



## Impacts of Leadership & Change Management on Employees' Performance: Evidence from Pakistan

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### Abstract

This study explores the impacts of perceived charismatic leadership and change management on the employee's performance. In this changing era, immense dependence of organizations on their human resource requires effective leadership to manage change and human resources in the most efficient manner to achieve higher performance levels. Achieving the performance levels of the teams in this time of change is crucial. To analyze this relationship education industry is targeted and a sample of 200 people has gathered to assess this phenomenon. The findings suggest that by managing change effectively leaders are able to develop a higher perception of charisma in the minds of the followers and consequently become able to achieve higher performance outcomes from these followers. This research would be supporting managers in managing change using the charisma they possess and getting desired performance outcomes in line with organizational goals. So the findings of this study have explicit practical considerations for charismatic leadership practice, particularly in the situation where both followers and leaders interact with each other in times of change.

**Disciplinary:** Management (HRM, Organizational Behavior, Educational Management).

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## 1 Introduction

Globalization has to augment opportunities for revenues and growth. It has become imperative for an organization to shift business structure in the alignment of requirements of this fast-moving and ever-growing era (Antonakis, 2012). This modification may assume any shape either to shift in settings of the industry, to reshape the consumer behavior, or to have a budget in

the style of management. In today's world changes have are an indispensable tool for winning survival and attaining growth (Grant et al, 2010). Management of change refers to the behavior actions or strategies in a time of transitioning from the existing to the required state is a course of action involving conversion or transformation from the current state to desired future state (Ford, 2008). Change management in organizations refers to the extent to which a leader adopts behavior and policies for new desired state, whereas this new desired state may include the introduction of a new culture strategy process system or structure or the change in aforesaid paradigms (Levay, 2010).

Therefore, carefully managed behavior and a thought out properly designed strategy is the requirement for a flexible and adaptive process of managing change and for required performance outcomes. As successful and effective change management enhances coherence among strategy, system, structure and processes are necessary the perception of charisma in the minds of the followers also enhances. All aspects of the organization ought to be representative of each other. Resultantly, such management of change allows the charismatic leaders to get the desired level of commitment and performance from the employees.

The purpose of this study is to empirically investigate the impacts of perceived charismatic leaders on employees' performance at the individual level. This study also explores how the relationship between perceptions of charisma in the minds of the followers leads them to enhance their performance level positively by effectively and efficiently managing the change by the leader. Furthermore, Rinke (2004) argued that individuals' needs ought to be managed by the leader's style of management in order to survive and to achieve higher performance levels in the ever-changing environment. Thus, this study is backed by this rationale to be undertaken.

## 2 Literature Review

The word leadership may have been defined a thousand times depending on the requirements of time and scenario but it is always explained with an influential factor included. For this study, leadership can be defined as: "A management process to influence the subordinates around in order to develop their behaviors that are beneficial for the organization". The theory is that leaders are made or born depending on one's desire and willpower to be so for the latter. So leadership competencies are the "character strengths that can be learned and practiced." Managing change is referred to as managing unexpected events leading to major unrest amongst the individuals at the workplace is called organization change (Bligh et al., 2004a). Moreover, researchers also suggested that managing change in the organization is reflected when a leader is required to manage decisions that invoke transmission of processes and policies to a new phase (Levay, 2010). In managing change, leaders effectively create a commitment to change in the members of the team by creating supportive relationships, making the employees to recognize the need for change and helping them for adaptations by sharing a combined and propelling vision to attain the higher employees' performance level (Bass & Rigeo, 2006). Employees' performance refers to the extent to which the employees attain their goals and mission to add up organizational

goals (Bell 2007). Charismatic leadership is an important linchpin in not only leadership but also in human resource management. Charisma is defined as a construct as the “influence of symbolic leaders rooted in foundations both emotional and as well as ideological” (Antonakis et al., 2011). In charismatic leadership, the leader has the quality to trigger and maintain positive change in the organization via certain individual specific personnel attributes, Characteristics, actions and capabilities by adding motivation and meaning to their work. Charisma’s consequences are only evident in the perceptions of followers, so these are the followers who validate charisma by accepting him as a symbol of their moral unity (Keyes, 2002).

