

Leaders' psychological capital and authentic  
leadership as predictors of employees'  
perceptions of fairness

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## **Abstract**

This research focused on understanding leaders' psychological capital and authentic leadership as predictors of employees' perceptions of fairness. In order to achieve this, four research objectives were set. These were: To provide an understanding of psychological capital, authentic leadership and employee perception of fairness, to determine whether there is an impact of a leader's psychological capital on his/her authentic leadership, to establish the impact of authentic leadership on employee perception of fairness and to make recommendation on how organizational leaders can positively impact employee perception of fairness through authentic leadership. A quantitative research approach was used in addressing these objectives whereby questionnaires were used to collect data from 33 respondents who comprised of managers and employees of different organizations. The collected data was quantitatively analyzed using the SPSS application, which was instrumental in testing the research hypotheses. Recommendations were also made based on the findings obtained in the research.

**Keywords:** psychological capital, authentic leadership, perceptions of fairness

## **Resumo**

Esta pesquisa concentrou-se na compreensão do capital psicológico dos líderes e da liderança autêntica como os indicadores para as percepções dos colaboradores sobre a equidade. Para realizar o trabalho, foram estabelecidos quatro objetivos da investigação, nomeadamente, para fornecer uma compreensão sobre o capital psicológico, a liderança autêntica e as percepções dos colaboradores sobre a equidade, para determinar se é existente um impacto do capital psicológico dos líderes em sua liderança autêntica, para estabelecer o impacto da liderança autêntica sobre a percepção dos colaboradores da equidade, e para fazer recomendações sobre como líderes organizacionais podem influenciar a percepção dos colaboradores sobre equidade através da liderança autêntica. Para abordar esses objetivos, utilizou-se abordagem quantitativa da pesquisa através da qual foram utilizados para recolher dados questionários feitos pelos trinta e três entrevistados, formados por gerentes e colaboradores de diferentes organizações. Os dados coletados foram analisados de forma quantitativa através da aplicação SPSS, que foi fundamental para testar as hipóteses de pesquisa. As recomendações também foram feitas com base nos resultados obtidos na pesquisa.

Palavras-chave: psychological capital, authentic leadership, perceptions of fairness

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## **Chapter 1: Introduction**

### **1.1. Background**

Success in organizations is anchored on several factors of interest in this research are authentic leadership, psychological capital and fairness. Authentic leadership can be termed as an approach that leaders use to emphasize in building their legitimacy by creating an honest and transparent relationship with an ethical foundation. Administrations across the globe are finding it difficult to handle selective stressors. As of now, they have placed more interest in a more imaginative concentration on viewpoints that involve honesty and good authority. It can be deduced that both the authentic leadership style and the psychological capital empirically and conceptually engender a stronger perception of fairness in the employees. The psychological capital of a leader supports the four positive psychological resources of resilience, efficacy, optimism, and hope, which in turn impact the employees' perception of fairness. Ideally, the definition of authentic leadership and psychological capital shows a common link between the two concepts in a motivational propensity to promote equity in the workforce and, eventually ensure success and the accomplishment of goals by the workers. The conceptual perspective on the authentic leadership and psychological capital suggest that the two are at their operational best when in promoting the perception of fairness among the workers when one concept is informing the other. The issue of fairness is experienced in various relations that a business with integrity has with its stakeholders (DesJardins and McCall, 2014).

Furthermore, the two concepts ensure satisfaction since the employees may respond to any dissatisfied circumstances with neglect, loyalty, voice, or exit. The explanation of such dissatisfaction is due to the perception of unfairness and injustice in an enterprise. Therefore, the



authentic leadership style and the psychological capital of leadership demonstrate a positive organizational behavior and positive organizational psychology. The perception of fairness is a critical model in the organizational psychology, and it also plays a vital role in organizational development and employee engagement efforts relating to issues such as behavior, climate, and attitude (Peterson, 2011). Given the potential consequences, which involve the perception of fairness as well as the significance of the value of equity, it is, therefore, necessary to implement the authentic leadership style and the psychological of leadership in business. This is because the two concepts develop a better appreciation of the perception fairness among the employees. Although the human reasoning is always inconsistent, violating the norms of justice that they have held firmly will result in the perception that a leader lacks integrity (Brenkert and Beauchamp, 2012).

## **1.2 Justification**

Psychological capital and authentic leadership, as discussed above are vital elements in organizational management, especially in the human resource management docket. This is because they determine how employees perceive fairness from the way they are treated by their leaders or in this case, their bosses. Whilst several studies have been carried out on these aspects independently in order to establish their impacts on organizations, there are minimal studies that evaluate the combined impact of psychological capital and authentic leadership on fairness perception. Therefore, as this study focuses on this concept, it contributes towards filling the research gap that exists in research on these aspects of human resource management. The findings will also be instrumental in making recommendations to a wide range of organizations on how they can combine psychological capital and authentic leadership approaches to motivate and get the best out of their employees.

### **1.3 Research Aim and Objectives**

The variables of this research are authentic leadership, psychological capital and employee perception of fairness. The main aim of this study is to establish whether there is a relationship between a leader's psychological capital on authentic leadership and also to establish whether there is an impact of authentic leadership on employee perception of fairness. In order to attain this aim, the following objectives were defined.

#### ***1.3.1 Objectives***

1. To provide an understanding of psychological capital, authentic leadership and employee perception of fairness.
2. To determine whether there is an impact of a leader's psychological capital on his/her authentic leadership.
3. To establish the impact of authentic leadership on employee perception of fairness.
4. To make recommendation on how organizational leaders can positively impact employee perception of fairness through authentic leadership.

#### ***1.3.2 Hypotheses***

Hypothesis 1: A leader's psychological capital is positively related to his/her Authentic Leadership Style.

Hypothesis 1<sub>0</sub>: A leader's psychological capital is not related to his/her Authentic Leadership Style.

Hypothesis 2: There is a positive relationship between an authentic leader and employee perception of fairness.

Hypothesis 2<sub>0</sub>: There is no relationship between an authentic leader and employee perception of fairness

#### **1.4. Dissertation Structure**

This dissertation report comprises of five sections which are the introduction, literature review, methodology, findings & discussion, and the conclusion. The introduction section has provided a background on the variables being studied, which are authentic leadership, psychological capital and employee perception of fairness. The second chapter shall provide a critical an in-depth review of different literature publications on the concepts related to this research topic. The third chapter shall provide a discussion of the methodological approaches that were used in the collection and analysis of data used in this research. The fourth chapter shall report and discuss the findings obtained on carrying out this research. The fifth and final chapter shall present the conclusion of the dissertation and provide recommendations for practice and further research.

