects of informal institutions on the relationship between corruption and firm growth is warranted. For example, questions relating to how different dimensions of national culture may moderate the negative effect of corruption on firm performance deserve scholarly investigation. Thirdly, as the nature of the firm-level data is panel, our understanding of the causal relationships can be enhanced through analyses of longitudinal data if available.

This study not only contributes to the academic debate on corporate corruption but also offers valuable insights for policymakers and practitioners. Specifically, it highlights the need for balanced approaches to anti-corruption measures that consider both the risks of excessive regulation and the dangers of under-regulation.

Specifically, we argue that to foster entrepreneurship in emerging markets, policymakers should: (a) strengthen institutional governance to enhance transparency and enforcement; (b) reduce bureaucratic inefficiencies that give rise to corruption; (c) provide targeted support to SMEs in high-corruption contexts through alternative financing mechanisms; and (d) promote international collaborations to improve institutional quality and reduce corruption's impact on entrepreneurship.

CONCLUSION

Entrepreneurship is a cornerstone of economic development, driving employment, fostering innovation, and generating significant welfare effects (Acs & Armington, 2006; Audretsch, 2007; Baumol, 2002; Schumpeter, 1934; Shane, 2008; Wennekers & Thurik, 1999). Entrepreneurs not only introduce groundbreaking innovations but also stimulate structural

changes within the economy, compelling established firms to evolve and adapt, which in turn enhances overall productivity (Bosma et al., 2008). This role is particularly vital in emerging economies, where entrepreneurship plays a pivotal part in job creation and sustainable economic growth (Kula & Tatoglu, 2003). As a result, scholars and policymakers are increasingly focused on understanding the factors that influence entrepreneurial dynamics.

This study adds to the growing body of literature by emphasizing the critical role of governance as a key determinant of entrepreneurial activity. Effective governance—marked by a balance between regulation and freedom—is fundamental to creating an environment where entrepreneurship can flourish. A robust and stable governance framework, supported by political stability, is essential for nurturing business development (Klapper et al., 2009). As Morck and Yeung (2006) argue, the clarity of rules, regulations, property rights, and their enforcement directly impacts entrepreneurship by fostering transactional trust among business actors. Weak protections for property rights, pervasive corruption, and inefficient judicial systems disrupt information flow, escalate costs, and stifle entrepreneurial initiatives. However, an overabundance of regulation can similarly stifle innovation and hinder economic growth. Thus, governments must carefully assess their policies, seeking an optimal balance between formal and informal mechanisms that maximizes entrepreneurial potential and fosters long-term economic vitality.

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THE EFFECT OF JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT ON LOYALTY FACTORS WITH THE ROLE OF WORKPLACE ISOLATION

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Workplace isolation is a critical challenge in any workplace setting. Perceptions of isolation stem from a lack of casual interaction with managers and colleagues. This study examined the role of workplace isolation in moderating the relationships between job satisfaction (JS) - organization commitment (OC), employee Net Promoter Score (eNPS), positive word-of-mouth (PWOM), and employee loyalty (EL). Also, examine the relationship of JS,OC, eNPS, PWOM, and EL, along with the moderating effect of OC and EL. A diverse sample of 400 full-time employees working in various industries in the United States was tested using PLS–the SEM modeling approach. The results found that WI moderates the JS-EL and PWOM relationships but not in JS - eNPS and OC. The results also found all direct relations except for OC and eNPS. Finally, OC and EL played a moderator role between JS - eNPS, and PWOM. Practical implications and future research are discussed based on the research findings.

INTRODUCTION

Today, we recognize that the pandemic significantly accelerated interest among scholars in the experience of working outside of the traditional office setting, regardless of the terminology used to describe different forms of remote work (such as virtual work, remote work, or working in isolation). Workplace isolation remains a significant challenge among employees, particularly in the context of COVID-19, which decreased the availability of the U.S. workforce alone by 2.6 percent in 2022 (One Billion Days, 2023). Workplace isolation signals "individuals' perception of feeling isolated from others at work" (Marshall et al., 2007, p. 195) and affects organizational and employee performance as well as well-being and overall health among employees (Brooks et al., 2020; Pietrabissa & Simpson, 2020). The objective of this study is to investigate whether job satisfaction and organizational commitment significantly positively affect loyalty factors.

