# UNIVERSITAT DE BARCELONA

# Organizational behavior in Ecuadorian SME's.
# An analysis of leadership, trust
# and conflict management

Eduardo Espinoza Solís

PhD in Business

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**Thesis title:**

# Organizational behavior in Ecuadorian SME's. An analysis of leadership, trust and conflict management

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*A los jóvenes con sueños de superación, no se rindan, sí se puede ¡*

*To all young people with overcoming' dreams, don't give up,*
*Yes, you can¡*

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# CHAPTER 1.
## MOTIVATION, JUSTIFICATION AND OBJECTIVES

## 1.1. MOTIVATION AND JUSTIFICATION

Ecuador is a developing country, 83.7% of its economy is focused on micro, small and medium-sized enterprises (SMEs), but their contribution in terms of sales and employment are low and stagnant, which shows inability to grow and diversify their supply of goods and services. In 2016, Ecuadorian SMEs contributed up to 24.2% of registered employment and 10.8% of Ecuador's total sales. A key figure is the mortality rate of SMEs: 47.9% of micro and 47.4% of small and medium-sized enterprises died between 2009 and 2014 in Ecuador (INEC; CEPAL, 2016).

There are many factors involved in the low survival rate of Ecuadorian SMEs, among which we can highlight: a lack of R & D, poor managerial orientation to improve processes, poor relations with universities, excessive decision-making centralization by administrators, low technical training of personnel, societal conflicts and human relations problems (Molina, Armenteros Acosta, Medina, Barquero, & Espinoza, 2011). Thus, one key challenge is to understand the organizational behavior in these organizations in the context of Ecuador.

The impact of managerial behavior on organizational improvement has been studied for more than fifty years. However, in developing countries such as Ecuador, there is still a need to work further on managerial behavior because it allows to create an environment conducive to innovation, development, creativity, and improvement of products and processes in work teams and organizations (Yukl, 2012).

The present research will focus on analyzing the organizational behavior of SMEs in Ecuador. In particular, we will analyze the leadership styles of Ecuadorian SMEs' managers and how these leadership styles affect trust and conflict behavior. Study results will represent a contribution towards importance of how these organizational behavior factors can improve the life and sustainability of SMEs in Ecuador.

Previous empirical research has provided evidence that there are a number of factors that may cause conflict in SMEs, such as lack of adequate policies, poor infrastructure, lack of legislation, stress, family obligations, and

personal problems (Adisa, Osabutey, & Gbadamosi, 2016). In this regard, handling conflict and human relations has become a vital task to leaders. At the same time, leaders can unlock the full potential of others, direct subordinates towards the same goal, facilitate processes of transformation and organizational change and set an example of dedication, enthusiasm and courage for their employees in an organization. For this, trust in the leader is vital (Burke et al., 2007). In the chapters included in this research the link between leadership, conflict management and trust is studied.

### 1.1.1. Small and Medium Enterprises Leader in Ecuador

Developmental theories often focus on learning experiences and opportunities, as well as organizational support skills that include a number of contextual factors such as leadership as a means to development (Peterlin, 2016). "For development to be sustainable, social, ecological as well as economic factors must be taken into account, based on living and non-living resources, and the advantages and disadvantages of alternative actions in the long and short term." (Galarza, Goméz, & Gonzalez, 2002).

Previous studies in Ecuador have indicated that being a sustainable SME is a methodical process, converging economic, social and environmental indicators provides great benefits that may range from internationalization to innovation and better operational traceability, which translates into a greater commitment from collaborators (Ordeñana, 2016). However, other studies have indicated that one of the main barriers in terms of business sustainability is the lack of knowledge on the owners and managers' part (Muñoz, 2015).

Companies strongly oriented towards innovation highlight the importance of seeking external entities that can support and maintain organizational growth, a link with the external environment, and patent licensing, all of which directly affects organizational results (Tarapuez, Guzmán, & Parra Hernández, 2016). Companies can achieve great potential when managers balance their leadership roles, allowing employees to participate in decision-making processes by means of which they can meet challenges and take advantage of environmental opportunities to introduce innovations that eventually turn into competitive advantages (Escandon-Barbosa & Hurtado-Ayala, 2016). Leaders who aim towards a workable business adopt behaviors, practices, and systems that create long-term value not only for

their organizations but also for their communities, environment, and employees (Peterlin, 2016).

Leadership is a process that brings about competitive advantages, therefore, investing in leadership development is vital for organizations. Although leadership had been initially conceptualized as an inherent characteristic of managers, contemporary studies emphasize the need to work on leadership development to the extent that several master's programs nowadays focus on developing leadership skills (Peterlin, 2016).

Leaders are necessary to drive processes of change and innovation in organizations since they have the ability to convey a clear vision to their teams, thus inspiring commitment, trust and motivation to their employees who, in turn, tend to improve their productivity (Hermosilla et al., 2016). Yukl (2012) conducted a study on leadership behaviors focused on describing how leaders influence subordinates through their activities to work as a unit. Yukl's results have been obtained particularly from those subordinates who have had the opportunity to observe their leaders interacting with people. Leaders influence their subordinates in four aspects: performance, commitment, satisfaction, and organizational behavior; so there is a direct relationship between a leader's behavior and team effectiveness (Yang & Zhu, 2016).

In addition, according to Jaimes and Romero (2017), a manager has a systemic thinking ability and global vision. Likewise, a manager would be able to ensure success and set better goals if he or she has the skills to motivate and inspire others, act as a role model, introduce innovations, and make quick decisions (Benitez & Panchi, 2019).

A series of studies have tried to define the characteristics of SMEs managers that affect organizational behavioral, ranging from professional training to demographic characteristics such as education, age, gender, ethnicity, philosophy, and behavioral traits. More importantly, a strategic mind and contingency decisions concerning exogenous events might be decisive factors in SMEs. However, multiple studies that have attempted to compare behavioral characteristics in SMEs have reported scattered and inconsistent findings (Chiweshe & Naude, 2017; García et al., 2017; Hsu et al., 2017).

A possible explanation for the inconclusive evidence is the difficulty of predicting SMEs results, considering that factors such as the non-economic goals of managers and their process of stochastic nature, the lack of formal structured procedures, and other aspects of managerial development as organizational behaviors, do not allow a sustainable businesses model to be maintained over time (Man, Lau, & Snape, 2008).

According to Samaniego & Reyes (2016), leaders of SMEs should be able to translate ideas into actions, thus contributing to economic performance by introducing innovations, creating new capabilities, increasing competitiveness, taking risks, and managing projects with the aim to achieve goals for the organization.

Considering all of the above, we deem important to study SMEs' managers, their leadership styles, trust, and conflict management behaviors as well as the perspective of SMEs employees in order to identify the relationships between these behavioral variables and contribute to the managers's performance in SMEs.