## **Chapter 2: Literature Review**

### **2.1. Authentic Leadership**

#### ***2.1.1 Definition***

According to Walumbwa et al. (2008), Authentic leadership is a leadership behavior model that upholds a positive ethical climate and positive psychological capabilities to foster rational transparency and a balanced processing of information. Furthermore, it also encourages an internalized moral perspective and greater self-awareness promoting positive self-development between the leaders working with their employees.

#### ***2.1.2 Elements of authentic leadership***

Walumbwa (2008) argued that the authentic leadership theory was established to define four components. The elements include first transparency whereby the leader is required to execute openness, honesty, and be true to his or her values and express it to the followers so that the workforce would trust in their sincerity. The second element is self-awareness, which provides an understanding of the weaknesses and strengths of the leader since it allows a manager to be aware of their decision-making and also what motivates them. The third element is the balanced process, and it entails evaluating data before making a decision, and it provides room for challenging one's value and encouraging the staff to question. The fourth element is ethics, which is founded on internalized moral values that are expressed in ethical behavior and decision making. Tondock (2015) established that the features of an authentic leader include the aim to support other individuals when establishing their authenticity for the greater good, critical reflection regarding authenticity, and challenging the framework with the aspiration of self-expression. Other characteristics include persuading others via personal connection and

interaction, appreciating the right for personal development and the diversity of others, and establishing an integrated self in the absence of performing a task. According to study, it can be presumed that an authentic leader sees his role in leadership as a self-expressive act but a position specified. It can be revealed that the success of a leader can be traced from their early life experiences, which developed their operation. Therefore, the authentic self is being one's reference point in a rapidly changing world, where the satisfaction of the leader comes from, and who the authentic leaders his at his deepest level. On this note, four traits describe an authentic leader. They include balanced processing, where they solicit sufficient viewpoint and opinions before making critical decisions, being ethical, transparency, and self-awareness, which is the extent to whereby a leader recognizes his or her limitations or strength.

### ***2.1.3 Relevant research results***

In regards to the study carried out by Çeri-Booms (2012), Authentic leaders display consistency between deeds and words, resilience, hope, optimism, confidence, and they are transparent in decision-making. They enhance the employee's perception of fairness because they recognize their weaknesses and they have clear intentions. Furthermore, the authentic leaders exhibit traits such as honesty, accountability, fairness, consistency, as well as integrity. Therefore, this increases the level of employees' perception of equity, because of these characteristics. Additionally, the authentic leaders display justice in their behavior and, as a result, they establish a supportive context, which is critical for enhancing the employee's perception of fairness. The authentic leadership style also ensures the management foster open communication and engaging the workers in sharing their feelings, understanding, as well as information about issues. Such approach allows the leaders to value and recognize individual differences and be in a position to

identify the talent of each member of staff and encourage them to employ such skills. Authentic leaders encourage constructive divergence, and, as a result, they would endorse systems of common associations with their followers. As a result, they tend to act authentically with other stakeholders, their clients, coworkers, and leaders. Consequently, the process incorporates the employees' perception of fairness. Moreover, it promotes the positive ethical climates and structures of inclusion, which becomes the structural basis of a business over time. Besides, it encourages the engagement intensity that is capable of making a primary difference in the performance of a business.

Van Putten (2009) concluded that the authentic leaders are those who behave in ways that allow the workers to gain strength and confidence from their leadership initiatives and they are consistent in what they believe. The study by Van Putten analyzed that the authentic leaders have the capability of achieving the objectives of new venture initiation and the challenges linked to entrepreneurship as compared to leaders who lack characteristics that are connected to authenticity. The attributes of authentic leadership entail moral climate, proactive tendencies, and leadership behavior. As such, the authentic leaders are identified as individuals who have a high level of alignment in the areas of future orientation, transparency, optimism, and self-worth. Here, the fundamental idea is that the authentic leader is perceived to represent the most reliable solution to the issues affecting the employees' perception of fairness. Therefore, the authentic leaders are also characterized as individuals who are not engaging in leadership for narrow personal interests, and they are not faking their leadership. It can be said that such leaders do not participate in leadership roles for honor, status, or other personal rewards. Nonetheless, their leadership comes from conviction. They promote a valued-based mission or cause, and this is their reason for engaging in leadership.

#### ***2.1.4 Positive impact of authentic leadership to the followers***

There are numerous benefits associated with the positive impact of authentic leadership. In regard to the study by Çeri-Booms (2012), the authentic leadership model leads to perceived behavioral integrity, as well as social and high personal identification within the management. Therefore, such perception would positively impact stability in turbulent times, the follower's organizational identification, increased self-determination, members' psychological capital including resilience, optimism, self-efficacy, and behavioral modeling. It also positively impacts the positive emotions, trust, and hope of the workers, and, as a result, it enhances employees' perception of fairness. For this reason, the authentic leadership style is meant the perception of fairness by employees through increasing job performance, engagement, meaningfulness, job satisfaction, and commitment. The model also enhances self-esteem, eudaemonic well-being, flow experiences, self-realization, and the expressiveness of the workers. The authentic leaders institute a positive impact on the relationship between a leader and a follower, as evident by a greater level of idealization, predictability, respect, and trust (Crandall, 2010).

Additionally, the concept of the authentic leadership also engenders a stronger perception of fairness in the employees since it also has a performative impact, which brings various models into being. They do so through the courses that they train their workforce and the power of their written words. Besides, the concept exists so as to affirm more compelling subjects, it has no or little subjectivity; it also encourages followers, staff, leaders, as well as the managers (Ladkin and Spiller, 2013). The authentic leaders also promote balanced information processing and relationship transparency. As a result, this concept is mainly valuable in the promotion of the

perception of interactional justice in two dimensions, which include informational and interpersonal justice.

