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# **Leadership, Trust in Management and Acceptance of Change in Hong Kong's Civil Service Bureau**

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## **Leadership, Trust in Management and Acceptance of Change in Hong Kong's Civil Service Bureau**

**Purpose:** The objective of this research is to examine whether trust in management mediates the relationships between two types of leadership (transactional and transformational) and acceptance of change in the Hong Kong public sector.

**Design/methodology/approach:** Data from sixty-eight civil servants in the Hong Kong SAR government were used in the Partial Least Squares analysis.

**Findings:** The findings from civil servants show that although trust in management mediates the relationship between both types of leadership and acceptance of change, transformational leadership is more effective in increasing both trust and acceptance of change.

**Research implications:** The strong support for the mediation hypotheses highlights the need for leaders to be trusted by their followers if followers are to accept and support the change process. Trust in management is what ultimately reduces resistance to change.

**Practical implications:** The findings from this study have demonstrated that one strategy available to leaders in the Hong Kong public sector is to concentrate on developing perceptions of trustworthiness by utilising both transactional leadership and transformational leadership but especially transformational leadership.

**Originality/value:** This paper provides a unique and nuanced view of leadership and trust, and their effect on the acceptance of change in Hong Kong's civil service bureau that operates in a turbulent environment. Public-sector organisations in Hong Kong are unique in that they contend with pressures from Hong Kong nationals and also with pressures from the government of Mainland China.

**Paper classification:** Research paper

**Key words:** Leadership, trust in management, acceptance of change, civil services

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## **1. Introduction**

In order to remain competitive, organizations are regularly forced to introduce changes to improve external adaptation and internal integration in order to boost organisational performance (Walker, Damanpour and Devece, 2011). Despite the mantra of organisational change, failure rates for major change initiatives can be as high as 80 percent depending on the type of change program (Smith, 2002). Change projects that have a relatively small scope are also prone to fail to live up to expectations (Jacobs, Arjen and Christe-Zeyse, 2013).

Change programs are usually initiated by senior management and often disrupt the routines of employees and can result in them having to perform new tasks, learn new skills, and work with different people (Chreim, 2006). Change programs can therefore be a cause of stress for employees if they find it difficult to cope with new challenges and uncertainties or perceive the change as a threat to their personal standing (Andrews, Cameron and Harris, 2008).

Change programs are often met with resistance by members of organisations such as employees and middle management (Armenakis, Harris and Field, 2001). Although resistance to change can have positive effects in terms of rethinking strategies, goals and plans (Ford 1999, Waddell and Sohal, 1998), resistance to change is normally a negative factor that results in members of an organisation being unwilling to put in the effort required to successfully implement a change initiative, thus causing the change initiative to fail (del Val and Fuentes, 2003, Jacobs *et al.*, 2013).

The literature on change management has focused mostly on private organisations in Western societies. However, social, economic and political factors regularly force public organisations to restructure or change the governance, design and delivery of the public services they provide

to improve service quality and reduce the costs of providing these services (Kuipers *et al.*, 2014). However, relatively little empirical attention has been given to organisational change in public sector organisations in both public management and change management research (van der Voet, Kuipers, and Groeneveld, 2015).

Organisations in the public sector differ in ways that could influence the effects of leadership with regards to change management. For example, public sector organisations are more likely than private-sector organisations to have organisational cultures that are bureaucratic and to provide benefits such as life-long employment. There is evidence (e.g., Haffar, Al-Karaghoul, and Ghoneim, 2014) that employees in organisations with a bureaucratic culture are less ready for change than are employees in organisations with an adhocracy culture. Public sector organisations operate in relatively complex environments that are typically characterised by shared power, divergent interests, checks and balances, and political pressure (Boyne, 2002). Additionally, public-sector organisations in Hong Kong are unique in that they contend with pressures from Hong Kong nationals and from the government of Mainland China: That is, one country, two systems.

This paper contributes to the literature by examining the role of trust in management in Hong Kong's civil service with regards to the effects of leadership style on the willingness of followers to accept change. Many researchers equate acceptance of change either explicitly or implicitly as having similar antecedents to and being the opposite of resistance to change (Dam, Oreg, and Schyns, 2008). This study focuses on the positive experiences that leadership and trust in management can generate with regards to accepting change initiatives.

## **2. Literature Review**

It is almost mandatory for textbooks on public administration to highlight that organisations in the private and public sectors are fundamentally different as they operate in vastly different environments. In fact, the debate on whether private and public organisations are essentially different has continued for more than half a century. For instance, Sayre (1952, cited in Boyne, 2002) stated that private and public organisations are similar only in unimportant aspects. Baldwin (1987) concluded that the public-private comparative literature is in danger of becoming merely an intellectual exercise that is based on a few empirical verifications of the effects of certain features that distinguish public organisations from private ones, and that regardless of these verifications, the impact of the features on key variables are unsubstantial. Nevertheless, the literatures on public administration and public management view the adoption of practices adopted by private sector organisations by public sector organisations with much skepticism (Boyne, 2002).