### 1.1.2. Leadership Styles

Effective leadership in an organization comes into play when leaders make an effort to individually and collectively influence a group of people to meet certain goals. Leadership improves group performance deriving from personal improvement (Yukl, 2012). Effective leadership and team satisfaction with the leader provide motivation to do extra work, which maximizes organizational effectiveness and results in fostering the dominant values and culture of the organization (Hermosilla, Amutio, & Páez, 2016). Leadership styles are directly focused on promoting and facilitating changes given that change itself is important to streamline organizations in uncertain environments, which are a part of SMEs' day-to-day (Yukl, 2012).

It is important to emphasize that, in many cases, it is the SMEs leaders themselves who stagnate organizational growth because they cannot influence their subordinates and their own organizational culture accordingly. These leaders often lead without a clear intention in mind, deteriorating organizational culture, disregarding their market, wasting

opportunities, and making employees weary in the process (Gomez, Villarreal, & Ríos, 2016).

This is how organizational culture, directed by the behavior of the leader, influences subordinates to adopt behaviors oriented towards change and innovation because, otherwise, subordinates' attitudes would be limited without appropriate support. Likewise, leaders help to foster organizational culture and employees' beliefs, provided that subordinate's trust in their leaders arises from leadership behaviors promoting positive changes (Miao & Qian, 2016).

Leadership in itself has proven to be a subjective variable that determines the power to non-coercively influence others to meet common goals, it is exercised within a certain social structure and it is part of the human communication process (Escandon-Barbosa & Hurtado-Ayala, 2016). According to Chen & Chou (2016) evidence of positive relationships between subordinates who collaborate with influential leaders has been found. This positive relationship directs subordinates towards being innovative, working creatively, participating in decision-making processes, and improving the organizational climate (Chen & Hou, 2016).

In order to establish leadership styles, Bass (1985) defines two types: transformational leadership and transactional leadership. Transformational leadership is based on the extraordinary behaviors, beliefs and values of employees or subordinate's dependent on the influence exerted by the leader. Transactional leadership is based on a rewards exchange between leaders and employees, who are motivated to perform their tasks in exchange for monetary or non-monetary commitments (Molero Alonso, Recio Saboya, & Cuadrado Guirado, 2010).

Leadership styles of SMEs managers are a relevant factor in SMEs sustainability. Incomplete business vision, lack of task delegation, little concern for collaborators, inability to work as a team, and focusing on solving day-to-day issues are among the most common managerial mistakes. However, a managerial leader is expected to have abilities, attitudes and knowledge that inspire trust, credibility, and commitment in work teams through synergy and motivation (Paez Gabriunas, 2004).

The second variable studied in this research is trust. Trust has been described as an element that is closely related to leadership. The efficient combination of trust and leadership improves the effectiveness of work teams and organizational performance. It has been observed that trust in departmental leaders is closely tied to performance, while trust in leaders' teams and supervisors affect the entire team of employees. In addition, trust reduces operating costs by monitoring and increases job satisfaction, information sharing, and organizational performance on a global basis (Elgoibar, Euwema, & Munduate, 2016)

Similarly, it has been observed that leadership is also directly related to conflict behavior. Previous research has concluded that task-related conflicts, relationship conflicts, and exploratory learning behavior varies according to leadership style (Chen, Liu, Wang, Wang, & Zheng, 2017). The variables involved in organizational behavior, especially those focused on relationships, contribute to conflict management with a view to effectively performing tasks, giving meaning to collaborator work, providing decision-making autonomy, and impacting task results (Gross, 2004; Xueting, Flores, Ronrapee, & Manz, 2016).

### 1.1.3. Trust of the Leader and Subordinates

Trusted leaders evoke the perception of justice in their subordinates by means of developing a bond with them that benefit the organization (Xu, 2016). Teamwork is a difficult task and, in order to meet organizational objectives, people must depend on each other; to do so, teamwork requires building trust (De Dreu, Evers, Beersma, Kluwer, & Nauta, 2001). Companies use —mostly legal— control methods to protect themselves when decision-making, internal processes, and reward systems or structures are involved, nonetheless, such methods have been described as weak and impersonal substitutes for trust (Mayer, Davis, & Schoorman, 1995).

Today's enterprises live in an uncertain, complex, ever-changing globalized world where trust or distrust between employees and leaders becomes key for the fast adaptation of the business I.e. regarding information sharing. Leading competitiveness requires agility and quality as well as coordinated strategic initiatives for continuous improvement, customer service, and

product development, all of which permit organizations to grow and expand. In this regard, the effect of trust between leaders and strategic groups such as employees is crucial for successful collaboration (Elgoibar et al., 2016; Lewicki, Bies, & McAllister, 1998).

Blau's (1964) theory of social exchange indicates that individual voluntary actions are motivated by expected rewards. But if the benefits are not adequately indicated and do not demonstrate a mutual benefit in the relationship, a diffuse reciprocity is shown (Elgoibar et al., 2016). In contrast, organizations stipulate economic exchange with formal contracts that establish the exact amount that will be exchanged between parties as well as legal sanctions in case of non-compliance (Aryee, Budhwar, & Chen, 2002). Social exchange in organizations frequently takes place between leaders and employees and it entails mutually beneficial relations (Cropanzano & Mitchell, 2005).

Ethical leaders value trust and respect in their interactions with their employees and display appropriate behaviors so employees are more inclined to cooperation. We must consider that interests and values often differ between leaders and employees, and such —real or perceived— differences may create conflicts that will hamper work and the willingness of employees to collaborate with each other and their leaders (Babalola et al., 2016). However, when there is enough trust between parties, cooperation is encouraged and then parties are able to listen to external ideas and take different interests into account (Elgoibar et al., 2016).

### 1.1.4. Conflict Management of Leaders

Conflict is an inevitable organizational feature with high implications depending on how it is handled, so effective conflict management will be determined by leadership behavior quality (Odetunde, 2013). Managers spend, according to previous studies, 20% of their time managing conflicts. Organizational, team, and employee effectiveness is subjected to the manner in which managers address conflict situations as their behavior has a significant influence on individual, group, and organizational well-being (De Dreu et al., 2001).

The connection between leadership and conflict management is relatively new in managerial studies. Leaders should be aware of their behaviors to manage conflict at work, for employees rely heavily on managerial ability to resolve conflicts and learn appropriate and ethical behaviors through modeling and active work in a social environment (Babalola et al., 2016).

Previous studies have also mentioned that learning, creativity, innovation, improved decision-making, and increased team effectiveness appear among the positive aspects that may arise from conflict management (Odetunde, 2013).