## **2.2 Leaders psychological capital**

### ***2.2.1 Definition***

Van Putten (2009) implied that the psychological capital is the positive psychological state of advancement of a person. It is characterized by first resilience, which is the capacity to work towards obtaining success and withstanding failure. Secondly, it is marked by hope, which is the strength that assists in overcoming uncertainty. Third is optimism, which is the positive outlook when in need of a positive outcome. Lastly, is self-efficacy, which is the ability to achieve objectives even when faced with challenges.

### ***2.2.2 Elements and relevant research results***

The rise in interest in the psychological capital of the leader is a consequence of the mounting indication supporting the principle objective of positivity in improving performance at work and the perception of fairness by the employees. With the mounting consideration being focused on the psychological capital of the leader in an organization and its documented effected. This understanding will not just put into theory building in the areas linked to the psychological capital of the leader.

#### **A. The hope resource in psychological capital**

In their study, Luthans et al. (2010) established that the hope construct in the psychological capital is considered to be an empowering method of thinking and it has substantial research support and theoretical development. In regards to the hope theory, people are supposed to be goal oriented. As such, they tend to behave in a manner of attempting to attain various objectives.



According to the study, there are two elements of hope, and they comprise pathways and agency. The agency element of hope characterizes the motivation or capacity of an individual to initiate work on an established objective and to proceed in a way that will allow them to accomplish such goals. A high-hope workforce proactively engenders different pathways to the accomplishment of an aim in a given circumstance. The mechanism of agency comes out to hold up the participants of an organization to be more motivated toward the attainment of their work-related objectives; wherein it positively influences the employees' perception of fairness. Besides, the pathway thinking presents the leaders as well as the workforce with the ability to produce numerous techniques to accomplish an intended task. Therefore, the psychological capital can be categorized through evaluating fundamental aspects concerning a leader's resilience, hope, optimism, and efficacy (Van Putten, 2009).

### **B. The optimism resource in psychological capital**

In the second place, Luthans et al. (2010) found that while pessimists are individuals who anticipate bad things to come about, the optimist, on the other hand, expect good things to happen to them. Therefore, the two differ in how they approach challenges and problems and they also vary in the accomplishment and manner with which they deal with adversity. As such, in the psychological capital of the leader, optimism is determined by the extent to which the workforce believes there will be a positive or negative outcome connected to their pursuit of the organization's goals. The explanatory optimism hypothesizes that the positive results are featured by the pervasive, permanent, and personal causes, while the adverse outcomes are attributed to the effects of situational, temporary, and external specific causes. Here, the psychological capital optimism is dependable to the attributional or explanatory style, and it is reflected in a leader who can anticipate possibilities, embrace change, pursue opportunities, and convey gratitude.

A flexible and realistic optimism comprises prevention, consideration of alternatives, and accurate analysis of the past. Optimism is instituted as a positive organizational behavior, and it can influence the performance of a firm by contributing towards the employee's perception of fairness. Therefore, it is a quality that can help the successful leadership through motivation, willingness to take risks, and development of self-awareness so as to help the employees perceive fairness and develop their optimism. Leadership efficacy and optimism are predictors of the behavior of transformational leadership (Wisner, 2008).

### **C. The efficacy resource in psychological capital**

The theory by Luthans et al. (2010) also concluded that self-efficacy has a substantial impact on the outcome of the performance. Efficacy is regarded as an employee's confidence or conviction about their capabilities in mobilizing the courses of action, resources, or the motivation required to perform a full duty within a given context successfully. In comparison to other positive psychological constructs, efficacy is different in numerous ways. For instance, while optimism is a broad anticipation for positive results, efficacy is a concept within the restrictions of a particular context or task. Furthermore, in comparison to optimism, which involves a positive belief regarding a result that is less connected to the ability of an individual, efficacy, is the perception concerning the results and process of applying an employee's personal capabilities. There are four identified sources of efficacy advancement. First, the workers would be more confident in their competence to achieve a challenging objective, if they had done so successfully in a previous task. Secondly, the efficacy of individual is impacted when one vicariously become skilled through observation. Thirdly, other relevant or respected people can as well pursue the employees to be more confident. Finally, the personal efficacy may be influenced by the wellness, emotional, physiological, or psychological arousal. Recognition,

providing positive feedback, and genuinely appreciating the employees not only reinforces the outcome of the expected behaviors of the workforce by performance but it also establishes their efficacy in psychological capital (Luthans et al., 2015).

#### **D. Resiliency resource in psychological capital**

Resiliency is regarded as the model of optimistic variation in the framework of critical risk or adversity. The study carried out by Luthans et al. (2010) suggested that besides being the capability to adapt positively to positive outcomes as well as events, resiliency is also presented the ability to rebound from the unfavorable incident. Therefore, resiliency enables the employees to challenge themselves to achieve, reach out through risk-takings, bounce back from crises, navigate through daily stressors, and overcome obstacles. The resiliency models have been individual focused and variable focused. The individual-focused methods analyze an individual's unique characteristics and the person ought to have experienced resiliency across diverse experiences. In the variable focused techniques, the features displayed among a group are investigated and the team ought to have exhibited difficulties to comprehend resiliency better. In his study, Wisner (2008) identified that an active practice comprising both the internal and the external factors contributes to the hindrance or development of resiliency. The significance in resiliency in an enterprise has come out as a dominant model in sustaining and creating successful amendment in businesses (Luthans et al., 2010). Furthermore, the indirect support of the association between the leadership and resiliency has been set up through a transformational leader who can promote innovative and thoughtful solutions. There is a positive correlation between the behavior of leaders and the resiliency of the subordinates, which in turn improves the employee's perception of fairness. The considerable work in the model of the

psychological capital of the leader supports the concept that resilience can be build up through training interventions.

### ***2.2.3 Consequences of psychological capital***

The positive psychological capital model of leadership has been empirically and conceptually related to the employees' perception of fairness. Peterson (2011) demonstrated that psychological capital is critical success of organizations because it increases performance of human resources at both group and individual levels. The psychological capital of the leader is regarded as the primary ability which is vital when striving for success, cognitive processing, and human motivation, and resulting in the perception of fairness in the workplace. The employee's perception of truth can be explained by psychological resources which comprise of resilience, optimism, hope, and efficacy, and these also create the psychological capital of the leader. Furthermore, the psychological capital is a catalyst for human fulfillment, flourishing, and positivity at the workplace, which have a definite positive impact on employee performance.

