

Authentic Leadership and Employee Psychological Well-Being: The Role of Psychological Capital and Psychological Empowerment

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Abstract

This study aims at better understanding the antecedents and consequences of psychological well-being through authentic leadership at the example of the hospitality industry. In a self-administered questionnaire among n=116 hospitality employees of upscale-luxury hotels in Berlin, Cologne, and Frankfurt, regression analysis shows a positive relationship between employee perceptions of their immediate supervisor's authentic leadership and subjective well-being, psychological empowerment and psychological capital. The research findings further indicate that the enhancement of employee psychological capital and perceived psychological empowerment moderate the promotion of both subjective and eudaimonic well-being among employees. As a result, management should consider authentic leadership as a positive employee mental health and well-being promotion strategy to successfully create and sustain a healthier and more productive organization. Discussing the results, I contribute towards establishing a framework for creating and sustaining a healthier and more productive workforce committed to high quality service delivery.

Introduction

It becomes evident from the recent academic literature, reports and other official EU documents that psychological well-being and positive mental health promotion in the workforce are gaining increasing recognition [e.g. 1,2,3]. In times of an intensifying war of talent and rising chronic mental health issues among employees due to substantial demographic changes and today's fast moving and increasingly demanding global economy, promoting and maintaining mental health in the workforce turned into a key organizational issue with strong implications for organizational competitiveness and performance [4]. Recent official health reports suggest that positive mental health promotion can significantly contribute to the welfare of an organization by controlling the escalating health care costs, significant productivity losses and financial costs resulting from weak employee performance, increased sickness absence, presenteeism, and early retirement caused by poor mental health and stress at work [3,4]. Moreover, the promotion of mental health can also help to enhance employer image [5] and attract and retain valuable and strong human capital within the organization reducing the cost of employee turnover [6].

Despite increasing recognition of the importance of positive mental health in the workplace, there is only very limited empirical research with regard to the study of determinants of positive mental health in key industries such as the emotional labour-intensive service and hospitality industry that relies heavily on mentally healthy and

productive human resources for quality service delivery to customers. Consequently, an important issue to be addressed and most relevant for the hospitality industry is to gain a better understanding of the drivers of psychological well-being to identify mechanisms facilitating the development and maintenance of positive mental health to create and sustain a healthier and more productive workforce committed to high quality service delivery to customers.

The recent academic literature suggests authentic leadership as a key driver to employee psychological well-being and positive organizational health outcomes [7]. Nevertheless, there is only a small amount of empirical research that has shown a direct linkage between authentic leadership and measures of employee psychological well-being to date. Moreover, an integrative theoretic model identifying the moderating effects of psychological capital and psychological empowerment in the relationship between authentic leadership and employee subjective well-being as well as eudaimonic well-being is still lacking. Therefore, the overall aim of this study is to examine the impact of authentic leadership behavior on both measures of psychological well-being among 116 employees from the hospitality industry in consideration of the role of psychological capital and psychological empowerment. The paper contributes to the establishment of a framework useful for managers interested in creating and sustaining a healthier and more productive workforce committed to high quality service delivery.

Discussion and Hypothesis

In an attempt to appropriately conceptualize and operationalize positive mental health or *Psychological Well-Being* (PWB), various researchers distinguish between two distinct yet related major approaches or philosophies, ‘hedonic’ or ‘subjective’ (i.e. happiness) and ‘eudaimonic’ well-being (i.e. meaning/purpose) [8]. The concept of ‘*subjective well-being*’ (SWB) or ‘*happiness*’ adopts the hedonic perspective of human well-being suggesting to maximizing pleasure and avoiding or minimizing pain [9]. It is conceptualized ‘as a person’s cognitive and affective evaluations of his or her life’ and is measured in terms of the overall *Satisfaction With Life* (SWL) and the presence of *Positive Affect* (PA) relative to the absence of *Negative Affect* (NA) (Diener *et al.* 2002: 63).

The eudaimonic perspective of well-being (EWB) “proposes that the goal of human functioning is to live in a manner consistent with one’s daimon, or true self, where the daimon represents one’s best potentials” or intrinsic character [10: 42]. Engaging in personally salient (identity-related) activities that give “rise to feelings...in which an individual experiences self-realization through the fulfilment of personal potentials in the form of the development of one’s skills and talent, the advancement of one’s purposes in living, or both” lead to the subjective experiences of *eudaimonia*, also known as feelings of *personal expressiveness* [11]. Waterman and colleagues [11] conceptualized a multidimensional approach to operationalize *eudaimonic well-being* (EWB), including six distinct yet inter-related dimensions such as *self-discovery*, *perceived development of one’s best potentials*; *a sense of purpose and meaning in life*; *investment of significant effort of excellence*; *intense involvement in activities*; and *enjoyment of activities as personally expressive*.