Although there is an enormous body of academic work on mainstream leadership, public-sector or administrative leadership has been neglected in the mainstream literature and in the public-sector literature (Terry, 1995). Possible reasons for this neglect include the belief that administrative leadership (i.e., leadership from lead workers, frontline supervisors to the nonpolitical head of the organisation) largely does not exist because of the instrumental approach adopted by leaders in the public sector due to the influence of scientific management, and the belief that the contributions of public-sector leaders are relatively insignificant because public organisations are controlled by powerful forces that are outside of the control of their leaders (Wart, 2003). However, there has been a steady interest in leadership in military institutions dating back to the 1950s (e.g., Halpin, 1954). One of the objectives of this study is to examine the effects of popular mainstream leadership styles in a public-sector setting.

Successful change management requires effective leadership (Jóhannsdóttir, Ólafsson, and Davidsdóttir, 2015). One type of leadership that appears to be particularly relevant to change management is transformational leadership (Bass and Riggio, 2006) because the essence of transformational leadership is initiating change and persuading followers to accept change. Transformational leaders are persuasive due to their charisma and the compelling vision of a better future that they convincingly communicate to followers (Chan and Mak, 2014). In contrast, transactional leadership is a form of leadership that relies on following established ways of working, dealing with irregularities, and promising followers performance-based rewards that not only motivate followers but also reinforces appropriate behaviour and discourages inappropriate behaviour (Bass, 1990). As a result, transformational leadership and transactional leadership complement each other with regards to change management in that one creates change whereas the other ensures the proposed change is implemented successfully.

Transformational leaders work effectively in rapidly changing environments, such as that in which the Hong Kong Civil Service Bureau operates, for several reasons. Transformational leaders encourage followers to view problems from new perspectives (intellectual stimulation), provide support and encouragement (individualised consideration), communicate a vision (inspirational motivation), and engender positive affect towards and identification with the leader (idealised influence) based on charisma and self-sacrifice (Braun, Peus, Weisweiler, and Frey, 2013). Additionally, transformational leaders help their followers to make sense of the challenges that confront them and to respond effectively to those challenges (Bennis and Nanus, 2007).

Transactional leadership is most suitable for mechanistic organisations (Bass, 1985), such as

the Hong Kong Civil Service Bureau. Rule enforcement and centralised control are important features of transactional leadership because it aims at maintaining the status quo (Bass, 1985). Although it is widely stated that transactional leadership is not suitable for dynamic environments, transactional leadership is vital to the effective implementation of change programmes. Creating a vision for change and a strategy to achieve the vision is only the first stage of successful change. The next stage is to implement the strategy and this is where transactional leadership is effective in a change programme.

Lewin (1947) developed what is arguably the first model of social change. According to Lewin (1947), many aspects of social life can be regarded as being in a state of quasi-stationary equilibrium that exist in social fields that are acted on by various forces. Lewin (1947) regarded a successful, planned social change as involving three stages—unfreezing (i.e., discussing a planned change to a social situation or social field that is in equilibrium), moving (i.e., changing to a new level), and then freezing at the new level. Social life usually proceeds on a certain level (i.e., it is in a state of quasi-stationary equilibrium) wherein established customs or social habits carry social value and often become institutionalised and lead to vested interests. Unfreezing an existing social situation is thus likely to lead to resistance to change, which can be regarded as a form of catharsis that some individuals need to undergo before they accept the new equilibrium (Allport, 1945, cited in Lewin, 1947). A difference between what an individual values and what the group values is one reason why an individual will resist change. As a result, it is often more difficult to change individuals separately than to change them when they are formed into a group (Lewin, 1947).



Burke and Litwin (1992) developed a model of organisational change based on the transactional-transformational distinction found in the leadership-management literature. The organisation's environment is the primary driver of organisational change in their model, which consists of transformational variables and transactional variables. Transformational variables are aspects of an organisation (i.e., leadership, mission and strategy, and organisational culture) that must change because of environmental pressures and that require organisational members to behave in new ways (i.e., transform). In contrast, transactional variables are aspects of an organisation (e.g., structure, policies and procedures, work unit climate) that change because of new management practices and in which the primary method of change is via relatively short-term reciprocation based on economic exchanges among individuals and groups within the organisation.

The reactions of change recipients, including low-ranking members of the organisation, play a key role in determining whether a change programme will succeed (Bartunek, Rousseau, Rudolph, and DePalma, 2006). Change initiatives can have wide-ranging effects including how one's work is done, who one works with, one's daily routines and habits, and the organisation's culture (Burke and Litwin, 1992). Consequently, change can evoke negative affect in employees thus reducing their willingness to accept change. Proposed changes can evoke a range of negative reactions including anger, guilt, anxiety, resentment, frustration and mistrust (Oreg, Vakola, and Armenakis, 2011).

If organisational members are to accept change willingly, they need to believe that the organisation's leaders are trustworthy. Indeed, the risks that people are prepared to accept are largely dependent on whether they trust their leaders (Huy, 2002). There are four trust-related beliefs that are arguably relevant to the acceptance of and willingness to engage in

organisational change: i) the belief that other parties will keep their word and meet their obligations; ii) the belief that other parties will be open and honest in their communications; iii) the belief that those leading the change process are capable of doing so; and iv) the belief that other parties are sincerely concerned about one's best interests (Algahtani, 2014). Based on this rationale, the following hypothesis is proposed:

*Hypothesis 1: Trust in management is positively correlated to acceptance of change.*

Trust can be derived from an instrumental and/or a relational perspective. According to the instrumental or calculative model of trust, trustworthiness is linked to the perceived likelihood that one will benefit from interactions with another party. In contrast, the relational model suggests that trust stems from a social bond with the other party. This social bond may result from social exchange based on positive treatment from the other party as well as from a sense of identification with the other party (Tyler and DeGoey 1996).