In their study, Luthans et al. (2010) argued that the psychological capital of a leader has a role to play in combating stress and as well, mediates the relationship between the employee performance and supportive organizational climate. Thus, it may assist in facilitating the positive organizational change. The psychological capital model of leadership is specifically proposed for the reason that it results from dynamic processes that affect self-regulatory plans, values, goals, expectancies, and encoding of cognitive categories. Such components are conceptualized by the psychological capital of the leader, and it can motivate self-regulatory mechanism that increases success in a particular situation and as well, the probability of perseverance. It also triggers the development of objectives with an approach orientation, and it creates positive expectancies.

### ***2.2.4. How psychological capital influences Authentic Leadership style***

Authentic leadership can be influenced through the psychological capital accumulation. This is not only a product of coordinative leadership and dynamics but it is as well a producer of the aspired outcomes in regards to performance and behaviors. The collective psychological capital is the psychological state of development is characterized by resilience, hope, optimism, and self-efficacy (Heled et al., 2016).

The leader psychological capital is related to the Authentic Leadership Style in that it allows the leader to encourage the involvement and participation of his followers in the process of making decisions, which enhances the trust of the group members to the leader. Particularly, when a leader is highly authentic, they will highly value honest and realistic relationships with their followers.

Hypothesis 1: A leader psychological capital is positively related to his/her Authentic Leadership Style.

## **2.3 Employees' Perceptions of Fairness**

### ***2.3.1 Definition***

The perception of fairness by the employees in an organization is regarded as a concept that has a critical impact on the behaviors and attitudes of the workforce in those organizations. It is also referred to as justice perception and is defined by Greenberg and Colquitt (2013) as the perception of individuals as to whether the actions by others are either fair or just. In leadership and in organizational settings, this perception has an impact on the attitude of employees towards their managers or the organization.

In an organizational setting, there are different ways in which justice or fairness can be practiced. Contemporary justice theorists make an assumption that in order to meaningfully assess fairness,

considerations of the outcomes and procedures have to be made. Based on this, justice can be viewed in four perspectives. The first is distributive justice, and mainly entails fairness in distribution of different aspects of life. It involves treating all people within the organization equally (Roberson and Williamson, 2012). Restorative justice, also known as corrective justice, involves the putting back things to how they are supposed to be after certain disruptions in relationships within organizational settings. One of the most practiced forms of restorative justice is through making necessary changes in order to take the affected relationships in the organization back to track. Retributive justice on the other hand works on the basic principle of making people responsible for their actions (Chhetri, 2014). One of the main intentions of this approach is to encourage responsibility among the different parties in organization. The fourth type is procedural justice where the aspect of fairness is dominant. When people believe that fair processes are used in making decisions, they tend to accept an imbalance in outcomes. In case of any difficulties related to procedural decision making, they may be contrasted with retributive justice and distributive justice (Roberson and Williamson, 2012).

### ***2.3.2 Consequences of fairness***

The authentic leadership is a powerful mechanism wherein the management can employ to enhance the employees' perception of fairness. The authentic leadership has demonstrated a strong emotional context. Therefore, the primary factor can impact the positive affectivity of the workers in the understanding of the actions of their good leader. The perceptions of justice are influenced by the characteristics of the perceiver, organizational practices, and outcomes received from the company (Cohen-Charash and Spector, 2001). The quality of the relationships instituted between the workforce and the leaders seem to be associated with the concept of

authentic leadership, particularly regarding the positive experience that the workers have with the manager (Crandall, 2010). In an organization, the authentic leaders are especially interested in empowering the workforce to allow them to make a difference in the context of the very business, the project they are involved in, as well as their task. The authentic leaders act with coherence when making decisions; therefore, they treat the employees with consideration and they show concern for them. Consequently, they foster the well-being of their staff members, and in turn, they contribute to the employee's perception of fairness.

### ***2.3.3 How authentic leadership influence employees' perceptions of Fairness.***

Authentic leadership influences the perception of employees on fairness in numerous ways. In his study, Colquitt (2001) stated that the efforts to clarify the impact of equity on successful functioning of an organization had been put under the organizational justice research rubric. He established that distributive fairness or justice is promoted where outcomes are persistent with the implicit norms for allocation, including equality and equity, which are elements of authentic leadership. Authentic leadership also influences employee's perception of fairness through procedural justice, which is fostered by adherence to appropriate process criteria that include ethicality, accuracy, representation, correctability, lack of bias, and consistency (Greenberg & Colquitt, 2013). Additionally, the perceptions of fair interpersonal treatment comprise the degree of which the leader plays favorite and to which an authentic leader employs the suggestions of the workers. Besides, due to authentic leadership, the leaders lead with integrity, values, and purpose. Through the model, the employees come to accept and know themselves and self-regulate their behavior to attain the objectives, which are congruent with and derived from those of an authentic leader. One critical influence of authentic leadership on employee's perception

of fairness is that both the followers and leaders are developed over time as their association turns out to be more authentic (Avolio and Gardner, 2005).

When the workers view that a leader is treating them and operating in procedural fairways, that the employees deduce that the leader is one that they can be proud of and that the organization respects them as its members.

Hypothesis 2: There is a positive relationship between an authentic leader and employee perception of fairness.



## **Chapter 3: Methodology**

### **3.1 Method**

Quantitative research design was used in this study. This approach focuses on mathematical, measurements, statistical and numerical analysis of the data collected. Thus, quantitative data was collected was in numerical form. One major advantage of this design is that it helps to establish a relationship between independent and dependent variables in the area being studied. Also, it helps to approve or disapprove an existing theory inform of a hypothesis.

### **3.2. Participants and Procedure**

In this program, we have 33 students responsible for sending the questionnaire. When they send the questionnaire to one managers, they also ask 3 followers in the group manger master. A total of 33 participants took part in this study where 12 (36.4%) were women and 21 (63.6) were men aged between 25 and 70 years. The participants were selected from different countries across the world and from various job titles in different sectors. The countries included Portugal which had 23 respondents, China which had 2 respondents, Germany which had 2 respondents, USA which had 1 respondent, Switzerland which had 1 respondent, France which had 2 respondents, and Slovenia which had 2 respondents. The participants were selected from nearly all sectors including the education sector, tourism, law, social, business, construction, food, real estate, and bank among others.