In line with the recent work in positive psychology [12] the two distinct yet related major approaches are considered to complement each other in the conceptualization of optimal psychological well-being and human functioning [13]. According to this conceptualization both pleasure and the experience of a positive sense of purpose at work are necessary for a comprehensive understanding of PWB within workplaces. Thus, for the purpose of this study, PWB refers to “the affective and purposive psychological state that people experience while they are at work” [14: 164].

A review of factors that impact on the PWB of individuals in the workplace reveals that among various situational contributor impacts on PWB within workplaces identified from decades of research on work-related stress, job design and motivation, leadership and management has been suggested as a key factor in determining follower PWB and health at work (for meta-analytic results [15]). The direct influence on workplace factors and the most frequent job stressors (e.g. level of control and autonomy) enable leaders to create the conditions for positive health-related outcomes [16]. The academic literature recently suggested authentic leadership as a potential approach to promote both measures of PWB among employees [7]. *Authentic Leadership* (AL) is defined within the general management literature as:

a pattern of leader behaviour that draws upon and promotes both psychological capacities and a positive ethical climate, to foster greater *self-awareness*, an *internalized moral perspective*, *balanced processing of information*, and *relational transparency* on the part of leaders working with followers, fostering positive self-development. [17: 94]

A research study by Jensen and Luthans [18] provided recently initial evidence that follower attributions of leader authenticity seem to provoke positive cognitive and emotional responses in subordinates. In addition, it is hypothesized that followers of authentic leaders will experience higher levels of EWB as of their concern for the development of authentic followers [19]. In this process, authentic leaders are suggested to help followers become true to themselves and fully engaged in realizing their full potential, which is expected to contribute to followers' personal growth, development and EWB. The initial empirical and suggestive evidence formed the basis for the first hypothesis:

Hypothesis 1. *There is a statistically significant positive direct relationship between Authentic Leadership and Follower Psychological Well-being*

Given the importance of promoting and building employee PWB at work, as well as the vital role of AL in enhancing the capability to develop it, the study further tries to identify two particular means that moderate the relationship between AL and PWB among employees. In the identification and investigation of these particular means by which AL may help facilitate the occupational health objective of realizing and sustaining high levels of PWB within the workforce, it was hypothesized that the relationship between AL and PWB is moderated by follower experiences of psychological empowerment and psychological capital.

The recently emerging positive organizational behaviour core construct *Psychological Capital* (PsyCap) is defined as an individual positive psychological state of development and is characterized by self-efficacy, optimism, hope and resiliency [20]. It should be recognized that the inclusion of PsyCap is unique to AL and distinguishes the concept from other positive forms of leadership [20]. In the authentic follower development process, authentic leaders are maintained to draw on positive psychological states (PsyCap) that accompany PWB and promote the development of these positive psychological capacities in followers by constantly modelling positivity in their leader behaviour [21]. Empirical research has recently confirmed the longstanding prediction that authentic leaders enhance the psychological capital development among their followers [22]. Therefore, the third hypothesis developed as follows:

Hypothesis 2. *There is a statistically significant positive direct relationship between Authentic leadership and Follower Psychological Capital.*

In addition, recent research evidence by Avey and colleagues [23] and Culbertson *et al.* [24] supports the assertion that PsyCap in turn is positively related to both measures of psychological well-being. Based on this recent initial evidence, this study proposed the following hypothesis:

Hypothesis 3. *There is a statistically significant positive direct relationship between Follower Psychological Capital and Psychological Well-being.*

The multidimensional organizational behaviour construct *psychological empowerment* (PE) composed of the four distinct yet related dimensions meaningfulness, self-efficacy, impact and self-determination, is a validated second-order core construct that measures the individual’s psychological experience of empowerment at work [25]. PE is posited as another follower developmental outcome fostered by AL and recently given initial evidence by Walumbwa and colleagues [26]. This initial evidence lent support for the fourth hypothesis:

Hypothesis 4. *There is a statistically significant positive direct relationship between Authentic Leadership and Follower Psychological Empowerment.*