Charismatic leadership has been the point of focusing over and year again (Wade and Moss, 2010); this research stream dominates the leadership landscape whether deservedly or not at least in terms of published papers in the premier academic journal focused on leadership, *The Leadership Quarterly*, both in the last decade (Lowe & Gardner, 2000) and in the current one (Gardner et al., 2010). Researchers suggest that such behaviors actions and strategies tend to focus on the people affected by the change (Herold et al., 2008). For the perception of charisma in the minds of the followers the leadership change management and behaviors adopted for managing change plays a significant role (Antonakis et al., 2011). Moreover, over so many years researchers have been pondering on the construct of charismatic leadership and its mechanism with multiple other variables (Yukl, 1999); So they got able to transform the construct into its recent form (Antonakis et al., 2004; Conger, 1999; Hunt, 1999; Lowe & Gardner, 2000) which describes that charismatic leaders use their vision and mission as a platform to implicate the self-concept of followers. In this fashion, followers are affected by leaders through their exceptional powers driving them through value addition, self-efficacy, recognition, self-esteem, identity socially and exclusively with the leader. As a result of this leader’s change management approach, the motivational mechanisms trigger the self-concept effects that lead to a personal commitment to the leader’s mission, self-sacrificial behavior, organizational citizenship, and task meaningfulness. These effects are further enhanced by the generation of self-expression and consistency on the part of the followers.

Change opens a gateway to the managers to direct their behavior in a way that formulates workplace surroundings conducive to high employees' performance through managing change. This phenomenon occurs due to a clear perception of leader charisma which may facilitate leader's influence and makes performance objectives achievable by guiding at multiple angles. In contrast, leaders lacking the ability to manage change and not addressing change-related needs of the employees stops the performance levels to increase, as he lacks in communicating all aspects at all times during change rather wrong allocation of material and social support.

Moreover, neo charismatic viewpoints are that the followers make of leaders, which creates the alchemy charismatic leadership uses symbolic influence and stems from certain actions of leaders and attributions which is known as charisma (Conger & Kanungo, 1998; House, 1999; Shamir, 1999). Charisma’s concerns are only evident in the follower’s perceptions, which “validate”

the charisma of the leader. Only when followers accept the leader as a symbol of their moral unity can the leader have charisma (Keyes, 2002). Is charisma mainly which is based on the vision of an extraordinary leader or does it develop from rising to face extraordinary circumstances, such as a change. Strong adherents of Weber (e.g., Beyer, 1999) provide that he considers the following five interacting elements as crucial in generating charisma. Followers having a perception of charisma develop a high-level association and commitment to change. Charismatic leaders create and maintain a work environment where people are emotionally and intellectually committed to the organization's goals (Dulac, 2008).

Leaders' change-promoting behaviors often address teams as a whole and have therefore been conceptualized as a team-level variable (e.g., Herold et al., 2008), whereas charisma has been treated as both team-level (e.g. Wu et al., 2010) and individual-level variables (e.g., De Cremer & van Knippenberg, 2002; Walumbwa et al., 2008). To change a follower's attitudes and behaviors as per organizational change requirements, a leader's charisma needs to be validated by individual followers' perceptions (Antonakis et al., 2011). Employees' performance is affected by individual performance (Chen & Kanfer, 2006) as individual performances are enhanced by individual commitment and subsequently result in improved employees' performance. An individual committed to change would be likely to achieve change-related goals, which improves followers' individual performance. In the same fashion employees' improved individual performance will bring forth the team's collective improved and focused performance. So, leadership behaviors are key for the formation of charisma perceptions (Antonakis et al., 2011). Thus it is to explore how the change affects the employees' performance and how charismatic leader uses their influence in a time of change.

- H#1:** There is a positive relationship between perceived charismatic leadership and change management.
- H#2:** There is a positive relationship between perceived charismatic leadership and employee performance.
- H#3:** There is a positive relationship between change management and employees performance.
- H#4:** Change management acts as a mediator between perceived charismatic leadership and employee performance.