As mentioned earlier, the participants were aged 25 to 70 years thus their average age was 42.18. To get the average age of the participants, all the ages were summed up and divided by the number of participants while the SD was obtained by subtracting the average age (mean)

obtained from each age of the participants after which the results were squared. Their means were summed up and the square root was done to obtain the SD of the participants.

### **3.3. Measure**

There are three groups of variables in this study that were measured. This included authentic leadership, psychological capital and employee perceptions of fairness. Authentic leadership and psychological capital related to the leader while the employees' perception of fairness referred to the employee. In order to measure these variables, three groups of questions were used which were the Authentic Leadership Questionnaire (ALQ) group, Psychological Capital group (PsyCap) and Justice Employee average group. There were 14 questions presented under the ALQ group. According to Walumbwa et al. (2008), authenticity refers to owning of a person's emotions, thoughts, preferences, beliefs and needs among other personal experiences, which are driven by the desire to know oneself. Authentic leadership consists of five interrelated components which include; self awareness, relational transparency, balanced processing of information, internalized regulation (authentic behavior) and positive moral perspective (Walumbwa et al., 2008). The internalized regulation can be combined with authentic behavior to form internalized moral perspective. This is because they are equivalent in that they exhibit behavior that relates to the internal values and standards of one. Authentic leadership therefore refers to a leader's inner drive to gain behavioral integrity.

Self awareness demonstrates an understanding of how a person derives meaning of the how world and how this impacts the way they view themselves (Walumbwa et al., 2008). Relational transparency refers to revealing one's authentic self instead of a fake image to others in order to promote trust through open sharing. Balanced processing refers to people who accept feedback

from others with the aim of challenging their leadership positions so as to become better leaders. Internalized moral perspective is a form of self-regulation that is integrated and internalized which is guided by the internal moral values and standards versus organizational, group and societal pressures (Walumbwa et al., 2008).

For instance, ALQ 15 which states “I know when it is time to reevaluate my positions on important issues” sought to determine self awareness among the participants. Participants who strongly agreed that they know when it is time to reevaluate their positions on important issues showed that they understand their strengths and weaknesses and how this impacts on others around them. ALQ 13 which states “I seek feedback to improve interactions with others was aimed at determining whether the participants value balanced processing. Participants who strongly agreed to this stated indicated that they solicit views and opinions of others in order to challenge their positions and hence become better leaders.

In addition to the ALQ, a 7-point scale was used in which 1 referred to totally disagree, 2(disagree), 3(slightly disagree), 4(neither agree nor disagree), 5(slightly agree), 6(agree), 7(totally agree). For instance, for ALQ 13 “I seek feedback to improve interactions with others”, the participants were required to give their answers based on the 7-point scale explained above where 1 would indicate that they totally disagree with the statement while 7 indicated that they totally agreed with the statement.

Twelve questions were presented to the PsyCap group. Luthans et al. (2007) explain that PysCap is a higher order construct which said to have a state-like nature that makes it different from trait-like constructs. State-like constructs are considered to be unstable and open to development and include hope, resilience, efficacy and optimism. It also includes positive constructs like well-

being, wisdom, courage, gratitude and forgiveness which have state-like properties (Luthans et al., 2007). For instance, PsyCap 37 which states “I can think of many ways to reach my current work goals” was include among the questions to test the participants’ level of hope in that a person who strongly agreed to the statement meant that they were open to development and hopeful. Question PsyCap 40 “I can get through difficult times at work because I have experienced difficulty before” shows resilience and toughness to get through hard times. Optimism was also represented through PsyCap 42 which states “I am optimistic about what will happen to me in the future as it pertains to work”. Just like ALQ, a 7 point scale was used when answering these questions where 1 referred to totally disagree, 2 was disagree, 3 slightly disagree, 4 neither agree nor disagree, 5 slightly agree, 6 agree, 7 totally agree.

There were 4 questions set for the employee perceptions of justice. The concept of justice or fairness has become an important construct in social sciences over the years. Folger and Bies (1989) also identified managerial responsibilities that help to ensure fairness in implementing decision making procedures in an organization. This included proving adequate consideration to the viewpoints of employees, preventing biases, give feedback on time after decision making and being truthful among others. one employee average question which asked “Are organizational procedures free from bias” was included in the questionnaire with the aim of determining whether the leaders strived to eliminate bias in the organization especially during decision making procedures. A 5-point scale was used to provide responses in this group questions. 1 indicated the smallest extent while 5 indicated the largest extent. Thus, the participant showed their perception of fairness regarding the level of organizational bias by choosing the smallest extent or largest extent.

It is called justice as explained by Colquitt (2001) is the procedural justice which refers to the extent to which the procedures used to arrive at an outcome are fair. This seeks to determine the extent to which employees can express their views and feeling during a procedure, their influence over the outcome, whether the procedures are based on accurate information and free from bias. In addition, it establishes whether the procedures uphold ethical and moral standards and the outcome appeals to the employees. For instance, the item 4 “Are the organizational procedures been based on accurate information” was included in the questionnaire to test the extent to which the employees perceive organizational procedures are based on accurate information.

### **3.4. Data Analysis**

Given that the collected data will be in quantitative form, ideal quantitative research approaches were used in the analysis. The collected data was entered into the SPSS software in order to run different statistical analysis operations on it in an accurate manner with less human error. The first analysis that is run on the data will to be combination of the variables in order to obtain the average. The variables whose averages were established were the respondents’ understanding of authentic leadership, psychological capital and employees’ perception of fairness. These means will be obtained by using the descriptive statistics option.

This was then be followed by performing correlation and hierarchical regression analyses in order to test the research hypotheses. The correlations involved measuring the relationships that exist between different variables in the research and relationship between 2 variables (Muijs, 2010). For this research, this was done using the Pearson’s product-moment correlation. A significance level of 0.7 and above indicated that there is a strong relationship between the

variables. The first hypothesis is “A leader psychological capital is positively related to his/her Authentic Leadership Style”. This means that psychological capital and authentic leadership were the variables whose correlation was being established. The second hypothesis is “There is a positive relationship between an authentic leader and employee perception of fairness”. To test this hypothesis, the variables will be authentic leadership and perception of fairness.

Regression, on the other hand, is used in the understanding of predictive power of independent variables on the dependent variables after a correlation has been established (De Vaus, 2013). It made it possible to understand the extent to which an independent variable causes change in the dependent variable with other independent variables held constant (Cohen et al., 2013). The changes in regression coefficients were tested in this case. These tests were quite instrumental in testing the hypotheses.