Leadership is an important factor in maintaining high performance and team morale under conflict conditions, as the impact of conflict on employee performance can be determined by leadership style (Ayoko & Konrad, 2012). In order to integrate leadership and conflict literature more effectively, the theoretical framework for this study is based on the Social Learning theory. The Social Learning theory suggests that subordinates learn appropriate ways to behave by modeling their behavior in accordance with attractive influential roles, observing and imitating positive behaviors and, above all, learning appropriate ways to handle work-related conflict (Babalola et al., 2016).

The Dual Concern theory by Blake & Mouton (1964) proposes that conflict behavior is based on a high or low concern for self and concern for others. Based on this theory, conflict management is classified into five behaviors: forcing, yielding, avoiding, problem-solving, and accommodating. Essentially, the Dual Concern theory provides a solid basis for developing useful tools to evaluate conflict management behaviors (De Dreu et al., 2001).

Forcing involves high self-concern and low concern for others. The forcing strategy makes use of threats and persuasive elements, imposes the leaders' will on others, and compromises position. Low self-concern and high concern for others result in yielding or accommodating strategies. This behavior is oriented towards accepting and including others in decision-making processes, making unconditional promises, and offering help. Some authors may consider yielding or accommodating as weak and unhelpful if either party has a fear of being the weaker party compared to the other.

However, accommodating is often framed as a symbol of trust, when a reciprocication in the future is expected. Can be a sign that there is a willingness to give and receive, a long-term investment arising from the collaboration between all parties (Elgoibar, Munduate, Medina, & Euwema, 2014).

The avoiding strategy entails low concern for self and for others. Avoiding concentrates on reducing conflict relevance and tries to suppress the opinions of others. High concern for self and for others constitutes the problem-solving or integrating behavior. Problem-solving strategies entail seeking agreements that will satisfy all parties, exchanging information about priorities and preferences, contributing ideas, and making concessions (De Dreu et al., 2001; Elgoibar, Euwema, & Munduate, 2017). In view of this classification, leaders' conflict management behaviors will be analyzed from their self-perspective and their employees' perspective.

Identifying the impact of leadership on conflict behavior is considered crucial to organizational success. Leadership is known to develop human-resources strategies, allow the prediction of scenarios concerning conflict management behavior, and improve efficiency in decision-making and negotiation processes (Gonçalves et al., 2016). Leaders' behavioral patterns such as risk-taking and the ability to understand the emotions of subordinates contribute significantly to cooperation. Studies have shown that positive actions regarding conflict management have positively influenced team performance. Collaboration between members creates a more helpful work environment and an improved division of labor through better task assignment (Sahu & Pathardikar, 2015).

## 1.2. RESEARCH OBJECTIVES

### 1.2.1. Main Objective:

The aim of this research is to study managers' leadership styles and their relationship with trust and conflict management behaviors in small and medium-sized enterprises in Ecuador. For this purpose, we will analyze leadership style, trust, and conflict management behavior from the

perspective of managers and employees separately. By understanding the aforementioned variables, we expect to make a contribution to SMEs managers to improve their organizational behavior in Ecuador.

### 1.2.2. Specific Objectives:

The first specific objective of this research is to identify the leadership styles of SMEs managers. For this purpose, the study takes demographic characteristics such as gender, level of education, and activity into consideration.

The second specific objective is to determinate trust levels in leaders and employees of SMEs and to identify the relationship between managerial leadership styles and trust levels. This relationship is explored from the perspective of leaders and subordinates alike.

The third specific objective is to describe the conflict management behavior of SMEs leaders.

The fourth specific objective is to assess the relationship between leadership styles and conflict behaviors and the impact of trust in this relationship.

The present research aims to provide empirical studies on leadership styles, trust and conflict management behaviors in SMEs in Ecuador. Research findings are expected to make a contribution to the sustainability of SMEs in Ecuador from an organizational behavior perspective.

### 1.3. METHODOLOGICAL APPROACH AND DATABASES

A quantitative method was chosen to analyze small and medium-sized enterprises in order to comprehend their reality from the perspectives of leaders and employees.

The sample consisted of leaders and employees from SMEs in Ecuador that were chosen randomly. Leadership style, trust, and conflict management behavior variables were measured with scales previously validated in other studies and developed in other countries. The Multifactor Leadership Questionnaire (Avolio, Bass, & Jung, 1999) was used in order to measure the

leadership style variable. The affective and cognitive trust scale (McAllister, 1995) was used to measure the trust variable. Finally, the DUTCH (De Dreu et al., 2001) scale was used to measure conflict management behavior. (See appendix 3 methodology for futher understanding on the decisions taken here).

## 1.4.  THESIS STRUCTURE

In order to achieve the objectives previously established, this research paper is divided into five chapters, as shown in Figure 1. The first chapter describes the motivation for this research, its theoretical foundations, objectives, methodology, and structure. Chapters two to four cover the three empirical contributions that address our central and specific objectives.

The second chapter, correspond to the first contribution, "Leadership Patterns in Ecuadorian Managers: The Impact of Gender and Education". This paper was accepted as a publication in the journal Inclusion, indexed in Emerging Sources Citation Index (ESCI) of WOS (see appendixes 3), and presented at the 27th Costa Rica Global Conference on Business and Finance (see appendixes 4). This contribution includes an empirical identification model of leadership styles in SMEs managers and cover the first specific objetive. We decided to work with a direct survey on a sample of SMEs managers to analyze the manager's self-perception. The sample was drawn from personal and collaborative work networks.

The third chapter, correspond to the second contribution, "Trust and Leadership Styles in Ecuador: Divergent Perspective by Managers and Subordinates". This paper was accepted to be published in Opcion journal indexed in Scopus (see appendixes 5). This study was also presented in UB Business Workshop 2019 and at the 6th International Conference on Emerging Trends in Academic Research (see appendixes 6 & 7). The chapter includes an empirical study focused in analyze the relationships between leadership styles and trust levels perceived by SMEs managers and subordinates in Ecuador. It addresses the second and third specific objectives. A two-way analysis of trust levels was conducted for both, leaders and employees, and the relationship with the previously analyzed leadership styles.

The fourth chapter, correspond to the third contribution, "Has Trust a Mediation Effect Between Leadership Styles and Conflict Management?". This is an empirical study focused in the relationships between leadership styles and conflict management of Ecuadorian SMEs's leaders. The study explores thethe mediator effect of trust in this relationship, coveringthe fourth specific objective.

The fifth chapter presents the main conclusions, contributions, theoretical and practical implications, and limitations of this research, and also introduces considerations for future research.

**Chapter I: Introduction**

> **Main Research Objective:**
> Analyze managers' leadership styles and their relationship with trust and conflict management behaviors in small and medium-sized enterprises in Ecuador.

