Impacts of transformational leadership on organizational change capability: a two-path mediating role of trust in leadership

Thanh Thi Cao
Hanoi University of Industry, Hanoi, Vietnam, and
Phong Ba Le
Hanoi University of Industry, Hanoi, Vietnam and
Hunan University, Changsha, China

Abstract

Purpose – Given the important role of change capability for organizational development and competitive advantage, the purpose of this study is to clarify the influences of transformational leadership (TL) on organizational change capability (OCC) via mediating roles of two specific aspects of trust in leadership namely disclosure-based trust and reliance-based trust.

Design/methodology/approach – Structural equation modeling is applied to test the degree of influences of TL and employee trust on OCC via empirical data collected from 376 participants in 115 small and medium firms in China.

Findings – The results show the positive and significant impacts of TL and aspects of employee trust in leadership on OCC. It indicated that disclosure-based trust in leadership has a greater influence on change capability in comparison with the effect of reliance-based trust in leadership. Especially, the findings have shown the evidence supporting the mediating mechanism of aspects of employee trust in leadership between TL and OCC.

Research limitations/implications – This study provides the practical initiatives that highlight the importance of applying TL style to build and improve the trust of employees in their leadership for fostering OCC.

Originality/value – The paper has significantly advanced and deepened insight of how transformational leaders nurture employee's specific shades of trust in leadership for fostering OCC. The valuable findings of this study contribute to enriching the theoretical basis of organizational behavior and change management, and can be used to analyze and explain the relationships between TL, employee's trust in leadership and organizational capability for change.

Keywords Transformational leadership, Organizational change capability, Employee trust, Disclosure-based trust, Reliance-based trust

Paper type Research paper

1. Introduction

Today's business environment is changing rapidly and becoming very difficult to predict (Lei *et al.*, 2019). Change occurs everywhere with increasing speed and complexity that has put

tremendous pressure on scholars and practitioners to effectively manage change and sustain competitive advantage for firms (Ramezan *et al.*, 2013; Al-Haddad and Kotnour, 2015). Despite spending a lot of time and effort on discovering different approaches or methods, organizations still face many challenges to change with high failure rate of their change initiatives (Al-Haddad and Kotnour, 2015). Leadership serves as a key agent for change and innovation in organizations because they are mainly responsible for bringing the necessary changes by creating a vision, identifying the need for change and implementing the change itself (Gilley *et al.*, 2009; Tayal *et al.*, 2018). However, they sometimes fail for poor change management and lack of change leadership practices (Judge, 2011; Lei *et al.*, 2019). On such situations, this study endeavors to find a suitable leadership style for fostering organizational change capability (OCC).

Transformational leadership (TL) has emerged as one of the most effective leadership styles contributing to positive and key outcomes for most organizations in the context of rapid change of business environment (Tayal *et al.*, 2018; Pasamar *et al.*, 2019; Son *et al.*, 2020). Transformational leaders inspire their followers to follow the change strategy and motivate them to achieve the change goals beyond expectations through their positive impacts on employee trust in them (Yasir *et al.*, 2016; Lei *et al.*, 2019; Islam *et al.*, 2021). This is very important to improve organizational capability for change because the major changes considerably depend on the employees' competencies, trust and skills developed to match the demands of changes and innovation (Tayal *et al.*, 2018; Berraies and Zine El Abidine, 2019). So, this study focuses on investigating the influences of TL on OCC via mediating role of employee trust in leadership. This study is expected to significantly expand the theory of leadership and change management by many motives.

First, leadership–change relationship is one of the most contentious issues of organizational life with much discussion and argument over what constitutes leadership style that can support change (Burnes and By, 2012). Although TL is recognized as one of the most crucial leadership styles in shaping followers' responses to change and improve organizational capability for change, literature on the correlation between TL and change capability is not properly concerned (Tayal *et al.*, 2018; Lei *et al.*, 2019). Accordingly, investigating the TL–change capability relationship is very necessary to identify and apply an appropriate leadership style for managing change and sustaining success of firms.

Second, change can be explained as the series of events happening in the organization that requires the support and consensus of employees toward change efforts (Yasir *et al.*, 2016; Tayal *et al.*, 2018). The ability to maximize the participation and innovative potential of employees is the main drive for firms to improve OCC (Tayal *et al.*, 2018). According to Lei *et al.* (2019), organizations can only follow and implement change initiatives successfully if their leaders get the involvement of employees through fostering their trust in leadership. However, it is still a scarcity of research on how TL affects specific aspects of employee trust for building and enhancing the chance capability of organizations (Yasir *et al.*, 2016; Lei *et al.*, 2019). Thus, to increase the understanding of the different ways by which transformational leaders can arouse the diverse aspects of employee trust for improving change capability, this study seeks to explain and clarify the influence of TL on employee trust in leadership in two new aspects namely disclosure-based trust and reliance-based trust.

Finally, employee trust in leadership plays a critical role in change efforts due to the risks and uncertainties inherent in the process of pursuing new ideas and change plans (Lei *et al.*, 2019). It is the main mechanism to enhance the process of exchanging information, power and relationship between leaders and employees for changes (Shazi *et al.*, 2015; Yasir *et al.*, 2016; Bligh, 2017). Previous studies supported the significant relationship between TL and employee trust (Yasir *et al.*, 2016; Le and Lei, 2018) as well as the positive influence of employee trust in leaders on OCC (e.g. Soparnot, 2011; Yasir *et al.*, 2016; Lei *et al.*, 2019). Although employee trust always occupies a central role in the leader–employee relationship

for pursuing changes and innovation, there has been a scarcity of research on how TL connects with aspects of employee trust in leadership for improving organizational capability for change (Yasir *et al.*, 2016; Lei *et al.*, 2019). As a result, it requires further theoretical basis and practical evidence to clarify the relationship between TL and OCC via mediating mechanism of aspects of employee trust in leadership.

To bridge the above theoretical gaps, this study applied the conceptual framework drawn on the literature in TL (Bass, 1985), organizational trust, organizational behavior theory (Lee *et al.*, 2010) and change management theory (Gilley *et al.*, 2009; Heckmann *et al.*, 2016) to develop a proposal hypotheses and address following research questions (RQ).

RQ1. Does TL have significant influences on OCC?

RQ2. How different are TL's influences on aspects of trust in leadership?