### **3.5. Results**

#### ***3.2.1 Descriptive Statistics***

The main variables of interest are considered, including authentic leadership, psychological capital, and employee perception of fairness. Description is implemented via the use of descriptive statistics, which therefore reveal the main features and characteristics of the mentioned variables. Thus, mean is the indicator of central tendency in variables. Standard deviation, as well as minimum and maximum values, points toward the dispersion in each variable. Moreover, skewness and kurtosis are used to consider whether distribution of a variable is close to normal distribution.

Table 1: Descriptive statistics of the main variables

Variable	N	Min	Max	Mean	Std. Dev.	Skewness	Kurtosis
Authentic leadership	33	4.50	7.00	5.63	0.65	0.32	-0.58
Psychological capital	33	3.17	5.83	4.88	0.67	-0.33	-0.23
Employee perception of fairness	33	2.50	5.00	3.91	0.68	-0.29	-0.56
Age of boss	33	25.00	70.00	43.85	10.04	0.32	-0.19
Job tenure of boss	33	0.16	29.00	7.70	7.05	1.41	2.21
Organisation tenure of boss	33	0.00	32.00	9.89	9.54	0.95	-0.25

Min and max indicate the extreme values of each variable observed. It should be restated that authentic leadership and psychological capital were determined as the averages of their categories, and those variables were determined on the scale from 1 to 7. Also, employee perception of fairness was also determined as the average of four respective questions, each of those ranged on a scale from 1 to 5.

The average leader indicated the level of authentic leadership of 5.6, psychological capital of 4.9, and the mean perception of fairness among employees of each leader was rather high at 3.9.

### 3.2.2 Correlations

Correlation analysis was implemented in order to measure the degree of linear association between the key variables of interest (Field, 2009). This is one of the statistical methods used to test the two stated research hypotheses. The results are discussed in more detail on the section that follows this and the following sub-sections.

Pearson correlation coefficient was used for the analysis. Correlation coefficient was computed on pairwise basis, considering only two variables at a time. While ranging from -1 to +1, negative correlation coefficient indicates inverse linear association, and positive one points towards positive association between the two variables. In this way correlation coefficients are conveniently compared with each other, because of the similar measurement.

The following table (Table 2) summarises the correlation analysis results using the Pearson method. The presented results include the correlation coefficients themselves, as well as the significance level. Those coefficients are significantly different from zero, and have significance of 0.05 or below, and sometimes the level of significance 0.01 is used.

The correlation is positive between the three main variables of interest – authentic leadership, psychological capital, and employee perception of fairness. The significant (at  $p < 0.05$ ) are the correlations between employee perception of fairness and authentic leadership, as well as between employee perception of fairness and psychological capital. Also, the positive correlation between psychological capital and authentic leadership is significant at  $p < 0.10$  level, but not at 0.05 level.

Table 2: Correlation analysis

.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Authentic leadership	1.000						
(2) Psychological capital	0.323 (0.067)	1.000					
(3) Employee perception of fairness	0.353* (0.044)	0.380* (0.029)	1.000				
(4) Age of boss	-0.005 (0.980)	0.064 (0.723)	0.296 (0.094)	1.000			
(5) Job tenure of boss	-0.084 (0.647)	0.338 (0.058)	0.162 (0.375)	0.291 (0.106)	1.000		
(6) Organisation tenure of boss	-0.211 (0.238)	-0.069 (0.704)	0.065 (0.719)	0.579** (0.000)	0.432* (0.013)	1.000	
(7) Gender of boss	0.223 (0.212)	0.213 (0.234)	-0.110 (0.543)	-0.231 (0.197)	-0.137 (0.454)	-0.340 (0.053)	1.000

Note: Significance level of correlation is included in parentheses; \* Significance at 0.05,

\*\* Significance at 0.10

The results from other correlations indicate that there is positive correlation between psychological capital of the boss and the job tenure of the boss (significant at 0.10). Besides, as



could be expected, age of the boss is positively and significantly correlated with job tenure and organisational tenure of the boss. Gender of the boss is negatively correlated ( $p < .10$ ) with organisational tenure of the boss, indicating that female bosses have, on average lower organisational tenure compared to male bosses. Correlation analysis has limitations, such as focus on only two variables at a time. Also, correlation analysis measures linear association between two variables but cannot indicate how much one variable is explained by a set of other variables.

### ***3.2.3 Regression***

The regression analysis extends the correlation analysis, as it is more comprehensive. The correlation analysis limitations are overcome by regression analysis. Regression analysis considers one variable as output variable, and a set of other variables as explanatory variables. Three multiple regressions were considered in this part – that with authentic leadership as the function of psychological capital and control variables, the second one includes employee perception of fairness as the outcome variable and authentic leadership and some control variables as the explanatory factors. The third regression model is hierarchical multiple regression, which aims to verify the explored model. The hierarchical regression tests whether authentic leadership affects employee perception of fairness, or psychological capital directly affects it.

Authentic leadership has been shown as the outcome variable is positively and significantly (at almost 0.05 level) affected by psychological capital, also it is positively and significantly (at 0.05 level) affected by age of the boss, as shown in Table 3. The relatively novel result is that authentic leadership is inversely and significantly (at almost 5% level) affected by organisation

tenure of the boss, although not by the job tenure of the boss. The identified adjusted R-squared indicate the model explains over 22% of variations in authentic leadership.

Table 3: Regression analysis results for authentic leadership

Variables/ indicators	Coefficient (unstandardized)	Coefficient (standardized)	P-value
Constant	2.078		0.068
Psychological capital	0.357	0.358	0.051
Gender of boss	0.336	0.246	0.173
Age of boss	0.042*	0.579	0.024
Job tenure of boss	-0.011	-0.119	0.541
Organisation tenure of boss	-0.035	-0.513	0.051
R-square adjusted	0.227		

† Significance at 0.10; \* Significance at 0.05 level

The following regression results (Table 4) were performed to explain employee perception of fairness as the function of authentic leadership and several other features of the manager. The results point towards authentic leadership being a positive and significant (at 0.10 level) factor to explain employee perception of fairness. The other included variables were highly insignificant in their effect on employee perception of fairness. Also, the adjusted R-square indicates that the model explains just slightly above 10% of variations in the employee perception of fairness.

