Does CEO transformational leadership influence top executive normative commitment?

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ABSTRACT

Grounded in social exchange theory logic, this study proposes that CEO transformational leadership causes high normative commitment among top executives but this relationship is nonlinear. Specifically, top executives in Turkey express less normative commitment when their CEOs exhibits moderate levels of transformational leadership than low or high levels of transformational leadership. Additionally, CEO transformational leadership exhibits a similar nonlinear relationship to affective commitment which fully mediated the J-shaped relationship between CEO transformational leadership and normative commitment. The findings highlight the need to consider the nonlinear effects of leadership types as well as implications for further exploration of antecedents of normative commitment.

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1. Introduction

Do transformational Chief Executive Officers (CEOs)—those with leadership behaviors of intellectual stimulation, idealized influence, individualized consideration, and inspirational motivation (Bass & Avolio, 1990)—significantly impact their top executive's normative commitment (i.e., feeling of obligation to remain with the company)? Although CEOs serve a unique organizational role requiring them to effectively communicate a vision, establish collective goals, and manage their top executives (Resick, Whitman, Weingarden, & Hiller, 2009), diminutive evidence exists as to how CEO leadership impacts normative commitment of the executive management team. Prior literature assumes that transformational leadership appears advantageous to all those exposed, such that employees with transformational leaderships express more favorable outcomes (Judge & Piccolo, 2004; Rubin, Munz, & Bommer, 2005). However, consider challenging past assertions positing that leadership effects on executive commitment exhibits a nonlinear relationship and not a positive linear one. In doing so, this study offers several contributions to the leadership literature.

This study proposes curvilinear effects of CEO transformational leadership on organizational commitment by suggesting that top executives show the least amount of normative commitment at moderate levels. Transformational leadership has a significant impact on employee organizational commitment (Avolio, Zhu, Koh, & Bhatia, 2004; Dhawan & Mulla, 2011). The results establish the need for future research that focuses on the normative commitment construct at the executive management level. In addition, the results suggest that moderate levels of CEO transformational leadership produce higher levels of ambiguity and confusion for top executives ultimately impeding the quality of the social exchange relationship between the CEO and top executive. Such half-heartedness and lack of clarity in CEO leadership style results in more detrimental effects compared to if the CEO provides laissez-faire leadership, i.e., essentially no leadership at all (Humphreys, Weyant, & Sprague, 2003), or transactional leadership. Thus, this study offers primary research exploring the more complex curvilinear relationships that might exist between leadership types and follower outcomes.

A survey of the literature reveals a lack of studies investigating normative commitment in the executive ranks. The predictions are tested in the upper echelons employing a sample of top executives from major Fortune 500 companies in Turkey. Also, the sample of Turkish executives adds to the literature that has investigated leadership outside the West. Leadership research in Turkey has produced varied results. For example, Pasa (2000) states that employees in Turkey prefer transformational leadership however, Cerne, Jaklic, Skerlavaj, Aydinlik, and Polat (2012) suggest that an autocratic leadership style is more common in countries like Turkey with steep hierarchies and clan cultures.

Researchers examine organizational commitment in cultures such as Turkey with interesting results. For example, normative commitment relates more strongly with turnover intentions for countries

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with collectivist versus individualistic cultures (Watsi, 2003). As such, this research answers the call for additional research regarding both transformational leadership and normative commitment in non-Western countries (Bergman, 2006; Watsi, 2003).

2. Literature review

2.1. Normative commitment: a social exchange theory perspective

Organizational commitment is defined as "the relative strength of an individual's identification with and involvement in a particular organization" (Mowday, Porter, & Steers, 1982, p. 27). In particular, organizational commitment has been identified as including three different dimensions, affective, continuance, and normative. Affective commitment is defined as a strong belief in and acceptance of an organization's goals and values (Porter, Steers, Mowday, & Boulian, 1974). This acceptance of the organizational goals results in a willingness to exert effort on behalf of the organization. Continuance commitment reflects the degree to which the employee stays with the organization due to the high costs of leaving (Allen & Meyer, 1990). This commitment involves a calculation of costs and benefits concerning time spent, monetary rewards, and organization specific skills (Jaros, Jermier, Koehler, & Sincich, 1993).

Normative commitment reflects a feeling of obligation to remain with the organization (Meyer & Allen, 1991). Employees with a high level of normative commitment feel that they ought to remain with the organization (Meyer & Allen, 1997). Normative commitment is thought to develop when the "psychological contract" between an employee and organization is established (Meyer & Allen, 1997). Specifically, the top management team members consider commitment as either a moral imperative or indebted obligation based on their evaluation of relative individual versus organizational investments (Meyer, 2005; Meyer, Becker, & Van Dick, 2006). This perspective is particularly important given the level of individual investments of top management team members.