Transactional leadership may result in followers developing an instrumental-based trust with the leader. Leaders who keep their promises (i.e., contingent reward) are likely to be trusted because they will be seen as honest and reliable (Bass, 1985). Furthermore, a leader who is able to effectively deal with irregularities (e.g., active management by exception) is likely to be perceived by followers as competent, which is an important aspect of trust (Mishra, 1997). Based on this rationale, the following hypothesis is proposed:

*Hypothesis 2a: Transactional leadership is positively correlated to trust in management.*

There is considerable evidence that transformational leadership facilitates followers developing trust in the leader that is both instrumental- and relational-based. Transformational leaders are seen as highly capable and thus followers trust them because they see the leaders

as competent and capable of helping them to achieve their personal and collective goals. Transformational leadership creates a collective identity and emphasizes shared goals and values and thus followers tend to trust the leader because followers tend to identify with the leader's values and intentions (Braun *et al.*, 2013). Moreover, charisma, which is at the heart of transformational leadership, and other aspects of transformational leadership such as individualised consideration have been shown to facilitate the development of relational-based trust in the leader. Based on this rationale, the following hypothesis is proposed:

*Hypothesis 2b: Transformational leadership is positively correlated to trust in management.*

Trust in the leader is an important intervening variable in the relationship between leadership and various outcomes (Podsakoff, MacKenzie, Moorman, and Fetter, 1990). There is evidence that trust in the leader mediates the relationship between leadership and various criteria: extra role behaviors such as organisational citizenship behaviour (Pillai, Schriesheim and Williams, 1999), in-role performance and satisfaction with the leader (e.g., Bartram and Casimir, 2007).

Transactional leadership requires the trust of followers because transactional leadership involves the use of motivational strategies based on contingent rewards. If followers are to respond positively to promises of rewards, they need to believe that the leader will keep any promises made to the followers (Bass, 1985). Additionally, leaders who can deal effectively with irregularities and who can keep things running smoothly are likely to be seen as competent and, consequently, are likely to be trusted with regards to effectively overseeing the change process. It is thus arguable that the effects of transactional leadership on acceptance of change depend on the transactional leader being trusted by followers in terms of keeping promises and solving problems that are bound to occur during the change process. Based on this rationale, the following hypothesis is proposed:

*Hypothesis 3a: The effects of transactional leadership on acceptance of change are mediated by trust in management.*

Transformational leaders are trusted by their followers because they provide a vision with which followers can both identify and pursue with the objective of attaining shared goals that are consistent with shared values. Furthermore, followers tend to identify and develop a social bond with transformational leaders, which results in followers perceiving the leader as trustworthy (Casimir, Waldman, Bartram, and Yang, 2006).

The likelihood that followers would accept the uncertainty and anxiety associated with change would arguably increase the more that followers believe the leader is transformational: Transformational leadership thus needs to first develop trust in the leader if followers are to willingly accept changes because it is this trust that ultimately increases followers' acceptance of change. Based on this rationale, the following hypothesis is proposed:

*Hypothesis 3b: The effects of transformational leadership on acceptance of change are mediated by trust in management.*

### **3. Method**

#### *Hong Kong's Civil Service Bureau*

Public sector management in Hong Kong has undergone several extreme changes over the last two decades due to political, economic and social factors, and continues to face major challenges. Hong Kong's Civil Service Bureau was established during the time of British rule and, in 1997, it had to transform from a British colony to a special administrative region of the People's Republic of China. This transfer of sovereignty politicised the bureau rendering it fragmented and volatile (Koehn, 2001). In 1999, the bureau underwent major restructuring

including streamlining (e.g., voluntary retiring schemes) and the introduction of performance-management, training and development programmes (Civil Service Bureau, 2009). After the size of the bureau was substantially reduced (from approximately 198,000 in 2000 to approximately 140,000 in 2009), a new initiative was introduced in 2010 by the government to expand the bureau and invest in infrastructure as a means of dealing with the 2008 global financial crisis (Huque, 2010). Hong Kong also faces social issues, such as an ageing population that will reduce its labour force, which is expected to peak at 3.71 million in 2018 and then decline to 3.51 million in 2035 (Civil Service Bureau, 2014). Such social issues will impact the bureau in terms of extending both the retirement age of public servants and the age at which they can access their retirement funds (Civil Service Bureau, 2014).

### *Sample*

The sample consists of sixty-eight civil servants who were full-time employees in Hong Kong's Civil Service Bureau. In total, 300 questionnaires were distributed: The response rate is 22.7 per cent. The average age of participants is 39.2 years (s.d. = 8.0 years) and they have on average 15.7 years (s.d. = 7.4 years) of work experience. Demographic data such as gender, years of service, educational level, and occupation were not collected to reassure participants that their responses would remain anonymous because we were concerned that public-sector employees might refuse to participate in the study if they thought they could be identified from the demographic data.

### *Procedure*

Participants were recruited using two methods. One method involved sending letters of invitation to the Heads of departments asking them to distribute the survey and self-addressed envelopes to their staff. The self-addressed envelopes enabled participants to return the completed surveys directly to us thereby guaranteeing anonymity and confidentiality. The

other method involved one of the researchers, who was an employee of the bureau, distributing the survey and self-addressed envelopes to individual civil servants outside their offices.