RQ3. Do aspects of trust in leaders mediate the relationship between TL and OCC?

To answer the above questions, structural equation modeling (SEM) is applied to investigate the degree of influences of potential factors such as TL and employee trust on OCC based on a survey of 376 participants from 115 small and medium firms in China. This study expected to provide directors/managers the valuable understanding and guidance of how to practice leadership for improving the trust of employees and promoting organizational capacity for change.

2. Literature review and hypotheses
2.1 Transformational leadership and organizational change capability
OCC is defined as a combination of managerial and organizational capabilities that allows an organization to adapt more quickly and effectively than its competitors to changing situations (Judge and Douglas, 2009; Bojesson and Fundin, 2021). According to Soparnot (2011), OCC is the organization's ability to produce and implement successfully change solutions or methods aimed at responding effectively to environmental and organizational evolution. Heckmann *et al.* (2016) emphasized that OCC is a dynamic capability and a key factor for all forms of organizations at some point of time. Change capability not only enables firms to frequently reconfigure and adapt old capabilities to changing situations but also creates new ones to cope with new appearing threats and opportunities (Heckmann *et al.*, 2016; Lei *et al.*, 2019). Based on above arguments, this study considered organizational capability for change as a holistic competence of an organization to recognize internal aspects needed to be changed, to realize new opportunities to be seized and to respond effectively to changing situations for organizational development.

TL has been widely acknowledged as a popular concept in management literature that characterizes leaders who emphasize clarity in their communications about organizational goals, act as the organization's leading force, engage in active coaching, promote new skill development among their followers and continuously seek new opportunities for their organization development (Riggio and Bass, 2006; Son *et al.*, 2020). Transformational leaders consider employees as a valuable resource in the firm and emphasize the important role of emotions, values and leadership oriented to encouraging positive and creative behaviors (García Morales *et al.*, 2008). According to Bass (1985), transformational leaders could motivate and inspire employees to execute beyond expectations and help them reach their full potential for an organization. The theory of TL has attracted great attention from scholars and become one of the most dominant leadership theories (Mhatre and Riggio, 2014; Le and Lei, 2019; Singh *et al.*, 2020). So, exploring influences of TL on OCC plays a crucial role in finding an effective way to promote organizational capacity for change.

TL is evaluated as one of the most important components for the successful transformation of organizations and OCC (Judge, 2011; Lei *et al.*, 2019). By considering employees as a valuable resource, caring for developing emotional and ethical links with employees, and inspiring employees to higher values (Le and Lei, 2018; Lei *et al.*, 2021), transformational leaders can effectively address the human side of change and overcome human resistance to change for achieving organizational change success. Many previous studies indicated that transformational leaders play a central role in both process of change initialization and implementation (Lutz Allen *et al.*, 2013; Busari *et al.*, 2019; Lei *et al.*, 2019; Islam *et al.*, 2021; Peng *et al.*, 2021). Indeed, according to Lutz Allen *et al.* (2013), applying TL behaviors into practice is very necessary for managers and directors to successfully manage and implement organizational change. Yasir *et al.* (2016) asserted that TL can be the most pertinent leadership style for effectively managing the change process. Their empirical findings verified TL's positive and significant impacts on OCC. Busari *et al.* (2019) stressed that transformational leaders act as change agents by stimulating and transforming employees' motives, beliefs and attitudes from a lower to a high level of arousal. Their findings showed that organizations experiencing more frequent changes would be more successful when managed by transformational leaders. Lei *et al.* (2019) asserted that transformational leaders enable to provide a positive vision and actualize necessary changes for organization due to paying much attention to promoting a climate of collaboration among individuals, fostering emotions and trustworthy culture, and constantly seeking favorable time and chance for changes. Highlighting TL as a key agent for changes, Bayraktar and Jiménez (2020) indicated positive impacts of transformational leaders on commitment to and intention to support organizational change. Recently, a study by Islam *et al.* (2021) argued that TL is the most effective and influential leadership style for managing and bringing necessary changes in the organizations. Their finding revealed that TL significantly enhance employee engagement during organizational change. In the similar vein, Peng *et al.*'s (2021) study found that TL is positively associated with change capability of organization by fostering the commitment to change, openness to change and readiness for change of employees.

Above arguments provide supports for the significant effect of TL on OCC. Accordingly, we propose the following hypothesis.

H1. Transformational leadership is associated with organizational change capability.

2.2 Transformational leadership and employee trust in leadership

Trust manifests the degree of confidence that one individual has in another's competence and his/her willingness to act in a fair, ethical and predictable manner (Nyhan, 2000; Flavian *et al.*, 2019). The study by Joseph and Winston (2005) showed that there are many types of trust, such as interpersonal trust, inter-organizational trust, trust in leadership, political trust, societal trust, peer trust in the workplace and organizational trust. Our study is particularly interested in exploring aspects of trust in leaders because it is the result of successful leadership practices. Successful leaders build and maintain employees' trust based on employee' perceptions of the leader's character and behavior (Le and Lei, 2018).

Schoorman *et al.* (2007) stated that trust in leaders is the employees' willingness to accept vulnerability on the basis of positive expectations of the leader's intentions. Trust was separated into reliance-based trust and disclosure-based trust (Gillespie, 2003; Le and Lei, 2018). Reliance-based trust is defined as the individual's willingness to rely on work-related skills, abilities and knowledge of another; and disclosure-based trust is defined as the individual's willingness to disclose work-related sensitive aspects or personal opinions and information to another (Le and Lei, 2018). Our study uses two of these concepts to measure trust in leaders because they reduce the vulnerability and risk that is inherent to trust, and was specifically designed to measure the decision to trust in leadership (Dietz and Den Hartog, 2006; Le and Lei, 2018).

Many previous researches support for the relation between TL and trust in leadership. Harms and Credé (2010) supposed that transformational leaders are good mentors who foster emotions and trustworthy culture. Holtz and Harold (2008) showed that if employees have awareness of TL behavior in their leaders, they will have a higher degree of trust in their leadership. In particular notes, the work of Lee *et al.* (2010) revealed that leaders have very significant impacts on both aspects of employees' trust in them (disclosure-based trust and reliance-based trust). Dirks and Ferrin (2002) described a strong and positive relationship between TL and trust in the leaders. According to MacKenzie *et al.* (2001), TL practice, based on individualizing support and fostering acceptance of common goals, will have positive relation with trust in the leadership. Recently, Le and Lei (2018) supposed that transformational leaders are positively associated with employee trust in leadership by treating fairly, exhibiting support, concern and respect for their contributions. Their findings showed TL's positive influences on employee trust in leadership.