Executive managers often experience personal sacrifice because of the pressures and responsibilities associated with upper management (Dawley, Houghton, & Bucklew, 2010). In addition, organizations often make large investments in executive management development, compensation, and benefits. This reciprocity can result in increased organizational commitment. In fact, reciprocity serves as the basis of normative commitment (Meyer & Allen, 1997).

Social exchange refers to "actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others" (Blau, 1986, p. 91). According to social exchange theory, the exchange benefit includes not only tangible goods and services but also capacities to provide socially valued outcomes, such as prestige, approval, status, and recognition (Blau, 1986; Tekleab & Chiaburu, 2011). Based on social exchange theory logic, as a result of the enhanced experience of inclusion and supportiveness from their CEO, top executives' normative commitment increases. These positive work outcomes result from the opportunity to have a voice in decision-making processes and strong perceived organizational support. Since executives play a pivotal role in decision-making processes they are likely to experience increased normative commitment as suggested by social exchange theory. Research indicates this facet of commitment also predicts turnover, citizenship behavior, and job satisfaction (e.g., see Bentein, Vandenberghe, Vandenberg, & Stinglhamber, 2005; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). In addition, Moorman (1991) argues that employees' interactions with supervisors provide them with information regarding whether the organization considers him/her important. According to Rego and Cunha (2010), supervisory action is an effective indicator of how the organization values its employees.

Differences in organizational commitment across national cultures are likely to exist (Hofstede, 1980). This idea however is questionable in light of more current studies across different societal cultures For example, Clercq and Rius (2007) state that sources of organizational commitment are not cultural specific but may act universally. The results of their study show that organizational commitment relates positively to collectivism. Watsi (2003) finds that normative commitment is less important for employees in individualistic cultures than previously believed. In particular, results indicate that in Turkey, where collectivistic culture prevails, normative commitment predicts turnover intentions more strongly than affective commitment. As such, this study seeks to extend research in this area by examining normative commitment in Turkey, a collectivist culture (Hofstede, 1980; Pasa, Kabasakal, & Bodur, 2001).

Normative commitment develops as the result of a moral obligation to repay the organization for benefits (e.g., tuition payments or skills training) received from the organization (Scholl, 1981) or socialization experiences that emphasize the appropriateness of remaining loyal to one's employer (Wiener, 1982). This felt obligation resulting from the socialization experiences may begin with observation of role models and/or with the contingent use of rewards and punishment.

In addition to these socialization processes, a more specific reciprocity mechanism may also be operative in the development of normative commitment (Meyer & Allen, 1991). To the extent that the individual has internalized "exchange ideology" (Einsenberger, Huntington, Hutchison, & Sowa, 1986) or a reciprocity norm, the receipt of special favors from the organization may constrain him or her to stay even in the face of other, more attractive, alternatives (Meyer & Allen, 1991). CEO leadership plays an integral part in triggering the social exchange process and the presence of executive normative commitment.

2.2. The role of CEO transformational leadership

Transformational leadership constitutes a set of behaviors that motivate followers to achieve performance beyond expectations by changing followers' attitudes, beliefs, and values as opposed to simply gaining compliance (Bass, 1985; Yukl, 1999). Transformational leaders produce a strategic vision, communicate that vision, model the vision by "walking the talk" and playing consistently, and develop commitment towards the vision (Avolio, 1999). Transformational leaders stimulate followers to achieve extraordinary results by providing both meaning and understanding (Gumusluoglu & Ilsev, 2009). They align the objectives and goals of individual followers with the larger organization (Bass & Riggio, 2006) and provide the followers with support, mentoring, and coaching.

According to Bass (1985) transformational leadership includes four key concepts (charisma or idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation). According to Yukl (2006), results for component behaviors of transformational leadership are inconsistent from study to study. The components are so highly inter-correlated that is difficult to clearly determine their separate effects, even when factor analyses support the distinctiveness of transformational behaviors (Fu, Tsui, Liu, & Li, 2010). Consequently, many studies on transformational leadership have used only a composite score rather than the component behaviors (Yukl, 2006). In the current study, these scales are combined into one higher-order factor measuring transformational leadership as a unidimensional construct (see Hambley, O'Neill, & Kline, 2007). The lack of research exploring transformational leadership effects on normative commitment in top management provides a key motivation for this study.

Several studies establish a relationship between transformational leadership and follower's normative commitment (Bučiūnienė & Škudienė, 2008; Dhawan & Mulla, 2011; Meyer et al., 2002). For example, Meyer et al. (2002) find that normative commitment correlates highly with transformational leadership. In addition, Bučiūnienė and Škudienė (2008) report that transformational leadership relates