### *Measures*

The state-of-the-art measure of transactional and transformational leadership is the Multifactor Leadership Questionnaire (MLQ), which was developed by Bass and Avolio (1997). The MLQ measures three types of leadership: i) transactional leadership, which consists of three dimensions (i.e., contingent rewards, management by exception active, and management by exception passive); ii) transformational leadership, which consists of five dimensions (idealised influence attributed, idealised influence behaviour, individualised consideration, inspirational motivation, and intellectual stimulation); and iii) laissez-faire leadership (Avolio, Bass, and Jung, 1999). There is considerable support for the reliability and validity of the MLQ (Antonakis, Avolio, and Sivasubramaniam, 2003; Lowe, Kroeck, and Sivasubramaniam, 1996).

We measured transactional leadership and transformational leadership with the MLQ. However, we did not measure all nine dimensions of the MLQ. Specifically, we did not measure management by exception passive nor laissez-faire leadership because these two types of leadership are generally considered to be ineffective, passive forms leadership (Antonakis *et al.*, 2003). Two dimensions of transactional leadership were measured: contingent reward and management by exception active. These two aspects of transactional leadership were used because they represent proactive aspects of transactional leadership, which are particularly relevant to change initiatives. Five dimensions of transformational leadership were measured: idealised influence attributed, idealised influence behaviour, individualised consideration, inspirational motivation, and intellectual stimulation.

Trust is a multidimensional construct (Mishra, 1996). Although numerous dimensions of trust have been identified in the literature—for instance, Butler (1991) identified ten—we measured four aspects of trust that we deemed to be relevant to change management. Specifically, we measured competence (e.g., I can trust management to make sensible decisions), fairness (e.g., I feel confident that the management will always treat me fairly), integrity (e.g., management would be quite prepared to deceive employees for its own benefit; reverse-worded), and concern for the welfare of followers (e.g., management can be relied on to uphold the best interests of employees). We selected these four aspects based on the rationale that followers would be more concerned about the ability of their leaders to successfully navigate the change process, whether they will be treated fairly, whether their leaders are honest, and whether their leaders are concerned about their welfare. We regarded aspects of trust such as discreetness (e.g., keeps secrets that I tell him/her) and consistency (e.g., behaves in a consistent manner) as less relevant and thus did not include them to reduce task demands on participants. Furthermore, we selected these four aspects of trust because we regarded them as especially relevant to transactional leadership and transformational leadership. Specifically, transactional leadership relies on dealing with irregularities and making promises whereas transformational leadership relies on the leader being outstanding in terms of capabilities and character, encouraging followers to initiate change and accept the uncertainty that accompanies change, and the use of a personalised leadership style. Eight items were obtained from Butler (1991), Cook and Wall (1980), and Casimir *et al.* (2006).

Acceptance of change was measured using eight items that were adapted from Giangreco (2002). The original scale consists of 13 items that measure pro-change behaviours and anti-change behaviours. Examples of the items we used to measure acceptance of change are “I support the changes that management want me to make” and “I tell my colleagues that the

changes that management want will benefit us”. Finally, the following five-point Likert scale was used for all the items that were used to measure the variables in the hypotheses: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree.

#### **4. Findings**

The findings are presented in three sections. The first section contains the findings from principal component analyses that were used to check the measurement model. The second section contains the findings from analyses that were conducted to test the mediation hypotheses (i.e., H3a and H3b). The third section contains the findings from a partial least squares (PLS) analysis that was conducted to test the mediation hypotheses concurrently.

Principal components analyses and internal reliability analyses were conducted. Principal component analyses were conducted to examine the factor structure of each of the MLQ’s scales, the trust scale, and the acceptance of change scale. Due to the small sample size, an overall principal component analysis was not conducted. Table 1 contains the item loadings on the principal component for each scale.

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insert Table 1 about here  
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An item was removed from its scale if it loaded less than .70 on the principal component for the scale. This resulted in one item being removed from the scales for contingent reward (i.e., Item 4), management by exception active (i.e., item 4), and individualized consideration (i.e., Item 1). For those scales which had more than one item that loaded less than .70 on the principal component, additional principal component analyses were conducted whereby one item was removed at a time starting with the lowest loading item because it often is the case that the



removal of the lowest loading item substantially alters the subsequent loadings of the other items. As before, the .70-loading criterion was used to determine which items were removed. This procedure resulted in the removal of one item from the scale for idealized influence attributed (i.e., Item 4), four items from the trust scale (i.e., Items 1, 2, 4, and 6), and three items from the scale for acceptance of change (i.e., Items 1, 2, and 3).

Single-source effects (i.e., followers) and common-method effects (i.e., Likert scale) could have increased the covariances between the constructs. A single-factor test was conducted on all of the items that were retained after the principal components analyses. This analysis shows that the first factor accounts for 23.3% of the total variance in the items. Single-source variance and common-method variance thus do not appear to be problematic.

Overall scores were computed for each scale by averaging the scores for those items of the scale that were retained after the principal component analyses were finalised. Additionally, a transactional leadership score was derived by averaging overall contingent reward and overall management by exception active. Similarly, a transformational leadership score was derived by averaging overall scores for idealized influence attributed, idealized influence behaviour, individualized consideration, inspirational motivation, and intellectual stimulation.