In general, the above arguments provide supports for significant influences of TL on trust in leaders. However, excluding the study of Lee *et al.* (2010) and Lei *et al.* (2019), there has been a shortage of research on how leadership links with aspects of trust in leaders, limiting our understanding of the different ways leaders may establish employee trust in them (Lee *et al.*, 2010). As this study aims to provide further understanding of how TL may influence two specific forms of employee trust in leaders, we propose the following hypothesis:

H2a.b. Transformational leadership has a positive impact on disclosure-based trust and reliance-based trust of employees in leadership.

2.3 Employee trust in leadership and organizational change capability
The relationship between trust and OCC has not had much attention from literature; however, some authors explained this relation. For example, Judge (2011) and Soparnot (2011) indicated that OCC requires employee trust in their organization and leadership. Dirks and Ferrin's (2002) meta-analysis proposed that trust in the leaders is positively related to information exchange. It is very beneficial for leaders to make the change efforts. Therefore, change efforts are restrained, if employees' trust in their leaders is insufficient. According to Lei *et al.* (2019), the effectiveness of an organization's capacity for change is closely related to the degree of employees' trust with their colleagues and leaders within an organizational workplace. Similarly, if employees have high level of trust in their leadership and organization, they will have greater commitment and efforts to follow and successfully implement the change for organizational development (Judge, 2011). Smollan (2013) suggested that leaders who are able to gain the employee trust by proving ability and integrity will also obtain employees' commitment to a change. Yasir *et al.* (2016) asserted that in case of having high trust in leadership, employees will actively to follow the changes originated by their leaders. Their empirical work showed a significant impact of employee trust in leadership on firm's change capability. Men *et al.* (2020) considered trust in leadership as one of the major antecedents of employees' change-related attitudes and behaviors. Their finding showed positively influences of employee trust on their behavior for change.

In summary, above arguments provide supports for positive effects of employee trust in leaders on OCC. Hence, following hypothesis is posed:

H3a.b. Disclosure-based trust and reliance-based trust in leaders have positive impacts on organizational change capability.

2.4 Mediating role of employee trust in leadership between TL and organizational change capability
The above arguments support the mediating role of employee trust in leadership by showing that TL induces significant impacts on employee trust in leadership which in turn creates

positive effects on change capability. Especially, according to Yasir *et al.* (2016), stemming from the transformational leaders' interest in establishing and building respect, pride and confidence from employees, they will nurture and have a high trust of employee. This is the key foundation made employees willing and dedicated to bring about successful change with greater commitment. Lei *et al.* (2019) justified that practicing TL style will help managers build up a collaborative climate that is appropriate and beneficial for enhancing the trust of employee in leadership, thereby making it easier for the organization to successfully pursue and implement changes. Recently, by investigating the TL's role in stimulating employee engagement during organizational change, the findings of Islam *et al.* (2021) revealed that TL directly and indirectly affects employee engagement during organizational change via the mediating roles of both valence and trust in leadership. Hence, it is rational to propose that TL positively influences employee trust in leadership, which in turn affects change capability of organization. More specifically, the degree of employee trust may differ during organizational change and TL can increase the level of employee trust to enhance organizational capability in the context of change. Accordingly, this study proposes the following hypothesis (see Figure 1):

> *H4a.b.* Disclosure-based trust and reliance-based trust in leaders mediate between TL and organizational change capability.

3. Research methodology

3.1 Sample and data collection

In summer 2019, empirical data were collected through a survey of 115 small and medium firms in Hunan, Beijing and Guangdong in China. We communicated with representatives of these firms by phone and/or making personal visits to explain the purpose of the research and ask for their assistance in collecting the questionnaires. We also clearly show the purpose and significance of the research in the questionnaires, and commit to information security for respondents. To meet research needs, the respondents in this study are deputy directors, head of department, team leader and staffs mainly at departments of administration, operation, accounting, planning, and research and development to ensure the necessary understanding of the firm as well as taking part frequently in exchanging and processing the important information of the operating environment of the organization. The measurement items are adapted from exiting scales in the literature for developing an initial list of items. The paper
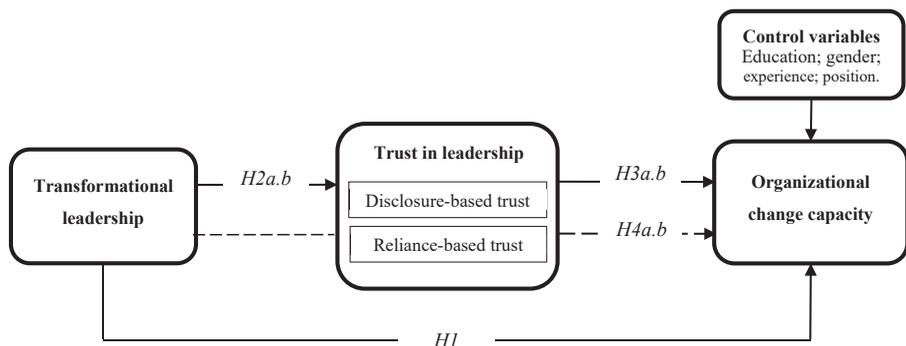

Figure 1.
Proposal
research model

Note(s): ----- *Indirect effect*

employed backward translation to confirm the consistency between the English questionnaire and Chinese questionnaire. We carry out pilot tested by means of in-depth interviews with five outstanding academic scholars who have deep knowledge in knowledge management at three universities and 45 participants from five firms to determine the efficiency of the questionnaire before the process of formal data collection. This study issues 700 questionnaires and receives 512 copies in the formal data collection, among which 376 ones were valid, with a 53.7% validity rate. The valid questionnaires are chosen after the process of survey data cleaning by identifying and removing responses from respondents who either do not match our target criteria or did not answer the survey form thoughtfully. Potential non-response bias was assessed by following the method proposed by Armstrong and Overton (1977). Chi-square and independent sample *t*-test were used to compare the earlier 80 respondents and the last 80 ones based on demographic variables, including gender, age and level of education. The results demonstrated that there were no significant differences between the two groups of responses ($p > 0.05$). Therefore, it showed that common method bias was not a concern. A total of 376 respondents 233 (62.0%) were male and 143 (38.0%) were female. They answered the questions relating to the variables in the proposal research model like TL, disclosure-based trust and reliance-based trust in leaders and OCC.