THEORETICAL BACKGROUND

Workplace isolation (WI) is a psychological construct describing employees' experiences of limited social and emotional interactions with managers and colleagues (Marshall et al., 2007). It has two dimensions: isolation from the company, reflecting a lack of support from management and the organization, and isolation from colleagues, characterized by minimal formal interaction, friendships, or coworker assistance (Marshall et al., 2007; Yang & Lu, 2023). WI leads to feelings of exclusion, diminishing employees' organizational commitment and loyalty (Marshall et al., 2007). It negatively impacts job satisfaction (Bentley et al., 2016; Itani et al., 2019) and deteriorates employee, supervisor, and peer relationships (Mulki et al., 2008). Additionally, WI significantly affects

organizational commitment, particularly in virtual settings where high technology dependency and limited physical contact intensify these effects (Bartel et al., 2012; Sulu et al., 2010). Based on social exchange theory, employees seek group membership and colleague support to meet fundamental needs for belonging and security (Cropanzano & Mitchell, 2005), with unmet needs leading to reduced performance and emotional distress (Firoz & Chaudhary, 2021).

Hypotheses

Job satisfaction and organizational commitment relationship

Hypothesis 1: Job satisfaction has a positive relationship with organizational commitment.
Hypothesis 2: Job satisfaction has a positive relationship with eNPS.
Hypothesis 3: Job satisfaction has a positive relationship with PWOM. Hypothesis 4: Job satisfaction is positively related to employee loyalty

Organizational commitment on EL and PWOM

Hypothesis 5: Organizational commitment has a significant positive effect on employee loyalty
Hypothesis 6: Organizational commitment has a significant positive effect on the PWOM
Hypothesis 7: Organizational commitment has a significant positive effect on the eNPS

Employee loyalty on eNPS and PWOM

Hypothesis 8: Employee loyalty has a significant positive effect on the eNPS
Hypothesis 9: Employee loyalty has a significant positive effect on the PWOM

Moderating Roles of Workplace Isolation

Hypothesis 10: WI negatively moderates the relation between JS and EL
Hypothesis 11: WI negatively moderates the relation between JS and PWOM
Hypothesis 12: WI negatively moderates the relation between JS and eNPS
Hypothesis 13: WI negatively moderates the relation between JS and OC

Mediating Roles of organizational Commitment and Employee Loyalty Hypothesis 14: OC positively mediates the relation between JS and eNPS
Hypothesis 15: OC positively mediates the relation between JS and PWOM

Hypothesis 16: EL positively mediates the relation between JS and eNPS
Hypothesis 17: EL positively mediates the relation between JS and PWOM

METHODOLOGY

Participants and Procedure

The study collected anonymous data from U.S. employees aged 18 and older across various industries using Qualtrics®XM. The survey was accessible via desktop and laptop, and participants were recruited through email invitations. A total of 579 responses were received, with a 79.5% valid response rate. The sample skewed towards female respondents (65.0% female, 34.0% male), with diverse racial representation, including 74.5% Caucasian and the remainder identifying as African American, Hispanic, Asian, Pacific Islander, or Native American. Most participants had less than one to five years of work experience, with 32.8% holding a bachelor's degree, 13.2% a 2-year degree, 11.5% a master's/professional degree, and 8% a doctorate.

Measurements

The study utilized 45 items measured on a 5-point Likert scale (“strongly disagree” to “strongly agree”), derived from validated sources and revised for this context. Workplace isolation was measured using items from Marshall et al. (2007) ($\alpha = 0.864$). Organizational Commitment followed Meyer et al. (1993) with subscales for normative ($\alpha = .884$), affective ($\alpha = .794$), and continuance commitment ($\alpha = .791$). Employee Loyalty was assessed using Homburg and Stock (2005) ($\alpha = 0.873$), Positive Word of Mouth from Goyette et al. (2010) ($\alpha = .957$), and Job Satisfaction based on Schriesheim and Tsui (1980) ($\alpha = 0.897$). ENPS was measured on an 11-point Likert scale (0 = not likely, 10 = extremely likely) based on Reichheld (2003).

RESULTS

Reliability and validity tests

For this study, all factor loadings exceeded the minimum acceptable value of 0.708 (Hair et al., 2022; Ringle et al., 2023). Cronbach's alpha and composite reliability ranged from .791 to .925, meeting the .700 threshold but below .95 for internal consistency. Indicators AC2, CC1, CC2, CC3, and NC1 were removed due to low outer loadings, while PWOM3 and PWOM5 were excluded for exceeding .950 reliability (Table 2). Composite reliability values ranged from .811 to .946. Average Variance Extracted (AVE) scores ranged from .649 to .815, surpassing the

.50 threshold (Hair et al., 2021; 2022), confirming good convergent validity. HTMT+ ratios ($\leq$ 0.90) confirmed no discriminant validity issues (Roemer et al., 2021; Ringle et al., 2023).

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