**Figure 1:** Conceptual Model.

### 3 Method

By nature, the purpose of this study was to test the hypothesis. In this study as per the research objectives answer to the research, the question has been obtained through proper hypothesis development and testing the same to confirm that the relationship between the variable

is existing. To unveil the importance of followers' perception of a leader's charisma in time of change when this change is managed effectively and efficiently to achieve higher levels of performance of employees in the organization to achieve organizational goals the correlational study is aimed. Each individual was taken as one data source response through a self-employed questionnaire was considered as one unit of the overall sample. The population of the study constituted permanent employees of the local (private or public sector) school in Punjab province. Data was obtained through self-completing survey questionnaires from school teachers. A data of 350 respondents were collected from which a set of 200 data was workable with respect to my study matching work experience threshold i.e. above 2 years. I expect a positive relationship between the variables so the slope coefficient will be having positive signs.

**Table 1: Demographic Statistics**

Variables	Frequency
Gender	
Male	145
Female	55
Work Experience	
2-3 years	56
3-5 years	34
5-7 years	65
above 7 years	45
Age	
20-30	30
31- 40	105
40-50	25
50 and above	40
Marital Status	
Married	137
Single	43
Divorced/widowed	20
Total	200

An analysis of categorical variables, Table 1 shows that a total of 200 respondents provided workable data serving the purpose of the study. Out of this 145 were males whereas 55 were females. Gender was dummy coded (0 for males and 1 for females). The whole sample size was an adult workable class so all data scattered on age from 20 to 60 retiring age in Pakistan. As we were concerned with the perceived charismatic leadership being mediated by changes so all the data was gathered from the employees who have spent two or more years in the schooling industry at that branch. We measured experience categorically i.e. 1= less than 2 years, 2= 2-3 years, 3= 3-5 years, 4= 5-10 years, 5=10 years or above. Age was also measured categorically (1=20-30, 2=30-40 etc.)

After collecting data using a questionnaire and interview survey, the next step is to analyze this data. SPSS®11 software is used to analyze data, where all the collected data was entered into the software. Missing value normal distribution and reliability analysis were done to see that data is normal and items have internal consistency. Correlation analysis was applied to test the strength of the relationship between dependent and independent variables and multiple regressions to find out the dependency of change management dimensions on leadership styles.

## 4 Result and Discussion

Having questionnaire data collection, next was to analyze this data using SPSS software. Data was gathered from the employees of the schools. A sample of 200 workable data was received. All data types were provided specific codes within this software. After that, different tests including correlation, regression and t-test were applied to data sets to get proof of the hypothesis that was made and to achieve the objectives of the study.

Table 2 shows the results of descriptive statistics, the values of mean and SD. The highest mean was of “Change management” a mediator (M=3.9), while the lowest mean was of “Employee performance” (M=3.7) which is a dependent variable. The means of all variables were 3 or above 3 which is the midpoint for this study. Whereas a close look at the continuous variable shows a mean of 3.85 for the independent variable i.e. perceived charismatic leadership.

**Table 2: Descriptive Statistics for all variables (N= 200).**

Variables	N	Mean	SD	Chornbach alpha
C	200	3.9	.7	0.937
L	200	3.8	.8	0.934
EP	200	3.7	.7	0.903

C= change management, L= leadership, EP=Employee performance

To check the reliability of the instrument first transformed all the items measuring one variable into one item so resultantly got three items named as their variable name. The reliability of all scales was measured by Cronbach's alpha. Table 2 shows the results of the reliability analysis. Change management has an Alpha value of 0.937. Perceived charismatic leadership is reported as 0.934. Employees’ performance exhibited a reliability of 0.903. Reliability is higher than 0.7 in all cases which is a standard of depicting internal consistency so the scale can be considered reliable with our sample as the internal consistency exists in the scale items.

**Table 3: Correlation between Perceived charismatic leadership and Change management**

	Change management
Leadership	Pearson Correlation .887**
	p-value .000

\*\* Correlation is significant at the 0.01 level (2-tailed)

Table 3 shows the results there is a significant positive relationship between Perceived charismatic leadership and change management. These variables gave the correlation value of  $r=0.887$  is positively correlated, with  $p\text{-value} < 0.001$ , thus  $H_1$  is accepted.