3.2 Variable measurement
All measures used in this study were tested and validated in previous research (see Table 1). We measured all items via five-point Likert-type scales ranging from "1" (strongly disagree) to "5" (strongly agree). In other words, the participants will indicate their degree of agreement or disagreement that fits the situation in their firms best.

3.3 Data analysis methods and multicollinearity
The SEM method has been widely use due to its ability to demonstrate versatile regression correlations on a single model and test (Kline, 2015). So this study used SEM to test proposal hypotheses in the research model. In addition, to ensure multicollinearity does not result in spurious findings during regression analysis, we have calculated the variance inflation factor (VIF). The VIF is found to be less than 3 for all the independent variables, so potential multicollinerarity-related issues were not a concern.

4. Analysis results
4.1 Measurement model
We first tested the reliability of the measures for the constructs by examining the individual Cronbach's alpha coefficients (Cα), with the result's statistics ranging from 0.92 to 0.98, which were all higher than the recommended level of 0.7 (Nunnally and Bernstein, 1994). We then

Construct	Items	Source
TL	Eight items (reflecting the participants' perceptions of their leader about TL style)	Dai *et al.* (2013) https://doi.org/10.1108/IJCHM-Dec-2011-0223<
Disclosure-based trust in leadership	Five items (reflecting employees' willingness in disclosing work-related sensitive aspects and personal opinions to their leaders)	Gillespie (2003) https://doi.org/10.1108/00483480610682299
Reliance-based trust in leadership	Five items (reflecting employees' willingness to rely on work-related skills, abilities and knowledge of their leaders)	Gillespie (2003) https://doi.org/10.1108/00483480610682299
OCC	32 items (reflecting capability of an organization for change)	Judge and Douglas (2009) https://doi.org/10.1108/09534810910997041

Table 1.
Observed variables of latent factors in the research model

performed confirmatory factor analysis (CFA) evaluating the overall measurement model to assess the convergent and discriminant validity. Table 2 shows the means, standard deviation (SD), factor loading, AVE, CR and Cα of every construct.

To evaluate the convergent validity following the recommendation of Hair *et al.* (2006), we adopted three primary measures. First, the factor loadings of the indicators must be statistically significant with values greater than 0.6. Second, the values of composite reliability (CR) need to be greater than 0.7. And third, values of average variance extracted (AVE) need to be greater than 0.5.

As shown in Table 2, all factor loadings range from 0.70 to 0.95 (all larger than 0.6) being statistically significant at the 0.001 level. CR values (ranging from 0.84 to 0.98) are higher than 0.7. And the AVE values range from 0.66 to 0.76 (all greater than 0.5). Overall, all the measures exhibited adequate convergent validity.

Discriminant validity is the degree to which, factors that are supposed to measure a specific construct do not predict conceptually unrelated criteria (Fornell and Larcker, 1981). This study used Fornell and Larcker's (1981) measure of AVE to assess the discriminant validity. In this approach, the discriminant validity of the research instrument was assessed by comparing the square root of the AVE with the correlations among the latent variables (see Table 3).

Table 3 shows that the square root of AVE for each construct (diagonal elements in bold) is greater than the correlations among constructs in the model. In general, the results provide strong support for the construct reliability, as well as for the convergent and discriminant validity of the scales.

Table 4 shows the measure model fit. As shown in Table 4, all fit indices met satisfactory levels. Hence we can conclude that, the model fits the data and can explain the proposal research hypotheses.

Construct	Mean	SD	Item	Loading	AVE	CR	Cα
TL	3.38	0.58	TL1	0.86***	0.76	0.96	0.96
			TL2	0.87***			
			TL3	0.88***			
			TL4	0.86***			
			TL5	0.87***			
			TL6	0.88***			
			TL7	0.86***			
			TL8	0.86***			
Disclosure-based trust in leadership (LD)	3.62	0.56	LD1	0.79***	0.73	0.93	0.93
			LD2	0.95***			
			LD3	0.94***			
			LD4	0.70***			
			LD5	0.85***			
Reliance-based trust in leadership (LR)	3.50	0.57	LR1	0.89***	0.70	0.92	0.93
			LR2	0.83***			
			LR3	0.72***			
			LR4	0.92***			
			LR5	0.81***			
OCC	3.75	0.50	OCC1	0.80***	0.66	0.98	0.99
			OCC2	0.77***			
			OCC3	0.77***			
			……	…………			
			OCC32	0.86***			

Note(s): Cα ≥ 0.7; composite reliability ≥ 0.7; average variances extracted ≥ 0.5; ***$p < 0.001$

Constructs	Mean	SD	TL	LD	LR	OCC	Education	Gender	Experience	Position
TL	3.38	0.58	0.87							
LD	3.62	0.56	0.43***	0.85						
LR	3.50	0.57	0.42***	0.53***	0.83					
OCC	3.75	0.50	0.53***	0.64***	0.53***	0.81				
Education	2.36	0.97	0.46***	0.45***	0.47***	0.51***	1			
Gender	1.38	0.48	0.00	0.00	−0.03	0.01	0.05	1		
Experience	2.13	0.58	0.43***	0.40***	0.35***	0.34***	0.40***	0.06	1	
Position	3.75	0.50	0.28***	0.24***	0.18***	0.45***	0.17***	0.07	0.26***	1

Note(s): ***$p < 0.001$; Diagonal elements (in italics) are the square root of the AVE

Table 3.
Correlations and
average variances
extracted from
constructs

4.2 Structural model

According to Kline (2015), the SEM method is widely used due to its ability to demonstrate versatile regression correlations on a single model and test. It is also appropriate and practical to investigate interaction and mediation effects (e.g. Le and Lei, 2019). So, this study used SEM with maximum likelihood estimation procedures to test the proposal hypotheses. This section presents the main result of the hypothesis testing of the structural relationship among the latent variables (Tables 5, 6 and Figure 2).