Table 2 contains the means and standard deviations for all of the scales. Table 2 also contains the Cronbach's alpha for the scales. As can be seen in Table 2, all of the have satisfactory internal reliability. Cronbach's alpha was not computed for transactional leadership or for transformational leadership because the sub-scales for these variables were treated as formative for the following reasons: i) the components of transactional leadership and transformational were regarded as defining characteristics of the two types of leadership rather than as

manifestations of them; ii) changes in the components were expected to cause changes in the two types of leadership rather than vice-versa; iii) the different components did not necessarily share a common theme; iv) removing a component would alter the domain of the leadership constructs; v) a change in value for one of the components does not necessitate a change in all of the other components; and vi) the different components of each leadership style were not expected to have the same antecedents and consequences (see Jarvis, MacKenzie, and Podsakoff, 2003).

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insert Table 2 about here  
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From Table 2, it can be seen that trust in management has a significant positive correlation with acceptance of change ( $r = .44$ ): Hypothesis 1 is therefore supported. Transactional leadership has a significant positive correlation with trust in management ( $r = .30$ ): Hypothesis 2a is therefore supported. Transformational leadership has a significant positive correlation with trust in management ( $r = .53$ ): Hypothesis 2b is therefore supported.

Multiple linear regression analyses were used according to the procedure specified by Judd and Kenny (1981) and Baron and Kenny (1986). This procedure involves the use of three separate regression analyses. The first regression analysis is conducted to determine if the independent variable significantly predicts the dependent variable (i.e., Condition 1); the second regression analysis is conducted to determine if the independent variable significantly predicts the mediator variable (i.e., Condition 2); and the third regression analysis, which involves using both the mediator and the independent variable as predictors, is conducted to examine whether the mediator significantly predicts the dependent variable in the presence of the independent variable and whether the explanatory power of the independent variable is reduced in the

presence of the mediator (i.e., Condition 3). Mediation effects can be claimed if the three conditions are specified. According to Kenny, Kashy and Bolger (1998), however, only Conditions 2 and 3 need to be satisfied to claim mediation effects.

Transactional leadership does not significantly predict acceptance of change ( $\beta = .11, p > .05$ : Condition 1 not satisfied). Transactional leadership significantly predicts trust in management ( $\beta = .30, p < .05$ : Condition 2 satisfied). Regressing acceptance of change on transactional leadership and trust in management results in transactional leadership being rendered a non-significant predictor ( $\beta = -.04, p > .05$ ) whereas trust significantly predicts acceptance of change ( $\beta = .45, p < .01$ : Condition 3 satisfied). Therefore, trust in management mediates the relationship between transactional leadership and acceptance of change. Hypothesis 3a is therefore supported.

Transformational leadership significantly predicts acceptance of change ( $\beta = .21, p < .05$ : Condition 1 satisfied). Transformational leadership significantly predicts trust in management ( $\beta = .53, p < .01$ : Condition 2 satisfied). Regressing acceptance of change on transformational leadership and trust in management reveals that transformational leadership no longer significantly predicts acceptance of change ( $\beta = -.05, p > .05$ ) whereas trust significantly predicts acceptance of change ( $\beta = .46, p < .01$ : Condition 3 satisfied). Therefore, trust in management mediates the relationship between transformational leadership and acceptance of change. Hypothesis 3b is therefore supported.

A partial least squares (PLS) analysis was conducted to examine the concurrent mediation effects of trust in management on the relationship between the two types of leadership and

acceptance of change. PLS was selected to analyse the overall model for the following reasons: i) it does not require assumptions of multivariate normality; ii) it is suitable for small samples; iii) it is well suited for testing complex models; and iv) it is appropriate when multicollinearity is present (Chin 1998). The significance of the regression coefficients were tested using the PLS Graph bootstrapping procedure. The results from the PLS analysis are presented in Figure 1.

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insert Figure 1 about here  
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The average variance extracted (AVE) by the construct representing its items was calculated to test the convergent validity and the discriminant validity of the measured constructs. The AVE represents the average squared loading (i.e., average communality) of the items representing a construct as obtained from the PLS analysis. In order for a measure to have acceptable convergent and discriminant validity, it should have an AVE greater than .5 and share more variance with its items than with other constructs in the model (Chin, 1998).

The AVEs for the measured constructs are presented in Table 2 and show that the AVE was greater than .5 for all of the constructs. Furthermore, all of the constructs have acceptable convergent and discriminant validity as the AVE for each construct is greater than the variance explained by any other construct, which is calculated by squaring the correlation coefficient between the construct and another construct.

The results from the PLS analysis are presented in Figure 1 and show that when the effects of transactional leadership and transformational leadership are considered concurrently: i) transactional leadership does not have a significant effect on trust in management; ii)

transformational leadership has a significant positive effect on trust in management; iii) transactional leadership does not have a significant direct effect on acceptance of change; iv) the effects of transactional leadership on acceptance of change are not mediated by trust in management; iv) transformational leadership does not have a significant direct effect on acceptance of change; and vi) the effects of transformational leadership on acceptance of change are mediated by trust in management. Figure 1 also shows that 26 per cent of the variance in trust in management is accounted for and this is due primarily to transformational leadership whilst 23 per cent of the variance in acceptance of change is accounted for, primarily by trust in management.