**Table 4: Correlation between perceived charismatic leadership and employees’ performance**

	Employee Performance
Perceived charismatic leadership	Pearson Correlation 0.84**
	p-value .000

\*\* Correlation is significant at the 0.01 level (2-tailed)

Table 4 shows the results that there is a significant positive relationship between perceived charismatic leadership and employee performance. These variables gave the correlation value of  $r=0.8$  is positively correlated, with  $p$ -value  $<0.001$ , thus H#2 is accepted.

**Table 5: Correlation between Change management and employees performance**

	Employee Performance	
Change Management	Pearson Correlation	0.833**
	p-value	.000

\*\* Correlation is significant at the 0.01 level (2-tailed)

Table 5 shows the results that there exists a significant positive relationship between Change management and Employee performance. These variables gave the correlation value of  $r=0.83$  is positively correlated. As  $p$ -value is less than 0.01, thus H#3 is accepted. Regression analysis was conducted to assess the strength of the cause and effect relationship of the independent variable on the dependent variables.

**Table 6: Mediation Analysis**

Hypothesis	p-value	Adj. R <sup>2</sup>	Standardized Coefficient $\beta$	t-value	Result
H#1: L-C	0.000	0.786	0.887	33.184	Accepted
H#2: L-P	0.000	0.719	0.848	27.644	Accepted
H#3: C-P	0.000	0.692	0.833	25.947	Accepted

L=Perceived charismatic leadership, C= Change Management, P= Employees performance

As per Barron n Kenny mediation 4 steps (Baron & Kenny, 2010; MacKinnon & Dwyer, 2010) step to finding the mediation. Table 6 presents model a with a value of adjusted R square = 0.719 which indicates that 71.9% of employee performance can be determined or predicted by the independent variable relationship managements.  $P=0.005$  which shows that the results are significant i.e. the independent variables reliably predict the dependent variable. The beta value which indicates which one of the independent variables has more effect on the dependent variable show a  $\beta$  value of .848 of the independent variable perceived charismatic leadership, signifying the relationship the perceived charisma leadership has on employees' job performance. So the change in R square due to mediator is only .030 so describing that a slight effect of it in the relation. It suggests that our direct path is very strong whereas a direct path is also significant but has the only partial effect on change management.

Similarly, Table 7 also suggests model b with a value of adjusted r square = 0.748 which narrates that 74.8% performance can be explained by charismatic leadership in a time of change when it is effectively managed. Change is also indicating a beta value of .376 which also seconds that change mediates very minutely the relationship of perceived charismatic leadership and employees' performance. A positive relationship is found between perceived charismatic leadership and change management (R square = .786,  $p < .001$ ). The adjusted R square for the perceived charismatic leadership is (0.786) which states that the perceived charismatic leadership explained the variation by 21.4% to the change management.

A positive relationship is found between the perceived charismatic leadership and employees' performance (R square = 0.719,  $p < .001$ ). The adjusted R square for the employee's performance is 0.719 which states that the perceived charismatic leadership explained the variation

by employee performance up to 28.1. A positive relationship is found between the change management and the employee's performance ( $R^2 = 0.692$ ,  $p < .001$ ). The adjusted  $R^2$  for the change management is 0.692 which states that variation up to 30.8% in the employee's performance is explained by the change management.

To judge the impact of independent variables on the dependent variable and the mediating effect of change management regression analysis was carried out. First of all, the independent and mediating variables must relate to each other. Second, the independent variable and dependent variable must have a significant relationship. Third, the impact of the independent variable on the dependent one should decrease, when mediating variable is added. As the beta of transformational leadership and of performance is reducing in the second step so proved that trust is acting as a mediator between perceived charismatic leadership and employee's performance. Their direct and indirect paths are shown.