Fit index	Scores	Recommended threshold value
Absolute fit measures		
CMIN/df	1.818	$\leq 2^a; \leq 5^b$
GFI	0.813	$\geq 0.90^a; \geq 0.80^b$
RMSEA	0.047	$\leq 0.08^a; \leq 0.10^b$
Incremental fit measures		
NFI	0.900	$\geq 0.90^a$
AGFI	0.801	$\geq 0.90^a; \geq 0.80^b$
CFI	0.952	$\geq 0.90^a$
Note(s): a, Acceptability: acceptable; b, Acceptability: marginal		

Table 4. Overall fit index of the CFA model

Hypotheses	Proposal effect	Estimate	p	Results
H1. TL → OCC	+	0.207***	<0.001	Supported
H2a. TL → LD	+	0.445***	<0.001	Supported
H2b. TL → LR	+	0.492***	<0.001	Supported
H3a. LD → OCC	+	0.253***	<0.001	Supported
H3b. LR → OCC	+	0.230***	<0.001	Supported

Control variables	Effect	Estimate	p	Results
Education →OCC	+	0.114***	<0.001	Supported
Gender → OCC	−	−0.005	0.899	Not supported
Experience → OCC	+	0.059**	0.003	Supported
Position → OCC	+	0.065***	<0.001	Supported
Note(s): ***significant at the 0.001 level; **significant at the 0.05 level				

Table 5. Structural model results

Predictor/dependent	LD	LR	OCC
Direct effects			
TL	0.445***	0.492***	0.207***
Disclosure-based trust in leadership (LD)			0.253***
Reliance-based trust in leadership (LR)			0.230***
Indirect effects			
TL			0.225***
Total effects			
TL			0.432***
Note(s): ***significant at the 0.001 level			

Table 6. Direct, indirect and total effects analysis
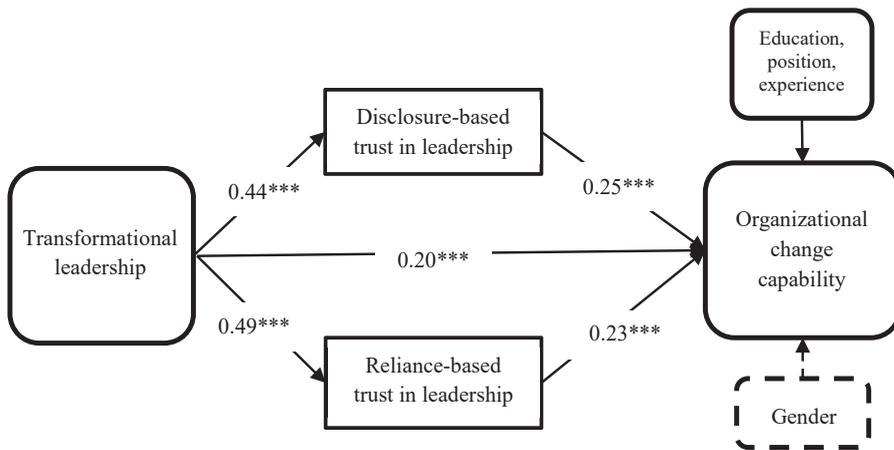
Note(s): ***p < 0.001 ----- *Non-significant paths*

4.2.1 Direct effect analysis. The results in Table 5 show that all the direct relationship between the latent factors are quite large and statistically significant. Therefore, all the hypotheses are supported, specifically.

For hypothesis H1, the results support for positive and significant impacts of TL on OCC with $\beta = 0.207$ ($p < 0.001$).

For hypothesis H2a.b, the results demonstrated that TL's influences on reliance-based trust in leadership ($\beta = 0.492$; $p < 0.001$) is larger than its influence on disclosure-based trust in leadership ($\beta = 0.445$; $p < 0.001$).

For hypothesis H3a.b, the results show that disclosure-based trust in leaders has greater impacts on OCC ($\beta = 0.253$; $p < 0.001$) in comparison with influences of reliance-based trust in leaders on OCC ($\beta = 0.230$; $p < 0.001$).

The results of the hypotheses tests were obtained after assessing the control role of education, gender, working position and working experience of individuals. The results in Table 5 and Figure 2 confirm the control role of these variables, excluding gender because its effect on OCC is not statistically significant.

4.2.2 Indirect and total effect analysis. This study does not just give evidence about the influence of TL on OCC, it also shows how this mechanism is activated through disclosure-based trust and reliance-based trust in leaders; the direct and indirect effects, as well as total effects, are computed and listed in Table 6. As to the indirect effects, Table 6 first confirms the mediating role of disclosure-based trust and reliance-based trust in leaders in the relationships between TL and OCC.

Finally, Table 6 showed that, total effects of TL on OCC are very impressive with $\beta = 0.432$ ($p < 0.001$). It is due to TL's indirect effect on OCC is very significant with $\beta = 0.225$ ($p < 0.001$). The finding indicates that employees' trust in leaders mediate the relationship between TL and OCC.

5. Discussions and implications

Today, in the twenty-first century, change and the way to adapt quickly and effectively toward change situations have become a critical issue in the leaders' minds (Ramezan *et al.*,

2013; Le and Lei, 2019). Leaders and their organization are spending tens of millions dollars on change and innovation effort such as information technology installations and technological changes, but it seems ineffective (Ramezan *et al.*, 2013; Lei *et al.*, 2021). Primary reasons explain for these failures is that, leaders have not yet recognized the main motivation for improving change capability. The success of implementing organizational change initiatives mainly depends on extent of beliefs and attitudes of employees toward change as well as behaviors of change leaders themselves (Gill, 2002; Judge, 2011; Lei *et al.*, 2019). In this context, the hypotheses that were developed in this paper make important contributions to both practical and theoretical initiatives on change management as follows.