Table 4: Regression analysis results for employee perception of fairness

Variables/ indicators	Coefficient (unstandardized)	Coefficient (standardized)	P-value
Constant	1.120		0.345
Authentic leadership	0.380	0.367	0.072
Gender of boss	-0.210	-0.148	0.454
Age of boss	0.021	0.280	0.336
Job tenure of boss	0.016	0.160	0.405
Organisation tenure of boss	-0.011	-0.159	0.590
R-square adjusted	0.105		

† Significance at 0.10; \* Significance at 0.05 level

Additionally, it was tested whether psychological capital is a better predictor of the employee perception of fairness, compared to the authentic leadership. In other words this was the test of the model provided in this study. The test was implemented by using the hierarchical regression analysis in SPSS. When psychological capital was additionally included in the model that was presented in table 4, the results indicated that psychological capital was statistically highly insignificant, and should be excluded.

### **3.3. Discussion**

The current part discusses the results from the previous section, and relates those to the context of the relation between psychological capital, authentic leadership and employee perception of fairness outlined in the prior chapters.

#### ***3.3.1 Main results and hypotheses tests***

A number of useful results were obtained, which provide the evidence regarding the initially set hypotheses, as well as several additional outcomes. The main results were obtained from correlation and regression analyses.

Hypothesis 1: “A leader psychological capital is positively related to his/her Authentic Leadership Style” was confirmed from the data analysis. This is evidenced by the positive correlation coefficient between psychological capital of boss and authentic leadership score of 0.323 that is significant at 90% level. Additionally, the stated hypothesis is confirmed by regression analysis where authentic leadership was the outcome variable, and psychological capital was included among a set of other explanatory variables. The estimated effect of Psychological capital on Authentic leadership was positive and statistically significant (at 0.1 level as p-value was 0.051).

Hypothesis 2: “There is a positive relationship between an authentic leader and employee perception of fairness” was as well confirmed from the analysis. As the prior hypothesis, the current one was also confirmed by the results obtained from correlation analysis and regression analysis. Correlation analysis showed that correlation coefficient between Authentic leadership and Employee perception of fairness is 0.353 and significant at 0.05 level of significance. Additionally, the relevant regression analysis included employee perception of fairness as the outcome variable, as well as authentic leadership and other relevant variables as the explanatory variables. The regression analysis results indicated that authentic leadership was the only significant explanatory variable to explain employee perception of fairness. Also, the coefficient of the authentic leadership was positive and significant at the level of 0.1 as the p-value was equal to 0.072.

It can be stated that hypothesis one and hypothesis two were confirmed with the data analysis results.

A number of other relevant results were obtained in relation to the authentic leadership and employee perceptions of fairness. Two more variables were identified to have significant effect on the authentic leadership – age of the boss and organisational tenure of the boss. While age had positive impact, organisational tenure had negative impact on the authentic leadership of the boss.

In relation to employee perception of fairness it can be argued that authentic leadership is an important explanatory variable, but there is significant room for other factors. This is evidenced by relatively low adjusted R-squared that is slightly above 10%. A number of other variables can be investigated in further research, including the features of employees themselves, as well as relevant job-related factors.

### ***3.3.2 Relation to Literature***

The obtained results have direct connections to the relevant literature in the realm of authentic leadership and employee perception of fairness. The positive implications of psychological capital for authentic leadership were empirically confirmed in this study. This is in line with the literature, for example as Van Putten (2009) and Peterson (2011) explained the components of psychological capital, such as resilience, hope, optimism, and self-efficacy or ability to deal with challenges, and the ways that those contribute towards the strong performance and establishing of the authentic leadership. The positive relation between employee perception and authentic leadership relates to the results evidenced by Çeri-Booms (2012), Van Putten (2009), as well as those by Tondock (2015). Those studies showed how elements of authentic leadership cause increased employee perception of fairness, which was also confirmed by the current investigation.

Some results obtained in this study, such as the positive effect on authentic leadership of age and negative effect of organisation tenure, could be deeper investigated in the future studies, and possibly contribute towards the available literature on management and leadership. Additional analysis can be undertaken in the future to deeper explore these effects in the prior literature as well as in the data. Authentic leadership in this study was analysed in relation to the boss. As authentic leadership features involve such as upholding positive ethical climate, valuing honest and realistic relations with colleagues (Walumbwa et al., 2008), it can express itself in relations with the subordinates as well as the upstanding management. Thus authentic leadership could be also present to certain degree with the followers, and in this way that component also affects employee perceptions of fairness.

### ***3.3.3 Results for Model Validity***

It can be argued that the validity of the suggested model was generally confirmed from the data. The model implied that psychological capital affected authentic leadership, which in its turn moulded the employee perception of fairness in the organization. The obtained evidence in support of the two hypotheses support the suggested model. In addition, hierarchical regression analysis was used and rejected the hypothesis that psychological capital directly affects the employee perception of fairness. This stated result also supports the suggested model. In addition to this, the secondary results from regression analysis suggest that a more comprehensive approach can be undertaken to expand the original set-up of the model, as such features as the age and organisation tenure of the boss affect her authentic leadership.

### ***3.3.4 Limitations and Suggestions***

Although the study provided empirical evidence to draw conclusions about the two main hypotheses of interest, as well as a number of additional relevant results, it has several limitations, as any empirical data-based study. Limitations of the study include the use of available data, and the use of employed methodology, as well as the limited scope of the study. The data was based on 33 observations, which in some instances can be considered a rather limited evidence. Analysis methods used also have certain limitations, for example, authentic leadership, psychological capital, and employee perception of fairness were determined as the average of their component variables, though the included variables may have different actual weights. The scope of the study did not include the other relevant variables that could have impact on employee perception of fairness other than the authentic leadership and some features in relation to the boss. The future research can therefore expand the results of this study in a

number of aspects. It could expand the database under analysis to include more observations. Some advanced methods, such as principal component analysis can be used to construct the main variable, as it may be more appropriate and precise methods for the construction of psychological capital, authentic leadership and employee perception of fairness. Also, in addition to authentic leadership and boss characteristics other relevant factors can be studied, including the characteristics of employees and the organisational structure.