> **Specific Objective I:** Identify the leadership styles presented by SMEs managers focused in the perspective of: culture, gender, level of education and activity.

> **Specific Objective II:** Determinate trust levels in leaders and employees of SMEs and identify the relationship between managerial leadership styles and trust levels .

> **Specific Objective III:** Describe the conflict management behavior of SMEs leaders.

> **Specific Objective IV:** Assess the relationship between leadership styles and conflict behaviors and the impact of trust in this relationship.

**Chapter II: Contribution I**

> **Contribution I:** "Leadership Patterns in Ecuadorian Managers: The Impact of Gender and Education"

**Chapter III: Contribution II**

> **Contribution II:** "Trust and Leadership Styles in Ecuador: Divergent Perspective by Managers and Subordinates"

**Chapter IV: Contribution III**

> **Contribution III:** "Has Trust a Mediation Effect Between Leadership Styles and Conflict Management?"

**Chapter V: Conclusion**

> ➢ Implications
> ➢ Limitations
> ➢ Future research
> ➢ Conclusions

**Figure 1.1. Thesis Structure**

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# CHAPTER 2.

## CONTRIBUTION I: LEADERSHIP PATTERNS IN ECUADORIAN MANAGERS: THE IMPACT OF GENDER AND EDUCATION[1, 2]

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## 2.1. INTRODUCTION

Business leaders start and implement changes in organizations, practice the role of an influencer, resulting of the compromise from the enthusiastic followers (Yukl, 1989). They achieve to line up the business' vision, according to the individual interests of every member of the organization, inspiring the ones who follow through example and motivation (Paez Gabriunas, 2004), and promote changes, with the aim of these being innovative. The style of leadership used by the companies' executives, allows understanding how these leaders share the vision, inspire commitment, and achieve trust and motivation from the followers and how they get the cooperation of their subordinates (Hermosilla, Amutio & Paez, 2016).

There are three leadership styles that we explore in this article. First, the transformational leadership. This style focuses on rising up the motivation and performance of the followers to high standards of goal aiming. These leaders tend to build a personal and social identification among the subordinates and the mission and goals of the organization (Bass, Avolio, Jung & Berson, 2003).

Second, the transactional leadership. This style assumes that the subordinates accept to accomplish their leader's dispositions in exchange of praise, rewards, and resources or to avoid being sanctioned. This style implies a close supervision to prevent the failure of achieve the goals, control of errors, and taking immediate corrective actions (Bass & Avolio, 1990).

The third style is the passive style or so called laissez-faire. When using this style, the leader waits until things happen to take action or even do nothing; these leaders avoid specifying agreements, but clarifying the expectations and providing goals and aims to be achieved by their teams (Bass & Avolio, 1990).

Leadership itself is a cultural phenomenon, how people lead is a product of their own philosophy and the result of their activities and customs (Bown & Mcclellan, 2017). In cultures like Ecuador, there are only scarce studies about leadership. Given the importance of this phenomenon in a country where SME are growing, the present study explores the leadership styles in Ecuador. Particularly in this study different demographic factors that can

cause impact in the leadership style of the managers is analysed. The objectives established are the following:

1. Make a theoretical description of the leadership styles in the cultural environment of Ecuador.
2. Analyse from an empirical approach the use of transformational, transactional and passive leadership styles in the same leader.
3. Analyse demographic factors that can influence the frequency of using each leadership style.

## 2.2. THEORETICAL FRAMEWORK

### 2.2.1. Leadership Styles

Recent studies have shown that leaders who work committed with their team create a significant impact to their followers. This commitment is related to the performance and reduces the intentions of turnover, creating an environment that eases the work, as well as manage relations with the employees (Gutermann et al, 2017). Managing flexible, dynamic and changing organizations allow managers to apply an ideal model of leadership in functions that are interpersonal, informative and decision making, that take in great energy and disposition inside companies (Estrada, 2006).

The leader should focus in the interests of the members of the group. As a result, it is possible to manage conflicts or create a team spirit. In many organizations, leaders tend to apply a basic model of leadership in pursuit of treating their followers collectively (Jost, 2013; Judge & Bono, 2000; Lowe & Galen, 1996; Podsakoff, Mackenzie & Bommer, 1996). However, it is not possible to define what type of leader one must be in an organization. There are multiples responsibilities and often specific characteristics in every organizational environment. It also depends on the perspective of the leader. Below we describe the three styles of leadership analysed in this work.

### 2.2.1.1. Transformational Leadership

The transformational leadership has been highlighted as very beneficial in recent leadership studies, nevertheless its effectiveness still remains under discussion according to the context (Mustafa & Lines, 2014). This leadership style has been shown that it improves the performance of the followers; it takes them to think in ways they aren't used to, keeping always the moral

standards that guide their actions, increasing their creativity and innovation (Bass, Avolio, Jung & Berson, 2003; Bass & Steidlmeier, 1999; Jung, Chow & Wu, 2003; Kark, Chen & Shamir 2003).

Optimize individual consideration, since it boots the feeling of self-sacrifice of the leader under the perception of the followers (Arnold, Loughlin & Walsh, 2016). This style considers the importance of the role of emotions, values, positivity and creativity inside the company as it leads to motivation of the employee with the mission and goals as well as to increase the identification with the organization (Le & Lei, 2017). The transformational leadership at the same time is considered being essential to create effectiveness in work teams besides it helps to reduce conflicts between them (Cai, Jia & Li, 2017).

A transformational leader can be adequeate to lead teams in intercultural contexts. Studies show that this style of leader counts with cultural intelligence and this produces an impact on their teams (Ramsey, Rutti, Lorenz, Barakat & Santanna, 2017). In this style, the predominant perception are idealized influence: the manager is perceived by subordinates as possessing a high degree of morality, trust and integrity; inspirational motivation: the manager inspires and motivates the subordinates by appealing to their ideals and emotions; and individual consideration: the manager pays attention to each of his employees individually and personally and give them different duties (Rodríguez, Martínez, Godoy, & Fuentes, 2017).

Leadership styles are even more important in times of crisis; a transformational leader will adapt to circumstances and consult with his or her subordinates their opinions to take consent decisions, will think strategically, will be able to create a big picture of the problem and establish logics of cause and effect. However, this type of leader is not the most appropriate in cases of immediate decisions because it needs time to establish agreements (Bass, 1997; Bowers, Hall & Srinivasan, 2017; Day, 2001).

To sum up, the transformational leadership style inspires motivation to subordinates, since they work hand to hand to reach a better performance applying work team as the key of success. This type of leadership involves

the individuals with their own needs and abilities without comparing themselves with the other members in order to improve their own attitudes. Transformational leaders generate great importance to team members because they create a collective vision emphasizing individual diversity (Hamstra, Van Yperen, Wisse & Sassenberg, 2014).