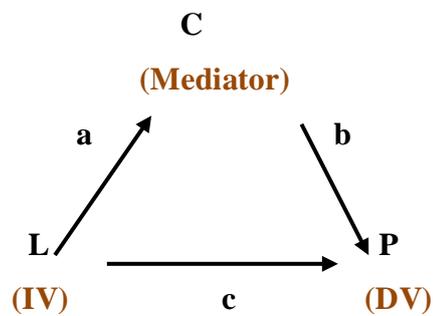
**Table 7: Direct & Indirect Relationship**

Step	DV	IV	Regression coefficients	f-value	t-value	p-value	Adj. $R^2$
1	P	L	0.848	764.168	27.644	.0002	0.719
2	C	L	0.887	1101.180	33.184	.0005	.786
3	P	L	0.515	12.106	8.1	.0009	0.719
		C	0.376	9.37	5.9	.011	.748

C = change management, L= perceived charismatic leadership, P=performance

Table 8 shows that the adjusted  $R^2$  is 0.7119 which is showing that variation in Performance of employees is explained up to 28.1% through variation in an independent variable that is L. The standard regression coefficient between change management and performance of employees is significant ( $\beta = .848$ ,  $p = .000$ ) with a significant t-value (27.644,  $p = .000$ ) and F-value (764.168,  $p = .000$ ). In the second step, Adjusted  $R^2$  is .786 indicating that the variation in performance of employees is explained up to 21.4% through variation in an independent variable that is C. The standard regression coefficient between perceived charismatic leadership and employees' performance is significant ( $\beta = .887$ ,  $p = .000$ ) with a significant t-value (33.184,  $p = .000$ ) and F-value (1101.1,  $p = .001$ ). In the third step, Change management is added as a variable. The results indicate that standard regression coefficients in the case of charismatic leadership perception have decreased in magnitude but still is significant ( $\beta = 0.515$ ,  $p = .001$ ); however, in the case of Change management, it not only decreases in magnitude but also become non-significant ( $\beta = 0.376$ ,  $p = .11$ ).

As the research states, Change management plays a mediating role between charismatic leadership and employee performance. Thus, the presence of change management mediates the relationship between charismatic leadership and employees performance. The mediating relationship of change management between the perceived charismatic leadership and employees' performance is shown in Figure 2.



**Figure 2:** The mediating relationship of change management.

The mediation effect can be tested by seeing the simple correlations among change management, perceived charismatic leadership and employee performance.

**Table 8:** Correlation (Overall)

Variables	Change Management	Perceived Charismatic Leadership	Employees Performance
Change Management	1.00		
Perceived Charismatic Leadership	.887** (0.002)	1.00	
Employees Performance	.833** (0.006)	.848** (0.001)	1.00

Note: \*\*Correlation is significant at the 0.01 level (2-tailed).

Table 8 indicates there exists a positive significant correlation between perceived charismatic leadership and employees' performance i.e. 0.566\*\*. Results are significant at 0.01 level of significance. Thus we may say that the perception of a leader as charismatic and having special attributes enhances in the minds of the subordinates their performance level is also increased as they get more committed to change. We also found a strong positive correlation between perceived charismatic leadership and change management i.e. 0.887\*\* is significant at 0.01 level. This means that employees perceive leaders as more charismatic when they help employees meet the challenges of change by carrying out true change management. H#4 is accepted as p-value is less than 0.01.

## 5 Conclusion

In this study, we tried to explore that the enhanced and higher level of performance at work may be achieved through the perception of leader as having charismatic owing special attributes. The Increasingly competitive environment that organizations face today has brought the importance of change management to the fore, for sake of standing out in the market. Leaders with specific attributes influence the successful, efficient, and effective management of change in the organization. Therefore this study unravels that when there is a change or change related to any situation in the organization effective change management creates a perception of charisma in the minds of the followers which in turn affects the performance of the employees. Conclusively a reasonable contribution to the etiology of perceived charisma is made through this study where during organizational changes possible performance outcomes may be understood through this earlier stated relationship. We expect that such addition to the etiology of charisma in times of

organizational change would help leaders and leadership researchers to understand and shape the change-promoting behaviors and to unleash the basic inherited complexities of the charisma that leaders possess and the same may be used to boost up employees performance.

## 6 Availability of Data and Material

Data can be made available by contacting the corresponding author.

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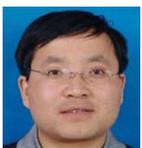
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