### **3.3. Limitations**

Even though the objectives that were set out by the research were achieved, there were a number of challenges limited the scope of information that could be collected in order to develop valuable insights regarding psychological capital, authentic leadership and perception of fairness. One of the main limitations in this study was the small research sample that was used in the study. Typically, quantitative research is known to utilise a relatively large research sample in order to generalise the data and findings to larger related populations. Utilising a research sample of 33 respondents can thus be argued to have a limitation for this study because it is quite small to be generalisable to different organizations.

Utilisation of the quantitative research approach was also itself a limitation. One of the reasons for this is that it involved analysis of data using the SPSS software which requires a high level of skill to use. This is because the data has to be coded and different relations between variables be established and quantified. Another challenge is the fact that quantitative research only relies on statistics to answer research questions. This approach however does not consider the human aspect of research such as the emotions or feelings of the respondents. This therefore limited the

depth of information that could be collected in the research, especially since it may be difficult to quantify psychological capital, authentic leadership and perception of fairness.

Whilst the research topic is appropriate for the present-day business environment especially in human-resource management, it is not specific enough to focus on a certain industry, country or market. This general format of the research topic therefore does not effectively guide the researcher about the most ideal research sample that can be used to effectively address the research objective. Given that different industries or markets across the globe have different attributes and require different approaches to leadership, it may be difficult to apply the findings or recommendations of the research and to some businesses or organizations. A specific research topic could have made it possible to review literature published about specific industries or markets and as well, identify research samples from relevant segments.

Given that the research was carried out using a primary research approach, there are limitations that were experienced that are typical to this form of research. One of these was the fact that the researcher had to travel to and from different locations to select respondents and as well, collect data. Due to this, a lot of resources and time was spent in the research. Another limitation was that some of the selected respondents did not effectively fill the questionnaires or failed to complete and submit them. Given that they had the freedom to pull out of the research at any stage as stated to them at the beginning of the research, this was anticipated. There the main limitations that were experienced in the research and effective steps have to be taken in order to effectively address them during future related studies.

### **3.4. Future Research**



The total number of participants that were involved in the study was 33 which is very low to act as a perfect representative for the whole population under research. For future research therefore, the research sample should be larger to effectively represent the population in a more realistic manner as it broadens the range of possible information and produces data that can be generalised to larger populations of similar characteristics. In addition, the ratio of male participants to female participants should be equal or near to equal in order to acquire more convincing information. However, the researcher should be careful when choosing a larger group of participants. This is because the larger the group gets, the more the resources required. Prior arrangements should be made in terms of money, transport and labour among others.

The research took a quantitative approach which is appropriate for the subject especially because it is more reliable and objective. The method can minimize and restructure a complex problem to the least number of variables possible giving the researcher a simpler research procedure. However, relying on this method alone does not yield the anticipated results of the entire study. Therefore, in order to achieve a better research results in future, qualitative research methods should be incorporated. Including qualitative research is a sure way of gaining deeper knowledge and insight in regard to the phenomena under research. Qualitative research enables researchers to use methods such as in-depth interview, direct observations and focus groups and this helps them to carry out more investigation regarding the beliefs, preferences and attitudes of different participants and stakeholders. Incorporating quantitative research offers an opportunity for in-depth, systematic analysis of questions that may not be answered using quantitative methods easily.

When choosing a research topic, it is important to ensure the audience is engaged and interested. Research topic “Leaders’ psychological capital and authentic leadership as predictors of employees’ perceptions of fairness” is quite understandable but it does not have a defined scope in terms of population and sample as well as case or setting. In future research the study topic should be chosen or quoted in a way that sets out the limits of the entire study. It should also be from one’s area of expertise and realistic enough to convince the audience that the research was done. According to the findings of the study, the researcher was able to acquire a good amount of information from the research methods and designs that were chosen. However, good research is shown by the amount and quality of data collected. For future improvements to be possible, it will be necessary to pay attention on better time and resource management. Every research section should be provided with efficient time and other resources in order to collect more data that is sufficient to answer the question under research.

### **3.5. Implications**

Modern work environments are highly competitive owing to an increased globalization and an increase in the number of skilled workers fighting for the same positions. In addition to these leadership challenges, other challenges include continuously evolving government regulations which have to be adhered to, a lack of authentic leadership and underfunded leadership development programs. Even though psychological capital and authentic leadership can be considered as predictors of employees’ perceptions of fairness, there has been little empirical evidence which can be used to guide leaders in modern day workplaces. As such, there are several implications for practitioners that the findings from this study present.

First, the findings from the study offer considerable evidence that psychological capital and authentic leadership can predict the perceptions of fairness of employees. Even though this finding is not surprising, the value of the finding is that certain kinds of leadership behaviors such as honesty and transparency have positive and significant impacts on the outcomes of the organization. The proclivity of an organization is to deviate from standard leadership practices by investing in psychological capital and authentic leadership development of the leaders. Even though leaders in organizations need to include a host of tactical and strategic considerations at the time of weighing a leadership decision, what is clear is that leaders who tend to be more honest and more transparent are deemed to be fairer by their subordinates.

Second, most of the study participants offered quantitative data which supports the beneficial impacts of psychological capital on both the economic and operational of the organization. By demonstrating the beneficial impacts of psychological capital and authentic leadership on the perception of fairness by employees, the current study suggests that leadership behavior can affect employee attitudes. As such, for improved employee attitudes at the workplace, organizations need to educate and inform the leaders and invest in building the psychological capital of the leaders. Authentic leadership training programs need to be developed in order to establish an effective leadership communication system between the board, management and supervisors with respect to the subordinates. Since the management has a daily interaction with the workers, and the demonstrated leadership style of the management has an impact on the overall perception of the workers towards the organization, then the managers need training on acting honestly, transparently and in a self-aware manner with the subordinates. The organizations could assist by offering coaching and training to create effective skills in authentic leadership and reward leaders who excel in authentic leadership. As such, the organizations need

to not only invest in the psychological capital of their leaders but should also invest in effective leadership coaching.

Third, in the current age of an impactful social media, subordinates in organizations have increasingly become empowered to start dialogues about their organization, which occur in public domain. How subordinates perceive the leadership of their respective organizations with regards to being fair or not will determine the dialogue the subordinates initiate in the public domain, regarding the organization. This in turn becomes a reliable source that outsiders and other stakeholders use to form their opinion on the leadership of the organization. As such it is important for the leadership in organizations to invest in authentic leadership, which will then be advocated by the subordinates.

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