## 2.2.1.2. Transactional Leadership

As for transactional leadership, the predominant perception are management by exception active: the manager reacts only when something happens in the organizacion; and the contingent reward: the manager clarifies what is expected of the followers and what they will receive if they achieve the expected levels of performance (Rodríguez, Martínez, Godoy, & Fuentes, 2017).

This leadership style defines that rewards are earn through merits, this allows individuals to stand up for their own abilities, which force to a segregation of the subordinates according to their achievements. Therefore, this style is based in individual objectives in contrast with the collectives. This reduces cooperation between work teams when the rewards are individual. Transactional leaders practice the scarcity principle in the organization with the purpose that during an evaluative process, subordinates can show their abilities competing with each other (Hamstra et al, 2014).

Taking a financial approach, the leader must create incentives in order for the followers to act, according to the institutional interests, such as benefits, promotions and compensations to improve their development. These characteristics belong to a transactional leadership (Zehnder, Herz & Bonardi, 2017). The essence of the transactional leadership is to create relations between the leader and the subordinates with clear rules, specifying responsibilities, clarifying recognitions and rewards as well as penalties to achieve the expected performance, specifying expectations and negotiating contracts (Bass et al, 2003).

The transactional leader will focus on details and will follow the rules and protocols until reaching the aim. However, is not an adequate style in emergent crisis because a transactional leader won't look for alternatives

furthermore than the current regulations he has (Bowers et al, 2017).

## 2.2.1.3. Laissez-Faire Leadership

Last, we describe the laissez-faire leadership style that is characterized as absent leadership (Bass &, Avolio 1990), given the avoidance of decisions, doubts in acting, lacking responsibilities, and without control and follows-up, making decisions late and resistant to express their views (Hinkin & Schriesheim, 2008). Leaders using this style are described as introverted, passive and distant from their subordinates (Furtner, Baldegger, & Rauthmann, 2013).

This leadership style tends to omit rewards and punishments, and depending on the point of view of the subordinates this leadership style can be seen as negligent or as a strategy of the leader for his employees to develop their creativity and common sense (Yang, 2015). Finally, research suggests that this style is counterproductive in the workplace since it reduces job satisfaction (Skogstad et al., 2014).

Each leader need to base his objectives according to his subordinates, in order to create a precise vision of the organization and at the same time establish the directions of the organization (Wu, 2015). Currently, there's an existing debate to know which leadership style is better to be used in organizations: transformational or transactional leadership. However, recent research concludes that it is convenient that most of the leadership styles are used in order to meet the best results and better commitment for everyone involved. This way an empowerment and an effective desire of learning rise up (Karadakal et al, 2015).

Transformational and transactional styles are related and in some occasions are difficult to separate them because they are not mutually exclusive (Judge & Picolo, 2004). Therefore, we consider that leaders in Ecuador will use transformational and transactional styles simultaneously.

*Hypothesis 1. Leaders use different leadership styles simultaneously.*

### 2.2.2. Culture & Leadership

According to House (2004), culture are values, beliefs, identities and interpretations or shared manifests from significant events, as a result of common experiences of community members transmitted generation to generation. Societies develop patterns of behaviour based in supposed values and symbols shared among them to tackle challenges and achieve common goals. Culture at the same time, creates an impact on the leader's behaviour (Bown & Mcclellan, 2017). And it is because culture has dynamic characteristics that can lead workers to do their job with enthusiasm, with the influence of their leader, whom increase motivation and knowledge of the teams while improving the work environment (Santti, Eskelinen, Rajahonka, Villaman & Happonen, 2017).

In hierarchical cultures, social status means social power. The group who are socially superior have power and privileges. The socially inferior are forced to supply the social superiors and command their petitions. However, the ones who are at the top of the hierarchy have to look after the needs of the ones below them. There's no such obligation in equal societies, where social boundaries are easy to cross and the high social status could be of short duration (Brett, 2004).

According to Brett (2000) culture is the unique character of a social group, including values and standards shared by the members of that group. Culture includes shared patterns of behaviour, standards, values, attitudes, beliefs and it is an important factor to consider because it allows the leader to a proper managing of conflicts in the organization (De Dreu & Gelfand, 2001).

It is important in the global context that the leader can understand and operate effectively in different cultures, and the style shall adapt to the group working with. In a society mainly hierarchical a leader with authoritarian characteristics is expected; meanwhile in a society with clear standards and self-control processes a non-coercive leader is expected (Mansur, Sobral & Goldszmidt, 2017). Meyer (2014) indicates that what might be an appropriate behaviour or simply common sense in a cultural context could mean simultaneously otherwise to another particular culture or organizational context. These differences affect how people work together, mutual understanding, the interpretation of the situational environment and the

interactivity between people. Thus, culture influences in choosing the style, because in some cases being transformational can be misunderstood by the followers as an example of weakness from the leader (Suarez, 2017).

The culture impacts the leadership style, and under the actions of the leader the employees perceive what really matters to the company, their values and how effective is the leader motivating and trying to get the best of everyone (Coker, Flight & Valle 2017). An effective leadership is integrated and defined for each level of the organization, which aims to build a community that works harmonically, united, structuring activities to involve people and resources effectively. The leader should manage plans and programs in a disciplined way, in an effort to improve the social impact, meanwhile assuring the economic sustainability desired (Gibbons & Hazy, 2017).

### 2.2.3.  Leadership in Ecuador

Ecuador is a country located at the northeast of South America, bordered by Colombia and Peru, has 16.4 million people (INEC, 2018) with a multi-ethnic and pluri-cultural society (Bown & Mcclellan, 2017).  Hofstede's study (2004) places Ecuador in the 78th place in a scale on power distance. According to this, the culture in this country accepts that inequalities are part of the daily life (Hofstede, 2004). Because this distance of power is accepted, it is expected that the style mostly used would be the transactional. In societies where there's a considerable power distance, subordinates tend not to question their leaders and wait until they serve them as guidance, accepting that the power is not shared equally (Elgoibar, Munduate, Medina, & Euwema, 2012). According to the study Globe (House et al., 2004), Ecuador scores 5.6 is power distance, being 1 very low and 7 very high (House et al, 2004).

In Ecuador, studies about leadership are very limited. The only research found indicates that leaders are mostly transactional or passive-avoidant as a second option, leaving in last place the transformational leadership (Suarez, 2017). According to the arguments described, the following hypothesis is presented:

*Hypothesis 2. Leaders of Ecuadorian SMEs use mostly a transactional leadership style.*

### 2.2.4. Leadership Styles & Gender

Different studies have concluded that leadership has no significant differences between men and women, education, dedication or professional preparation (Alonso-Almeida & Bremser, 2015). However, Eagly (2005) considers that in occasions it is difficult to exert leadership, especially in communities where there are huge differences in gender, social classes, education and ethnics. Thus, conclusions that previous research found are divergent. Some studies concluded that in SMEs, gender is not a relevant factor in the use of leadership style, and both genders tend to show themselves as transactional style managers (Solarte & Martinez, 2017), and both can present characteristics of an "ideal leader" (Guerrero & Valenzuela 2017).