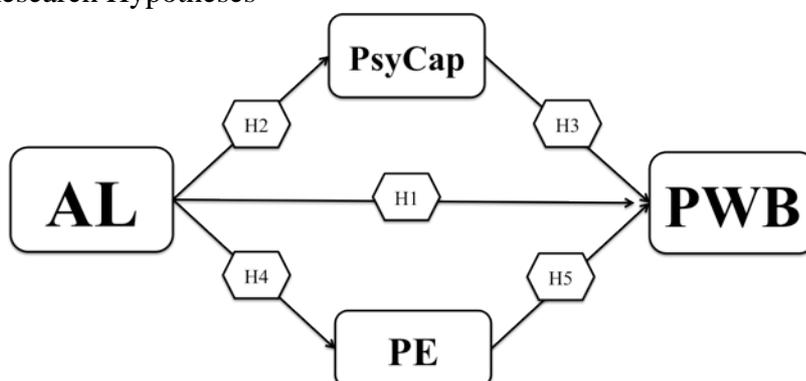
Some initial evidence exists that employee perceptions of meaningful work [27], self-efficacy [28] and opportunities for development [29] mediate the relationship between leadership and affect. With respect to the relationship between PE and EWB, it is expected that psychological empowerment facilitates the discovery and development of one’s best potential and the ability to select personally expressive goals for the realization of these potentials, generating feelings of eudaimonia. As a result of the initial empirical and suggestive evidence presented above, leaders with an authentic relational orientation are expected to have a positive influence on follower PWB because of their support for follower PE. This provided the basis for the fifth hypothesis:

Hypothesis 5: *There is a statistically significant positive direct relationship between Follower Psychological Empowerment and Psychological Well-being.*

Data Collection Procedure

Based on the secondary research findings of the literature review an integrative theoretical model including five hypotheses, as illustrated in Figure 1, was developed and tested by quantitative primary research. The quantitative data collection process involved a cross-sectional survey among a simple random sample of 200 upscale-luxury, city-centre chain or individual hotel employees from Frankfurt, Cologne and Berlin. The survey was conducted through the distribution of an English paper-based questionnaire, which was scheduled to last approximately 25 minutes. The Questionnaires were distributed to the research coordinator personally by hand and collected afterwards or a research package including self-addressed stamped envelopes for returning the questionnaires was sent by mail. The research coordinator at each respective hotel distributed the questionnaires to the employees.

Figure I: Research Hypotheses



A four-week data collection time period was granted to each hotel for the completion of the questionnaires, which were returned to the researcher in preaddressed sealed envelopes or in a

collection box. The entire primary data collection was conducted in the period between September and October 2011. In total, 116 employees participated in the study resulting in a response rate of 58%. In this sample of 116 employees, more females (61,9%) responded than males (38,1%), originating mainly from Germany (86,0%). The average age of the respondents was 27,1 years (s.d.= 7,808). The mean work experience in the hotel industry was 7,6 years (s. d. = 7,0), and the average tenure at their current hotel was 4,0 years (s.d. = 4,9). A vocational school diploma had 22,9% of participants and 19,3% had a university degree.

The questionnaire consisted of a battery of existing, standardized and validated measures previously tested and published in the academic literature. Specifically, the questionnaire comprised of seven sections. The first section of the questionnaire gathered demographic information about the participants by means of six demographic information questions: gender, age and nationality, level of education, tenure and work experience.

Authentic leadership was measured with the multidimensional instrument developed by Walumbwa *et al.* [17] using a five-point-Likert scale ranging from 0 (*Not at all*) to 4 (*Frequently, if not always*). The ALQ ($\alpha = 0,929$) consisted of 16 items divided into 4 subscales: balanced processing (BP 3 items $\alpha = 0,765$); internalized moral perspective (IMP 4 items $\alpha = 0,751$); relational transparency (RT 5 items $\alpha = 0,788$) and self-awareness (SA 4 items $\alpha = 0,827$).

The 12-item psychological empowerment scale ($\alpha = 0,909$) comprised four dimensions, initially conceptualized by Spreitzer [25] for measuring the individual's feelings of psychological empowerment in the workplace. Those four dimensions are: meaning ($\alpha = 0,861$); competence ($\alpha = 0,823$); self-determination ($\alpha = 0,864$) and impact ($\alpha = 0,889$). Each dimension was measured through three questions on a seven-point-Likert scale with response options ranging from 1 (*not at all true*) to 7 (*very true*).