## **5. Conclusion and Implications**

The purpose of this study was to examine if transactional leadership and transformational leadership foster acceptance of change and if trust mediates the effects of these two types of leadership on the acceptance of change. Another objective of this study was to examine leadership effects on acceptance of change in a public-sector organisation given the dearth of studies on leadership in public organisations.

Our findings support our hypotheses and are consistent with the findings from several other studies. First, transactional leadership and transformational leadership are both positively correlated to trust, and transformational leadership has a stronger correlation. This finding is consistent with those reported by Casimir *et al.* (2006) who used samples from private firms in Australia and China, as well as the findings reported by Pillai *et al.* (1999) who used samples from private organisations and MBA students in the USA. Second, the findings show that trust in management is positively correlated to acceptance of change, which is consistent with Rousseau and Tijoriwala (1999) who reported that among a sample of nurses in the USA, trust

in management facilitates belief in managerial accounts for why change is necessary and ultimately to acceptance of change. Third, trust mediates the relationships between both types of leadership and acceptance of change. We did not find any studies that examined the mediating effects of trust on the relationship between leadership (i.e., transactional and transformational) and acceptance of change.

The findings in relation to transformational leadership are consistent with those from several other studies that used samples from organisations in different industries in different countries. Al-Husseini and Elbeltagi's (2016) research on the higher-education sector in Iraq, which is considered part of the public sector, found that transformational leadership enhances trust and change-related outcomes such as innovation. Similarly, the relationship between transformational leadership and trust was also found to be significant in Browning's (2014) study of heads of schools in Australia. From a private-sector perspective, Waziri, Ali, and Aliagha (2015) found that transformational leadership is positively related to the adoption of information and communication technology in the construction industry in Nigeria, Yang (2016) found that transformational leadership engendered trust and commitment to change in the insurance sector in Taiwan whilst Babić, Savović, and Domanović (2014) found that transformational leadership is positively related to attitudes toward change in Serbian firms. Yasir et al. (2016) found that trust in the leader mediates the relationship between transformational leadership and organisational change capacity in the not-for-profit sector in Pakistan.

The PLS analysis shows that transformational leadership is more effective than transactional leadership with regards to fostering trust and acceptance of change. This finding is somewhat unexpected because public-sector firms are normally bureaucratic and not conducive to

transformational leadership. The PLS findings may be due to the complex and turbulent environment within which Hong Kong's civil service operates. The constant stream of socio-political events that Hong Kong's civil service has faced over the last two decades (e.g., transfer of sovereignty from Britain to China, the SARS epidemic, the global financial crisis) might have acclimatised civil-service employees to change and rendered salient the collective identity of Hong Kong and its civil service. As a result, emphasising the pursuit of a collective vision, promoting change (e.g., intellectual stimulation), and utilising a personalised (e.g., individualised consideration) leadership style is likely to be more effective in terms of fostering trust from followers and a willingness for followers to accept change than is promising followers individualised rewards (i.e., contingent rewards), adhering to existing procedures (i.e., management by exception) and utilising a formal, impersonal leadership style.

Transformational leadership is more effective than transactional leadership in terms of fostering trust and the willingness to accept change arguably because of the types of leader-follower relationship that result from these two types of leadership and the context of this relationship. Transactional leadership results in a formal leader-follower relationship that operates within a contrived arrangement (e.g., an employment contract) wherein fulfilment of the economic contract is presumed and penalties imposed on any party that infringes this arrangement based on laws and policies. Transactional leadership therefore does not foster a high level of trust in the leader due to the formal, calculative leader-follower relationship and the safety net that is present in the Hong Kong Civil Service Bureau, which is characterised by comprehensive employment policies and a strong union presence. In contrast, transformational leadership results in a close and personal leader-follower relationship wherein the follower acknowledges the leader as being exceptional and is therefore deferential towards the leader. Such deference reflects not only reflects the follower's trust in the leader or the willingness to be vulnerable in

matters relating to the leader (e.g. taking the word of a transformational leader) but also the respect and positive regard the follower has for the leader. As a result, the follower is likely to be willing to accept changes proposed by the leader. This argument is consistent with Broaden-and-Build Theory, which maintains that positive emotions broaden awareness and foster an exploratory mind-set (Fredrickson, 2004).

The strong support for the mediation hypotheses highlights the need for leaders to be trusted by their followers if followers are to accept and support change initiatives. The enactment of leadership behaviours therefore appears to be a necessary but insufficient condition for effectively increasing followers' acceptance of change. Trust in management rather than the leadership behaviours of management is what ultimately facilitates acceptance of change.