Previous research considers that the context has an effect on the leadership style. In that, if the position is normally occupied by women then a transformational style is adopted. If the position is generally occupied by men, a transactional style is adopted Mar et al, 2017). Although other researches concludes that female leaders use different styles when it comes to planning and establishing goals, showing more openness and involving the subordinates (Sebastian & Moon, 2018).

Studies which have found gender differences highlight that organizations lead by women tend to present more effective results comparing to men leaders, benefiting financially the organization, besides being more philanthropic and generating real processes of social responsibility (Hernandez Bark, Escartín, Schuh, & van Dick, 2016). In addition, they create more labour satisfaction on the employees and motivation to work, wellbeing and health (Melsom, 2015). According to this, many authors affirm that the difference between leadership styles and gender in an organization is a reality. Women tend to show more a transformational leadership style (Eagly, 2005, Guerrero, 2017, Mar, 2017, Solarte, 2017).

Research also concludes that women lead organizations in a more sustainable way, focused in the development of a culture of trust, optimism and respect inside an organization and with a great interest in the wellbeing of their employees (Alonso-Almeida, Perramon, & Bagur-Femenias, 2017; Bamiatzi, Jones, Mitchelmore, & Nikolopoulos, 2015; Brandt & Edinger,

2015). According to Alonso-Almeida (2015) companies lead by men use new distribution channels through new technologies and establish contact networks while simultaneously take drastic decisions to reduce costs and fire staff. Meanwhile companies lead by women, strengthen their relation with clients and add value while keeping their work teams with social benefits as much as possible, which have direct correlation with productivity (Shaya & Abu Khait, 2017).

Women tend to be more transformational because of the support and consideration they show to others, gathering these elements with the aim of building relations and empathy in contrast with more aggressive characteristics and hierarchical associations used by men (Sabharwal, Levine, & D'Agostino, 2017). When gender roles and leadership styles are related, the transformational leadership style is associated to superior levels of performance and competitiveness and includes the concern of people from their levels of "individual consideration". This leadership style is associated directly with features and roles stereotypically feminine, alleging that women tend to use transformational leadership in greater extent than men (Gartzia, 2011).

In addition, recent research indicated that women have better qualities in the variables of idealized influence: inspirational motivation and individual consideration (Martin, 2015).

*Hypothesis 3. Women leaders tend to use the transformational leadership style more than men leaders.*

## 2.2.5. Leadership Styles & Level of Education

In the 21th century, organizations require that leaders manage and at the same time transform organizations into an entity of high performance in the competitive market (Aina, 2016). A factor that bears considerably in decision making or even on how executives manage organizations is the level of education. Recent research show that knowledge and leadership are related according to the quality of the teaching received and the results of the studies achieved, affecting positively in the improvement of the leader's behaviours (Bolivar Botia, 2010).

Leaders who present an intrinsic growing in their level of education use the intellectual stimulation component to reconsider problems and to deal with old situations in new ways (Sperber & Linder, 2018). This intellectual stimulation means the capacity to challenge the status quo of the employees and at the same time to develop creative and innovative solutions to problems. As a result, employees do extra efforts to solve problems and forecast ideas that improve teamwork and achievement of the organizational goals (Bass & Riggio, 2006).

*Hypothesis 4. The level of education of the leader is positively related to the use of transformational style.*

## 2.2.6. Leadership Styles in Service Companies

Companies need strong leaders to obtain competitive advantage (Mostafavi, Mirmajlessi & Fathollahi, 2016). Studies have found that transformational leadership is positively correlated with the effectiveness of the organization, specially having a great impact on service companies. At this point, leaders provide a more charismatic environment allowing an inspirational motivation, individualized consideration, and intellectual stimulation (Hsu & Chen, 2011).

This style provides more effectiveness and satisfaction for its followers. For service companies it was found that transformational leadership strength the sense of belonging of the employees and satisfies their needs and finally, improves the employees' productivity (Odetunde, 2013).

Consequentially, in the service sectors leaders and employees are in more direct contact with clients and they need to promote empathy, manage emotions and relations. In that, the use of transformational leadership is shown as the most adequate (Socorras, Sanchez & Ucros, 2016). On the other hand, in industrial or production companies, the leader tends to be more technical, expert in solving specific issues, communicates with transparency the tasks and procedures, and is oriented to the results; characteristics conceived in the transactional leadership style (Voigt, Mänz, & Wilkens, 2014).

*Hypothesis 5. Leaders from the service sector tend to use more a transformational leadership style than leaders in the production sector.*

## 2.3. METHOD

### 2.3.1. Sampling & Procedure

The sampling was composed by leaders of small and medium companies from Ecuador (N=296). The sample consisted of 37% women and 63% men. All leaders were over 18 years old at the moment of answering the survey. The data collection was carried out between September and December 2017.

### 2.3.2. Instrument

***Leadership styles.*** To measure the leadership style, the research team used the Multifactor Leadership Questionnaire – MLQ (Avolio, 1995) in its Spanish version (Antonakis, Avolio, & Sivasubramaniam, 2003; Rodriguez, Green, Sun, & Baggerly-Hinojosa, 2017). The questionnaire is composed by 36 items, aimed to identify the use of the three leadership styles: transformational, transactional and passive-avoidant. An example of an item for transformational leadership is: "I make others feel good to be around me". An item example for transactional leadership is: "I am satisfied when others meet agreed-upon standards". An example of a laissez-faire leadership style item is: "I am content to let others continue working in the same way always". The scale was measured using a Likert style from 1 to 5, 1 being strongly disagree and 5 strongly agree. The scale shows a good reliability with a Cronbach alpha of 0.88 in the whole scale (George & Mallery, 2003).

*Demographic variables*. Gender, level of education and the sector are included in the survey.

## 2.4. RESULTS

| Variables | N | % |
|---|---|---|
| **Gender** | | |
| Men | 186 | 63 |
| Women | 110 | 37 |
| **Level of Education** | | |
| Primary | 3 | 1 |
| High School | 167 | 23 |
| Tertiary Degree | 186 | 63 |
| Postgraduate | 40 | 13 |
| **Sector** | | |
| Services | 277 | 94 |
| Production | 19 | 6 |

**Table 2.1. Sample's Distribution**

Table 2.1 shows the distribution of the sample.