5.1 Theoretical contributions

First, the article highlighted the importance of enhancing organizational capability for change by showing that as a dynamic competence, change capability can help firms effectively exploit organizational knowledge resources, rapidly response to change situations and achieve better outcomes than key competitors (Gonzalez and Melo, 2019; Pereira *et al.*, 2019; Bojesson and Fundin, 2021; Gonzalez, 2021). In particular, by investigating the TL–OCC relationship, this study contributes to increasing the understanding of the relationship between TL and OCC and confirms the important role of TL in relations with OCC. The empirical findings verify that TL's influences on OCC are very significant. The basic reason may be due to TL is one of the most effective leadership styles for leaders to improve organizational capability for change and innovation (Lei *et al.*, 2019; Le and Lei, 2019). The finding reveals that, positive characteristics of transformational leaders (such as paying much attention to communicate about organizational goals, acting as the organization's leading force, caring and understanding employees' situations, encouraging employees to think about problems from a new perspective and giving them timely encouragement and assistance) seem to have significant influences on OCC. These characteristics enable transformational leaders to (1) create employees' positive affective responses to change by communicating and bringing a clear vision and optimism about change, (2) inspire employees to overcome human resistance to change by acting as the organization's leading force for change and (3) increase employees' trust, ability and willingness to perform changes by giving them timely encouragement, attention and assistance.

Second, by investigating the influences of TL on two aspects of employee trust in leadership and OCC, the article makes considerable contribution to increase the knowledge of employee trust and change literature. As disclosure-based trust and reliance-based trust in leadership reflect two different degrees of employee trust in leadership. Specifically, disclosure-based trust fosters the willingness of employees to disclose sensitive and important issues/information to the leaders. Reliance-based trust encourages employees to follow and rely upon ability/competence of the leaders for their actions. Two these aspects of trust are specifically suitable to measure the difference of individuals' trust in leadership (Dietz and Den Hartog, 2006; Le and Lei, 2018). The full understanding of individual's different aspects of trust toward leaders will create favourable and effective conditions to improve OCC as well as process of change implementation. The empirical results show that TL has strong impacts on two kinds of trust in leaders, which in turn have positive and significant influences on OCC. The finding implicates that, "willing to disclose sensitive and important issues to the leaders" enables transformational leaders to make right decisions which is useful and beneficial for OCC; while "willing to rely upon ability/competence of the leaders" enables transformational leaders execute change effectively because their followers will ready implement plans of change for belief of success. From these findings, the paper implies that directors/managers need to increase awareness and practice TL style to build employee trust in them for the goal of improving their OCC.

Third, several previous studies (e.g. Yasir *et al.*, 2016; Lei *et al.*, 2019) although examined the effect of TL on OCC through the mediating role of employee trust in leadership, the results of these studies still have certain limitations. Specifically, Yasir *et al.*'s (2016) study were only conducted on a research sample from non-profit organizations and did not reflect the different mediating influences of mediators originated from specific aspects of employee trust in leadership. Meanwhile, Lei *et al.* (2019) only studied the intermediary role of employee trust between TL and two components of OCC namely innovative culture and capable champions, so it does not accurately and fully reflect the influence of independent and intermediate factors on the overall change capability of organizations. By investigating the mediating roles of disclosure-based trust and reliance-based trust in leaders between TL and OCC, this study has clarified and provided deeper insight on mediating role of different shades of employee trust in leadership in TL–OCC relationship. The empirical findings have verified the mediating roles of two aspects of trust in leadership, and revealed that TL practices will yield significant effects to OCC directly or indirectly through improving both disclosure-based trust and reliance-based employee trust in leadership.

5.2 Practical contributions
This study has value to directors/managers of Chinese small and medium firms, and serves as a reference for practicing leadership, building employee trust and improving change capability in their firms. Some specific managerial implications are follows.

First, scholars considered TL practice as the best way to build truth among employees and leaders for reducing the vulnerability and risk inherent in interpersonal ties at the workplace (Bligh, 2017; Le and Lei, 2018). Trust in leadership would motivate employees to be proactive, committed and ready to deal effectively with change situations (Islam *et al.*, 2021; Peng *et al.*, 2021). Consequently, the paper has provided directors/managers a significant implication, practical guidance and clear pathway for enhancing organizational capability to change. In other words, to create a positive climate that significantly fosters firms' change capability, managers need to focus on practicing TL style and developing both disclosure-based trust and reliance-based trust from employees by developing leadership qualities and personal competencies emphasized integrity, honesty and fairness in behavior and decisions, and constantly improving the leadership–employee relationship on the basis of sharing and empathy (Bligh, 2017; Islam *et al.*, 2021).

Second, by examining the influences of control variables, the finding reveals that education level, working experience and working position have considerable impacts on OCC. Based on these findings, some practical implications are proposed as follows. First, leaders should make efforts to improve organizational capacity for change by paying attention to strengthen activities of training and retraining. Second, focus attention on point of views and ideas from individuals who have a lot of experience. And finally, plans and perceptions of change need to be rooted in high levels of management apparatus and key leaders.

Finally, China is considered an emerging market with the economic growth rate relatively high and stable in recent years. However, Chinese small and medium firms are still facing with many difficulties and quite sensitive to changes in technology and innovation (Mei *et al.*, 2019; Yao *et al.*, 2020). The majority of small and medium firms are lack of capital, resources and R&D capabilities to innovate and change (Lei *et al.*, 2019; Yao *et al.*, 2020). Thus, improving organizational capacity for change and innovation by huge investments in technological innovation is not feasible. The findings of this paper imply that focusing on TL practice to promote employees' trust and intrinsic motivation for change is an optimal choice for small and medium firms in China.

5.3 Limitations and directions for future research
This study has some limitations. First, using cross-sectional design to investigate the correlation among the constructs in the research model may appear ability that causal relationships may change in the long term because employee trust in leaders might change according to the context and time (Smollan, 2013). A longitudinal study would overcome this limitation and consolidate the results. Second, two specific aspects of trust in leaders are found to have significant impacts on OCC. So, it is necessary to conduct further research studies in future aimed to explore more deeply the relationship between two aspects of trust in leaders and specific aspects of OCC. Finally, TL is considered as the crucial determinant of many organizational outcomes such as organizational innovation, change management, knowledge management, employee satisfaction, commitment and organizational citizenship behaviors (Lei *et al.*, 2020), future research might advance the theory of organizational behavior as well as maximize the potential and benefits of TL by investigating the mediating roles of aspects of trust in leaders between TL and these key outcomes.

6. Conclusions
In general, the findings of this study differ from previous works by deepening the understanding of antecedents and conditions to improve OCC. This study significantly contributes to advancing theoretical initiatives of leadership and change management by examining the two-path mediating role of employee trust in leadership in the TL–OCC relationship. The findings highlight that TL practices will help CEOs/managers to nurture the disclosure-based trust and reliance-based trust of employees in leaders, thereby contributing to improving change capacity of small and medium firms.