There are several limitations to this study due to the research methodology that was used. Cross-sectional designs prohibit causal statements to be made from the findings because all the data are collected at a single point in time. Nevertheless, we decided on this design because we anticipated a longitudinal study would be problematic in that participants would not only need to be identified (at least using some type of code so we could contact them for subsequent waves of data collection and match their responses from these different waves), which was a sensitive issue given the political nature of the bureau, but also because of the high attrition rates that are associated with longitudinal studies. Other limitations are the use of self-report data and the use of a common method of data collection (i.e., Likert-scale items) for all the variables. These two limitations can increase the correlations between the variables due to single-source and common-method biases. However, a single-factor test found that majority of the covariance between the variables in the hypotheses cannot be explained by a single factor. Furthermore, that we found evidence of mediation effects provides further evidence



that the covariance between the variables is not due to methodological factors. PLS is similar to other popular statistical techniques (e.g., structural equation modelling and multiple linear regression) in that it is based on correlation and thus precludes causal statements being made about the findings. The generalisability of the findings from our sample to the population of civil servants in Hong Kong is questionable because the sample may not be representative of the population. Specifically, given that participation was voluntary, the sample might be systematically biased in that participants and non-participants may have, for example, different attitudes to the bureau such that some civil servants might have been reluctant to express their negative attitudes toward senior management of the bureau and thus did not participate in the study. Finally, we examined only trust in the leader and did not consider trust in other parties such as colleagues.

The implications of the findings from this study are important for leaders in the Hong Kong public sector. The context that these leaders operate in may reduce the willingness to accept change. For instance, high job security, powerful unions (e.g., the police union), sophisticated bureaucratic systems as well as employment and income protection arguably discourage civil servants from accepting any proposed changes in how they do their work or to their working conditions. The contextual barriers that leaders in the Hong Kong public sector face create a dilemma for the government because it requires leaders to be change-oriented in an environment that is not conducive to change. The findings from this study have demonstrated that one strategy available to leaders in the Hong Kong public sector is to concentrate on developing perceptions of trustworthiness by utilising both transactional leadership and transformational leadership but especially transformational leadership.

The findings from this study are consistent with those reported by numerous other studies on

private organisations and have implications regarding the longstanding controversy regarding the differences between private-sector organisations and public-sector organisations. For instance, Parker and Subramaniam (1964) pointed out that some scholars argue there are more similarities between private organisations and public organisations than there are differences whilst others argue there are substantial differences, although no two scholars can agree on a list of differences or on the emphasis they place on the differences let alone describe them in similar terms.

A contribution of this study is that, at least in terms of the relationships between transactional-transformational leadership and trust in and accepting change proposed by leaders, there appears to be little or no difference between private-sector firms in general and the Hong Kong civil service. A possible explanation for this finding is that private-sector firms generally operate in complex environments that demand continual change as do civil-service departments that contend with Hong Kong's complex and turbulent socio-political environment. Future studies could contribute to the public-private debate in terms of the relative effectiveness of transactional leadership and transformational leadership with regards to followers accepting change. Samples from, for example from public and private organisations that operate in stable environments and others that operate in turbulent environments could be examined to see whether it is the private-public distinction or the environment that has a greater impact.

There are three types of research; context-free, context specific and context-bound research (Tsui, 2004). Context-free studies generate law-like theories that are almost infallible to any context (e.g., national culture) whereas context-specific studies are indigenous studies that explore context-sensitive elements such as (e.g., language). Context-bound research explores existing models in different contexts and can be used to discover context-free models. This

study exemplifies a context-bound study that extends context-free knowledge in that it demonstrates the constancy of the relationships among transformational leadership, trust and change (including other variants of change such as change commitment).

This study adds to our context-free knowledge in an incremental manner by showing the apparent context insensitivity of the relationships among transformational leadership, trust in the leader and attitudes toward change in a unique context (Corley and Gioia, 2011). The congruence amongst the findings from numerous studies in diverse contexts suggests that the relationships among transformational leadership, trust and organisational change transcend sectoral differences and perhaps even national context. These studies show that the affective aspect of human's higher order needs such as the need to be inspired and stimulated, to be able to trust one another trumps transactional exchanges and enhances organisational adaptation to a turbulent environment.

Based on the findings from this study and numerous other studies, the relationships among transformational leadership, trust and change appear to be consistent irrespective of the sector (i.e. public, private and not-for-profit), industry or country from which the samples are drawn. An implication for future research is to directly use context-sensitive constructs such as Hofstede's (2001) national cultural scale to validate the prevailing context-free notion or discover differences that are more nuanced. Another implication for research is to adopt a qualitative approach to discover the underpinning reasons why transformational leadership engenders trust and therefore acceptance of change, and the cognitive and affective process that are involved.



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## Appendices:

Table 1. Principal Component Loadings for items of each scale<sup>a</sup>

Scale	Item 1	Item 2	Item 3	Item 4	Item5	Item6	Item 7	Item8
CR	.79	.87	.87	.13	--	--	--	--
MBEA	.82	.83	.79	.65	--	--	--	--
IIA	.61	.76	.84	.46	--	--	--	--
IIB	.78	.75	.77	.78	--	--	--	--
IC	.51	.79	.79	.86	--	--	--	--
IM	.77	.75	.85	.70	--	--	--	--
IS	.71	.86	.82	.80	--	--	--	--
Trust	.70	-.47	.80	.54	.82	.16	.81	.75
Change Acceptance	.56	.71	.67	.80	.68	.76	.85	.75

<sup>a</sup> A separate principal components analysis was conducted for each of the nine scales.

CR: Contingent Reward, MBEA: Management by Exception Active, IIA: Idealised Influence Attributed, IIB: Idealised Influence Behaviour, IC: Individualised Consideration, IM: Inspirational Motivation, IS: Intellectual Stimulation, TAL: Transactional Leadership; and TFL: Transformational Leadership.