Psychological Capital was assessed with a shortened version of the original 24-item PsyCap questionnaire ($\alpha = 0,659$) of Luthans *et al.* [20]. The 12-item measure consisted of four sub-sections assessing an individual's positive psychological state of hope ($\alpha = 0,636$); optimism ($\alpha = 0,721$); self-efficacy ($\alpha = 0,935$) and resilience ($\alpha = 0,859$). Each sub-section was measured through six questions on a six-point-Likert scale with response choice ranging from 1 (*strongly disagree*) to 6 (*strongly agree*).

Eudaimonic well-being was measured with Waterman *et al.*'s [11] 21-item Eudaimonic Well-being Questionnaire ($\alpha = 0,603$). The EWBQ items were measured on a four-point-Likert scale and participants responded from 1 (*strongly disagree*) to 4 (*strongly agree*).

Affect was assessed using the positive and negative affectivity subscales from Watson *et al.* [30] Positive and Negative Affect Schedule. Each subscale included 10 descriptors measuring the extent to which participants generally experienced Positive Affect (PA $\alpha = 0,73$) (e.g. happiness) and Negative Affect (NA $\alpha = 0,864$) (e.g., upset) in the workplace over the last three months. The 20-item PANAS was measured on a five-point-Likert Scale with response choices ranging from 1 (*very slightly or not at all*) to 5 (*extremely*).

Work life satisfaction was measured with the Satisfaction With Life Scale developed by Diener *et al.* [31]. The SWLS ($\alpha = 0,872$) consisted of 5-items. Participants indicated their work life satisfaction on a seven-point-Likert Scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*).

Results and Discussion

The quantitative data collected by the self-administered cross-sectional employee survey strategy were analyzed quantitatively using the statistical analysis software SPSS.

Table 2 illustrates the correlation analysis results for the relationships between the variables specified in the theoretical model.

Table. I: Pearson's Correlation Analysis Results

Pearsons's Correlation Results		Authentic Leadership	Psychological Capital	Psychological Empowerment
Psychological Capital	Pearson Correlation	,357**		
	Sig. (2-tailed)	,000		
	N	109		
Psychological Empowerment	Pearson Correlation	,467**	,550**	
	Sig. (2-tailed)	,000	,000	
	N	106	109	
Satisfaction With Life	Pearson Correlation	,400**	,365**	,648**
	Sig. (2-tailed)	,000	,000	,000
	N	108	113	107
Subjective Well Being + (PA)	Pearson Correlation	,383**	,573**	,608**
	Sig. (2-tailed)	,000	,000	,000
	N	105	109	103
Subjective Well Being – (NA)	Pearson Correlation	-,183	,022	-,318**
	Sig. (2-tailed)	,063	,823	,001
	N	104	107	102
Eudaimonic Well Being	Pearson Correlation	,198*	,366**	,322**
	Sig. (2-tailed)	,044	,000	,001
	N	104	109	103

** Correlation is significant at the 0,01 level (2-tailed).

* Correlation is significant at the 0,05 level (2-tailed).

Legend: Table 1 describes the pearson's correlation analysis results of the relationships between the variables

The primary research findings of the regression analysis are consistent with the secondary research results, providing additional evidence that employee attributions of leader authenticity seem to provoke positive cognitive (SWL: $r^2=0,160$ $b_1 = 0,219$; $F= 20,219$; $t= 4,497$; $p\text{-value} =0,000$; 95% CI 0,122 to 0,315) and emotional responses in subordinates (PA: $r^2=0,147$; $b_1 = 0,170$; $F=17,696$; $t=4,207$; $p\text{-value} =0,000$; 95% CI 0,090 to 0,250). However, the quantitative analysis of the primary research findings only provide partial evidence for the hypothesized positive direct relationship between authentic leadership and employee psychological well-being [H_1] given that poor evidence was found for eudaimonic well-being (EWB: $r^2=0,039$; $b_1 = 0,107$; $F=4,145$; $t= 2.036$; $p\text{-value} = 0,044$; 95% CI 0,003 to 0,212).