References

Al-Haddad, S. and Kotnour, T. (2015), "Integrating the organizational change literature: a model for successful change", *Journal of Organizational Change Management*, Vol. 28 No. 2, pp. 234-262.

Armstrong, J.S. and Overton, T.S. (1977), "Estimating nonresponse bias in mail surveys", *Journal of Marketing Research*, Vol. 14, pp. 396-402.

Bass, B.M. (1985), *Leadership and Performance Beyond Expectations*, Free Press, Collier Macmillan, New York.

Bayraktar, S. and Jiménez, A. (2020), "Self-efficacy as a resource: a moderated mediation model of transformational leadership, extent of change and reactions to change", *Journal of Organizational Change Management*, Vol. 33 No. 2, pp. 301-317.

Berraies, S. and Zine El Abidine, S. (2019), "Do leadership styles promote ambidextrous innovation? Case of knowledge-intensive firms", *Journal of Knowledge Management*, Vol. 23 No. 5, pp. 836-859.

Bligh, M.C. (2017), "Leadership and trust", in Marques, J.F. and Dhiman, S. (Eds), *Leadership Today - Practices for Personal and Professional Performance*, Springer International Publishing, New York.

Bojesson, C. and Fundin, A. (2021), "Exploring microfoundations of dynamic capabilities–challenges, barriers and enablers of organizational change", *Journal of Organizational Change Management*, Vol. 34 No. 1, pp. 206-222.

Burnes, B. and By, R.T. (2012), "Leadership and change: the case for greater ethical clarity", *Journal of Business Ethics*, Vol. 108 No. 2, pp. 239-252.

Busari, A.H., Khan, S.N., Abdullah, S.M. and Mughal, Y.H. (2019), "Transformational leadership style, followership, and factors of employees' reactions towards organizational change", *Journal of Asia Business Studies*, Vol. 14 No. 2, pp. 181-209.

Dai, Y.D., Dai, Y.Y., Chen, K.Y. and Wu, H.C. (2013), "Transformational vs transactional leadership: which is better? A study on employees of international tourist hotels in Taipei City", *International Journal of Contemporary Hospitality Management*, Vol. 25 No. 5, pp. 760-778.

Dietz, G. and Hartog, D.N.D. (2006), "Measuring trust inside organisations", *Personnel Review*, Vol. 35 No. 5, pp. 557-588.

Dirks, K.T. and Ferrin, D.L. (2002), "Trust in leadership: meta-analytic findings and implications for research and practice", *Journal of Applied Psychology*, Vol. 87 No. 4, p. 611.

Flavian, C., Guinalíu, M. and Jordan, P. (2019), "Antecedents and consequences of trust on a virtual team leader", *European Journal of Management Business Economics*, Vol. 28 No. 1, pp. 2-24.

Fornell, C. and Larcker, D.F. (1981), "Evaluating structural equation models with unobservable variables and measurement error", *Journal of Marketing Research*, Vol. 18 No. 1, pp. 39-50.

Garcia-Morales, V.J., Matias-Reche, F. and Hurtado-Torres, N. (2008), "Influence of transformational leadership on organizational innovation and performance depending on the level of organizational learning in the pharmaceutical sector", *Journal of Organizational Change Management*, Vol. 21 No. 2, pp. 188-212.

Gill, R. (2002), "Change management–or change leadership?", *Journal of Change Management*, Vol. 3 No. 4, pp. 307-318.

Gillespie, N. (2003), "Measuring trust in working relationships: the behavioral trust inventory", *Paper presented at the Academy of Management Conference*, Seattle, WA.

Gilley, A., Gilley, J.W. and McMillan, H.S. (2009), "Organizational change: motivation, communication, and leadership effectiveness", *Performance Improvement Quarterly*, Vol. 21 No. 4, pp. 75-94.

Gonzalez, R.V.D. (2021), "Effects of learning culture and teamwork context on team performance mediated by dynamic capability", *Journal of Knowledge Management*, Vol. 25 No. 8, pp. 2000-2021, doi: 10.1108/JKM-05-2020-0385.

Gonzalez, R.V.D. and Melo, T.M. (2019), "Analyzing dynamic capability in teamwork", *Journal of Knowledge Management*, Vol. 23 No. 6, pp. 1196-1217.

Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. and Tatham, R.L. (2006), *Multivariate Data Analysis*, 6th ed., Pearson Education, New Jersey.

Harms, P.D. and Credé, M. (2010), "Emotional intelligence and transformational and transactional leadership: a meta-analysis", *Journal of Leadership and Organizational Studies*, Vol. 17 No. 1, pp. 5-17.

Heckmann, N., Steger, T. and Dowling, M. (2016), "Organizational capacity for change, change experience, and change project performance", *Journal of Business Research*, Vol. 69 No. 2, pp. 777-784.

Holtz, B.C. and Harold, C.M. (2008), "When your boss says no! the effects of leadership style and trust on employee reactions to managerial explanations", *Journal of Occupational and Organizational Psychology*, Vol. 81 No. 4, pp. 777-802.

Islam, M.N., Furuoka, F. and Idris, A. (2021), "Employee engagement and organizational change initiatives: does transformational leadership, valence, and trust make a difference?", *Global Business and Organizational Excellence*, Vol. 40 No. 3, pp. 50-62.

Joseph, E.E. and Winston, B.E. (2005), "A correlation of servant leadership, leader trust, and organizational trust", *Leadership and Organization Development Journal*, Vol. 26 No. 1, pp. 6-22.

Judge, W.Q. (2011), *Building Organizational Capacity for Change: The Leader's New Mandate*, Business Expert Press, New Jersey.

Judge, W. and Douglas, T. (2009), "Organizational change capability: the systematic development of a scale", *Journal of Organizational Change Management*, Vol. 22 No. 6, pp. 635-649.

Kline, R.B. (2015), *Principles and Practice of Structural Equation Modeling*, The Guilford Press, Guilford Publications, New York.

Le, P.B. and Lei, H. (2018), "The mediating role of trust in stimulating the relationship between transformational leadership and knowledge sharing processes", *Journal of Knowledge Management*, Vol. 22 No. 3, pp. 521-537.