Table 2.2 exhibits a correlation matrix of the variables. All three variables: transformational, transactional and laissez faire styles are significantly correlated. For transformational, positive and significative correlation with transacctional leadership (r= .695, $p$ <.01), for transacctional, positive and moderate correlation with laissez faire leadership (r= .513, $p$ <.01) and for transformational, positive and moderate correlation with laissez faire leadership (r= .412, $p$ <.01).

|        | TRF      | TRS      | LF  |
|--------|----------|----------|-----|
| **TRF** | 1        |          |     |
| **TRS** | ,695**   | 1        |     |
| **LF**  | ,412**   | ,513**   | 1   |

Note. TRF = transformational; TRS = transactional; LF = laissez faire

**Table 2.2. Correlation Analysis**

A cluster analysis was carried out in order to analyse the first hypothesis.

A mean K cluster analysis was used, with Euclidean distance. The cluster analysis identified 5 patterns of leadership styles, when taking into consideration the combinations of the 3 styles. The first pattern is formed by leaders who present mostly a transformational leadership style and to a smaller extent the transactional and passive-avoidant styles. The group is composed by 82 leaders (27.7% of the total). The second pattern is formed by leaders who use mostly the transactional leadership style and to smaller extent the transformational and passive-avoidant style respectively. The group is composed 94 leaders (31.8% of the total). The third pattern is formed by leaders who use mostly the passive avoidant leadership and to a smaller extent the transformational and transactional leadership. The group is composed by 68 leaders (23% of the total). The fourth pattern is formed by leaders who have the same weight between the transformational and transactional leadership and who use to a smaller extent the passive avoidant style. This group is composed by 14 leaders (4.7% of the total). And lastly the fifth group is composed by leaders who use the three leadership styles equally. The group is composed by 38 leaders (12.8% of the total). Leaders of Ecuadorian SMEs do not use a unique leadership style but a mix of styles. Hypothesis 1 is supported.

This analysis also shows that most leaders (31.8%) use the pattern with higher transactional style. Chi-squared analysis ($\chi^2 = 0.001$) confirms a significant difference between transactional and transformational leadership styles. Hypothesis 2 is supported.

| Patterns | Frequency | Percentage % |
|---|---|---|
| 1. Leader mainly transformational | 82 | 27,7 |
| 2. Leader mainly transactional | 94 | 31,8 |
| 3. Leader mainly passive | 68 | 23,0 |
| 4. Leader with equal transformational and transactional | 14 | 4,7 |
| 5. Leader with equal in three styles | 38 | 12,8 |
| Total | 296 | 100,0 |

**Table 2.3. Cluster Analysis**

Table 2.4 shows in a contingency table that male leaders use mostly the pattern No. 2 with higher level of transactional leadership style (36% of the total). While female leaders use mostly the pattern No. 1 with higher level of transformational style (28% of the total). Chi-squared analysis ($\chi^2 = 0.218$) confirms a significant difference between gender and the pattern. Hypothesis 3 is supported.

| Clusters | 1 | 2 | 3 | 4 | 5 | N |
|----------|-----|-----|-----|-----|-----|-----|
| **Male** | 27% | 36% | 22% | 4% | 1% | 186 |
| **Female** | 28% | 25% | 25% | 6% | 6% | 110 |
| N | 82 | 94 | 68 | 14 | 38 | 296 |

Note. 1= leader mainly transformational; 2 = leader mainly transactional; 3 = leader mainly laissez faire; 4 = leader with equal balance transformational and transactional; 5 = leader with equal balance in three styles.

**Table 2.4. Gender & Leadership**

Table 2.5 shows in a contingency table that the pattern No. 3 leader mainly laissez faire is the most used in leaders with secondary education (30% of total). Leaders who have a third level of education use mostly the pattern No. 2 with higher level of transactional style (35% of the total). Leaders, who have obtained a postgraduate level, use mostly the pattern No. 1 with higher level of transformational style (35% of the total). Chi-squared analysis ($\chi^2 = 0.360$) confirm a significant difference between the level of education and the pattern. Hypothesis 4 is supported.

| Clusters | 1 | 2 | 3 | 4 | 5 | N |
|----------|-----|-----|-----|-----|-----|-----|
| P | 0% | 0% | 33% | 33% | 33% | 3 |
| S | 25% | 25% | 30% | 6% | 13% | 67 |
| T | 27% | 35% | 21% | 4% | 12% | 186 |
| P/G | 35% | 30% | 20% | 3% | 13% | 40 |
| N | 82 | 94 | 68 | 14 | 38 | 296 |

Note. 1= leader mainly transformational; 2 = leader mainly transactional; 3 = leader mainly laissez faire; 4 = leader with equal balance transformational y transactional; 5 = leader with equal balance in three styles; P = primary; S = secondary; T= third level; P/G = postgraduate

**Table 2.5. Level of Education & Leadership**

Table 2.6 shows in a contingency table that the pattern No. 2 leader mainly transactional seems to be the preferred pattern for leaders in the services sector (67% of the total). In the production sector the pattern No. 1 lesder mainly transformational seems to be the preferred. Hypothesis 5 is not supported.

| Clusters | 1 | 2 | 3 | 4 | 5 | N |
|----------|-----|-----|-----|-----|-----|-----|
| Services | 55% | 67% | 47% | 11% | 21% | 277 |
| Production | 47% | 32% | 0% | 0% | 21% | 19 |
| N | 82 | 94 | 68 | 14 | 38 | 296 |

Note. 1= leader mainly transformational; 2 = leader mainly transactional; 3 = leader mainly leader with equal balance transformational and transactional; 5 = leader with equal balance 3 styles.

**Table 2.6. Activity & Leadership**

## 2.5. DISCUSSION

This study shows that leaders in Ecuador use a pattern that includes different leadership styles, instead of a unique style. Five patterns of leadership styles were found from the sample object of study: a) leaders using mostly the transformational leadership style with fewer features of transactional and laissez faire; b) leaders using mostly the transactional leadership style with less features of transformational and laissez faire; c) leaders using mostly the laissez faire leadership style and fewer features of transformational and transactional; d) leaders with equal shares of transactional and transformational leadership style and fewer features of laissez faire; and lastly; e) leaders with equal shares of the three styles.

This result supports the line of research followed by Karadakal and colleagues (2015). In their study, they concluded that all leadership styles must be used to obtain better results in the organization and improve the commitment of the subordinates. Besides, results of the present research confirm previous studies that indicated that in Ecuador most of the leaders use the transactional leadership style (Suarez, 2017). However, this is integrated into a pattern including also other styles. Regarding gender differences in leadership styles, this study supports that indeed differences exist, following the conclusion of previous research (Eagly, 2005; Guerrero, 2017; Mar, 2017; Solarte, 2017).