The quantitative analysis of the primary research findings confirm the second hypothesise [H_2] and provided additional evidence for the findings of the secondary research that authentic leader encourage the experience and development of followers' psychological capital (PsyCap: $r^2=0,128$; $b_1 =0,205$; $F=15,658$; $t=1,808$; $p\text{-value} = 0,000$; 95% CI 0.102, to 0.308). This also confirms the state-like character of psychological capital suggested in positive organizational behaviour research showing that hope, optimism, self-efficacy and resilience can change and be developed [32]. In line with the existing psychological capital

research, the primary research findings further confirm the third hypothesis [**H₃**] and provide additional support for the preliminary evidence that higher levels of psychological capital in turn, positively contribute to individual feelings of subjective (PA: $r^2=0,328$ $b_1 = 0,476$; $F=52,218$; $t=7,226$; $p\text{-value} =0,000$; 95% CI 0,345 to 0,606), (SWL: $r^2=0,134$; $b_1 = 0,356$; $F=17,122$; $t=4,137$; $p\text{-value} =0,000$; 95% CI 0,185 to 0,526) and eudaimonic well-being (EWB: $r^2=0,134$; $b_1 = 0,349$; $F=16,601$; $t= 4,074$; $p\text{-value} = 0,000$; 95% CI 0,179 to 0,519). This implies that people with higher levels of hope, optimism, self-efficacy and resilience report more positive feelings of psychological health.

In addition, the primary research results confirmed the fourth hypothesis [**H₄**] by providing additional evidence to be used in support of the authentic leader role in fostering individuals' feelings of psychological empowerment (PE: $r^2=0,218$; $b_1 =0,525$; $F=29,060$; $t=5,391$; $p\text{-value} =0,000$ 95% CI 0,332, to 0,719). This implies that leaders with an authentic relational orientation create a work environment conducive to the individual's experience of psychological empowerment. The research results also confirm hypothesis five [**H₅**] and provide initial evidence for the theoretical assumption that higher levels of psychological empowerment resulting from the fulfilment of all four psychological needs are significantly related to greater levels of subjective (PA: $r^2=0,370$; $b_1 = 0,233$; $F=59,322$; $t= 7,702$; $p\text{-value} =0,000$; 95% CI 0,173 to 0,293) (SWL: $r^2=0,420$; $b_1 = 0,314$; $F= 76,062$; $t= 8,721$; $p\text{-value} =0,000$; 95% CI 0,243 to 0,386) and eudaimonic well-being (EWB: $r^2=0,104$; $b_1 = 0,151$; $F= 11,679$; $t= 3,417$; $p\text{-value} =0,001$; 95% CI 0,063 to 0,239). This primary research finding provides initial evidence for the theoretical assumption that perceived psychological empowerment can also be considered as a potential strategy to nurture and sustain positive mental health at work.

Conclusion and Managerial Implications

Recent research findings confirm the conventional wisdom concerning the importance of positivity in the workplace. Promoting psychological well-being represents a valuable approach for creating conditions under which work life is perceived to be more motivating, satisfying, purposeful, and for decreasing the likelihood or frequency of engaging in unfavorable behaviors (e.g. reduced employee performance, increased sickness absence, presenteeism and early retirement, high turnover) associated with poor mental health and stress at work. This is especially important in times of an increasing shortage of qualified personal and rising chronic mental health issues in the workforce to ensure organizational competitiveness and sustained business success. Consequently, promoting and maintaining employee psychological well-being should be of interest for any employer because of its potential to significantly improve the organizational image, performance and productivity. As a result of the secondary and primary research, it can be concluded that authentic leadership can be considered to have a positive direct influence on employees' subjective well-being, psychological capital and psychological empowerment. It becomes further evident from these findings that authentic leaders can significantly impact on both the subjective and eudaimonic well-being of employees by enhancing their psychological capital and feelings of psychological empowerment. Therefore, organizations interested in developing and maintaining psychological well-being among employees should consider authentic leadership as a positive employee mental health and well-being promotion strategy to create and sustain a healthier and more productive organization. Given that authentic leader behavior can influence positive health-related outcomes and happiness at work management should concentrate on enhancing employee perceptions of leader authenticity. Employee attributions of leader authenticity can be facilitated at a relatively low cost by investment in authentic leadership and management development programs. The research results are of particular

interest for service and hospitality practitioners because of their heavy reliance on mentally healthy and productive human resources for quality service delivery to customers, providing them with a valuable strategy for positive mental health promotion among employees to build and maintain a healthier and more productive workforce committed to service quality delivery to customers.

Although the particular primary research data collection and analysis method chosen produced the necessary data to achieve the research aim of the present study, future studies would benefit from applying different methodologies and a larger sample size to validate findings on a greater scale. As the primary research was limited to the German hotel industry further research should be conducted in other cultural and industry contexts to address issues such as cultural relativity and generalizability across all industries.

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