Le, P.B. and Lei, H. (2019), "Determinants of innovation capability: the roles of transformational leadership, knowledge sharing and perceived organizational support", *Journal of Knowledge Management*, Vol. 23 No. 3, pp. 527-547.

Lee, P., Gillespie, N., Mann, L. and Wearing, A. (2010), "Leadership and trust: their effect on knowledge sharing and team performance", *Management Learning*, Vol. 41 No. 4, pp. 473-491.

Lei, H., Phouvong, S. and Le, P.B. (2019), "How to foster innovative culture and capable champions for Chinese firms: an empirical research", *Chinese Management Studies*, Vol. 13 No. 1, pp. 51-69.

Lei, H., Leaungkhamma, L. and Le, B.P. (2020), "How transformational leadership facilitates innovation capability: the mediating role of employees' psychological capital", *Leadership and Organization Development Journal*, Vol. 41 No. 4, pp. 481-499.

Lei, H., Gui, L. and Le, P.B. (2021), "Linking transformational leadership and frugal innovation: the mediating role of tacit and explicit knowledge sharing", *Journal of Knowledge Management*, Vol. 25 No. 7, pp. 1832-1852.

Lutz Allen, S., Smith, J.E. and Da Silva, N. (2013), "Leadership style in relation to organizational change and organizational creativity: perceptions from nonprofit organizational members", *Nonprofit Management and Leadership*, Vol. 34 No. 1, pp. 23-42.

MacKenzie, S.B., Podsakoff, P.M. and Rich, G.A. (2001), "Transformational and transactional leadership and salesperson performance", *Journal of the Academy of Marketing Science*, Vol. 29 No. 2, pp. 115-134.

Mei, L., Zhang, T. and Chen, J. (2019), "Exploring the effects of inter-firm linkages on SMEs' open innovation from an ecosystem perspective: an empirical study of Chinese manufacturing SMEs", *Technological Forecasting and Social Change*, Vol. 144, pp. 118-128.

Men, L.R., Yue, C.A. and Liu, Y. (2020), "'Vision, passion, and care': the impact of charismatic executive leadership communication on employee trust and support for organizational change", *Public Relations Review*, Vol. 46 No. 3, pp. 1-12.

Mhatre, K.H. and Riggio, R.E. (2014), "Charismatic and transformational leadership: past, present, and future", *The Oxford Handbook of Leadership and Organizations*, pp. 221-240.

Nunnally, J.C. and Bernstein, I. (1994), "Elements of statistical description and estimation", *Psychometric Theory*, 3rd ed., McGraw-Hill, New York.

Nyhan, R.C. (2000), "Changing the paradigm: trust and its role in public sector organizations", *The American Review of Public Administration*, Vol. 30 No. 1, pp. 87-109.

Pasamar, S., Diaz-Fernandez, M. and de la Rosa-Navarro, M.D. (2019), "Human capital: the link between leadership and organizational learning", *European Journal of Management Business Economics*, Vol. 28 No. 1, pp. 25-51.

Peng, J., Li, M., Wang, Z. and Lin, Y. (2021), "Transformational leadership and employees' reactions to organizational change: evidence from a meta-analysis", *The Journal of Applied Behavioral Science*, Vol. 57 No. 3, pp. 369-397.

Pereira, V., Mellahi, K., Temouri, Y., Patnaik, S. and Roohanifar, M. (2019), "Investigating dynamic capabilities, agility and knowledge management within EMNEs-longitudinal evidence from Europe", *Journal of Knowledge Management*, Vol. 23 No. 9, pp. 1708-1728.

Ramezan, M., Sanjaghi, M.E. and Rahimian Kalateh baly, H. (2013), "Organizational change capability and organizational performance: an empirical analysis on an innovative industry", *Journal of Knowledge-Based Innovation in China*, Vol. 5 No. 3, pp. 188-212.

Riggio, R.E. and Bass, B. (2006), *Transformational Leadership*, L. Erlbaum Associates, New York.

Schoorman, F.D., Mayer, R.C. and Davis, J.H. (2007), "An integrative model of organizational trust: past, present, and future", *Academy of Management Review*, Vol. 32 No. 2, pp. 344-354.

Shazi, R., Gillespie, N. and Steen, J. (2015), "Trust as a predictor of innovation network ties in project teams", *International Journal of Project Management*, Vol. 33 No. 1, pp. 81-91.

Singh, S.K., Del Giudice, M., Chierici, R. and Graziano, D. (2020), "Green innovation and environmental performance: the role of green transformational leadership and green human resource management", *Technological Forecasting Social Change*, Vol. 150, p. 119762.

Smollan, R.K. (2013), "Trust in change managers: the role of affect", *Journal of Organizational Change Management*, Vol. 26 No. 4, pp. 725-747.

Son, T.T., Phong, L.B. and Loan, B.T.T. (2020), "Transformational leadership and knowledge sharing: determinants of firm's operational and financial performance", *SAGE Open*, Vol. 10 No. 2, pp. 1-13.

Soparnot, R. (2011), "The concept of organizational change capability", *Journal of Organizational Change Management*, Vol. 24 No. 5, pp. 640-661.

Tayal, R., Kumar Upadhya, R., Yadav, M., Rangnekar, S. and Singh, R. (2018), "The impact of transformational leadership on employees' acceptance to change: mediating effects of innovative behaviour and moderating effect of the use of information technology", *VINE Journal of Information and Knowledge Management Systems*, Vol. 48 No. 4, pp. 559-578.

Yao, J., Crupi, A., Di Minin, A. and Zhang, X. (2020), "Knowledge sharing and technological innovation capabilities of Chinese software SMEs", *Journal of Knowledge Management*, Vol. 24 No. 3, pp. 607-634.

Yasir, M., Imran, R., Irshad, M.K., Mohamad, N.A. and Khan, M.M. (2016), "Leadership styles in relation to employees' trust and organizational change capability: evidence from non-profit organizations", *SAGE Open*, Vol. 6 No. 4, pp. 1-12.

173

Further reading

Kotter, J. (2011), "Change management vs. Change leadership–what's the difference?", *Forbes Online*, Vol. 12 No. 21, p. 11.

Lawler Edward, E. (2006), *Built to Change: How to Achieve Sustained Organizational Effectiveness*, Publisher, Jossey-Bass, San Francisco, CA.

Corresponding author

Phong Ba Le can be contacted at: lebaphong@haui.edu.vn