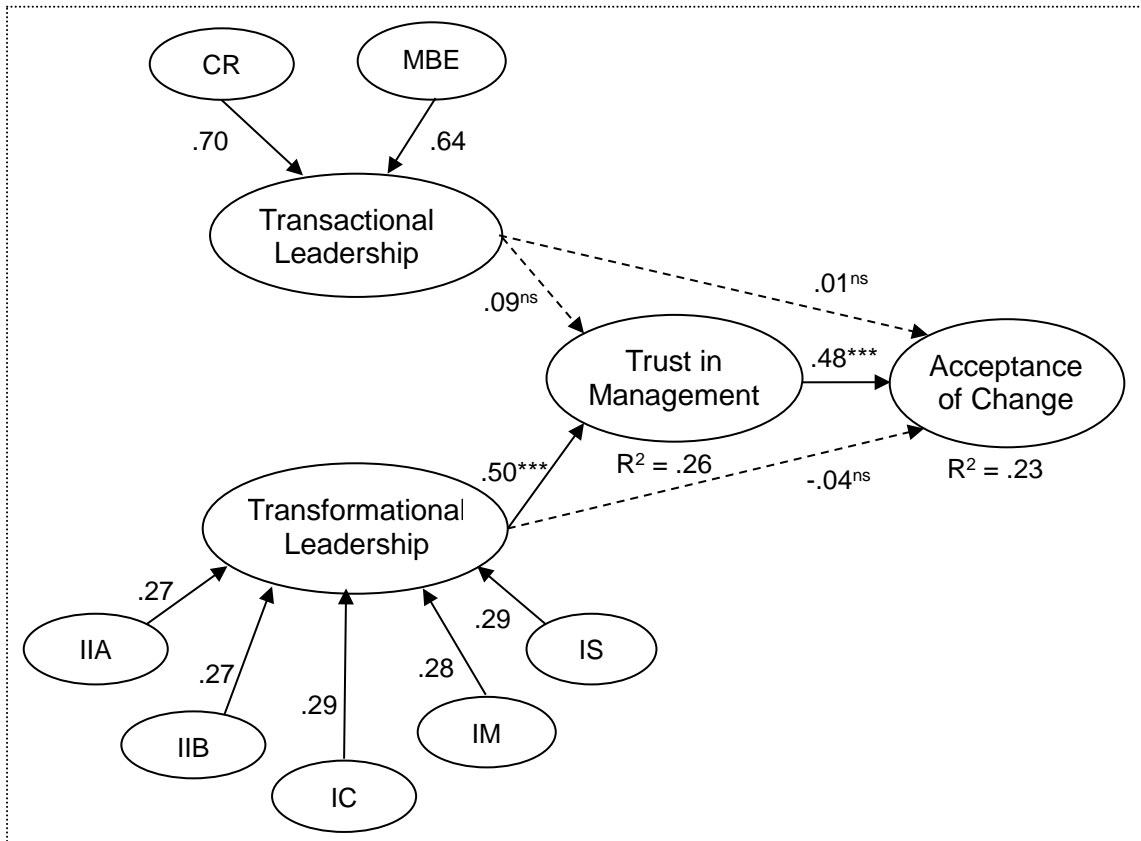
Table 2. Means (S.D.s), Correlations<sup>a</sup>, Cronbach's Alphas, and AVEs<sup>b</sup>

	Mean (S.D.)	Alpha	1	2	3	4	5	6	7	8	9	10	11
1. CR	2.62 (.69)	.80	(.72)										
2. MBEA	2.93 (.64)	.79	.11	(.70)									
3. IIA	3.32 (.59)	.64	.14	.12	(.59)								
4. IIB	2.70 (.60)	.77	.47	.26	.30	(.59)							
5. IC	3.18 (.61)	.78	.08	.07	.55	.14	(.69)						
6. IM	2.59 (.56)	.77	.44	.13	.17	.63	.15	(.59)					
7. IS	3.04 (.63)	.80	.29	.15	.37	.44	.38	.28	(.63)				
8. TAL	2.78 (.50)	--	.77	.72	.18	.50	.10	.39	.30	--			
9. TFL	2.96 (.41)	--	.41	.21	.70	.73	.65	.63	.73	.43	--		
10. Trust	3.41 (.61)	.84	.23	.25	.52	.40	.32	.19	.48	.30	.53	(.69)	
11. AC	3.27 (.61)	.85	-.08	.25	.28	.13	.20	-.03	.10	.11	.21	.44	(.64)

<sup>a</sup> Significance:  $r > .20$ ,  $p < .05$ ;  $r > .28$ ,  $p < .01$ . <sup>b</sup> AVEs are presented in parentheses on the diagonal.

CR: Contingent Reward, MBEA: Management by Exception Active, IIA: Idealised Influence Attributed, IIB: Idealised Influence Behaviour, IC: Individualised Consideration, IM: Inspirational Motivation, IS: Intellectual Stimulation, TAL: Transactional Leadership; TFL: Transformational Leadership; and AC = Acceptance of Change.

Figure 1. PLS Findings.



<sup>ns</sup> = non-significant, \*\*\* =  $p < .001$ .

CR: Contingent Reward, MBEA: Management by Exception Active, IIA: Idealised Influence Attributed, IIB: Idealised Influence Behaviour, IC: Individualised Consideration, IM: Inspirational Motivation, IS: Intellectual Stimulation.