Results shows that women leaders use mostly a pattern with higher level of transformational leadership style in contrast with men who use mostly a pattern with higher level of transactional leadership style (Alonso-Almeida & Bremser, 2015; Ebrahimi et al., 2017; Hernandez Bark et al., 2016; Melsom, 2015; Sebastian & Moon, 2018; Xu et al., 2016). Finally, the results obtained show that in Ecuador the higher the level of education, the more the leaders tend to use mainly a transformational style. Thus, concluding that gender and education have an impact of the leadership pattern.

## 2.6. THEORETICAL AND PRACTICAL IMPLICATIONS

This study provides information about the leadership styles used by Ecuadorian leaders. It reveals that even if the most preferred style is the transactional, leaders in Ecuador use a mix of styles. This result contributes

to the leadership literature by showing that indeed leaders do not follow a default style. This needs to be taken into account when giving leadership training. In that, future research can focus on understandings which are the circumstances that impact a leader decision to use one or another style. In this study we also show that gender and education have an impact on this decision.

At practical level, it is important for leaders to know and practice a leadership pattern that suits the organization, encouraging the productivity and the harmony towards their followers. Another practical contribution for organizations and for the selection process is to understand that the level of education of the leaders impacts the style used.

## 2.7. LIMITATIONS AND FUTURE RESEARCH

A first limitation of the study is that only SME were taken into account and results can change for big organizations. Future studies can analyse if these clusters also appear in other type of organizations. A second limitation is that the data are self-reported. Self-reports appear as a key tool in organizational research, and although it presents advantages (e.g. fast, anonymous…) it also contains disadvantages. A main disadvantage is related to the social desirability biases (Thomas & Kilmann, 1975).

In this study, leaders were maybe not aware of the style they actually use and may have ended up reporting responses which present the person in a favourable light (Podsakoff et al., 2003). Another limitation is the amount of companies in the production sector. Being only the 6% of the sample, the results on hypothesis 5 is not reliable. Future research should also analyse the leadership style perceived by the followers. This study is being executed by the same authors.

## 2.8. CONCLUSION

This study analyses the leadership patterns used by leaders in Ecuador. In particular, it is highlighted that leaders don't use one style but a pattern of styles. This is considered to be relevant as it indicates that leaders are capable of using different styles and do that naturally. This study also concludes that gender and educational level have an impact on the preferred pattern.

Leadership training programs can benefit from these results by understanding that leaders use patterns of styles and no single styles, which can improve their efficacy.

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# CHAPTER 3.
### CONTRIBUTION II: TRUST AND LEADERSHIP STYLES IN ECUADOR: DIVERGENT PERSPECTIVE BY MANAGERS AND SUBORDINATES[3,4,5]

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[3] An adaptation of this paper has been acepted in Revista Opción, ISSN: 1012-1587, year: 2020, number: 91, volume: 36. Indexed in Scopus.

[4] An adaptation of this paper has been presented at the PhD in Business Workshop held in Barcelona on Febreary 26th, 2019

[5]An adaptation of this paper has been presented at the 6th. International Conference on Emerging Trends organized by Global Illuminators in Indonesia, Nov 27th-28th 2019

## 3.1. INTRODUCTION

Trust is present in every aspect of the coexistence among people, from personal to professional, focusing on a person's will to undertake activities and assigned tasks, reach goals or objectives, and comply with decisions made by others (Lewicki & Wiethoff, 2000). Trust is an essential requirement to create close work teams. According to previous research, trust in leaders is a dynamic created from the relationship between the leader and members of an organization, and the manner in which the leader manages how trust is built in others (Lewicki, Bies, & McAllister, 1998; Peterson & Behfar, 2003). The largest and most competitive industries as well as small and emerging businesses have used different proceedings to manage trust among members (Rousseau, Sitkin, Burt, & Camerer, 1998).

Research has shown that trust is useful for people who come from numerous environments and perform different duties or work in different areas in an organization, and allows members to learn from their own mistakes (Krishnan, Martin, & Noorderhaven, 2006; Kumar, 1996). Trust strengthens cooperation and work relationships where people are able to grow together trusting each other (McAllister, 1995; Williams, 2011). Trust forms highly productive work groups (Hempel, Zhang, & Tjosvold, 2009) and also reduces staff turnover indicators (Kashyap & Rangnekar, 2016).

Previous research has classified trust into two types: cognitive and affective, each with its own characteristics and qualities. It is important to understand both trust types due to their possible impact on an organization's performance (McAllister, 1995). Cognitive trust has been regarded as an essential element in work teams because it creates collective efficiency in the group (Chou, Lin, Chang, & Chuang, 2013). Affective trust is developed from a temporary process of involvement, social interaction and non-induced mutual concern that translates into emotional well-being in work teams (Hsieh & Huang, 2018). It has been observed that cognitive and affective trust are not incompatible with one another, as will be further discussed in the present study (Mayer, Davis, & Schoorman, 1995).

For their part, companies require reliable and efficient leaders who aim to improve work teams' performance and create reliable members simultaneously in an unpredictable and very competitive environment (Judge, 2011). Leadership has been defined as a dynamic that comprises

different people with different qualities according to an organization's needs, and the correct exercise of leadership might improve an organization's performance (Mora Casal, 2014). According to Yukl (1989), leaders are the ones who exercise influence through subordinates' commitment and act differently in accordance with the situational context, thus, the leadership process allows managers to shape the organization and its members.

Previous research has suggested that leadership styles may have an impact on the trust of the subordinates (Behery & Al-Nasser, 2016). It has even been claimed that the leadership styles of managers and the subordinates' amount of trust in managers' leadership affect the subordinates' performance in an organization (Ugwu, Enwereuzor, & Orji, 2016).

In the present research, leadership styles and trust levels of managers were analyzed according to the managers' as well as the subordinate's perceptions. The current study sought to provide a theoretical description of leadership styles and trust types as well as perform an empirical analysis of a) the relationship of transformational, transactional and laissez-faire leadership styles with affective and cognitive trust, b) the relationship between the managers' perception of their leadership style and trust type, and c) the relationship between the subordinates' perception of their leaders' style and the trust types in them.

## 3.2. LITERATURE REVIEW

### 3.2.1. Trust

Previous research has suggested that trust manifests itself in different manners depending on the relationship being continuous or a one-time occasion (Rousseau et al., 1998). Thus, trust may appear as a premeditated conception or as a response based on emotions and people's attachments, determined by the experiences in the relationship, its developmental stage, and the signs present in the immediate surroundings (Rousseau et al., 1998). People's perceptions have been shown to increase or decrease based on the experiences of positive behaviors and levels of competence among people (Migliore, 2012).

Trust has been considered as a requirement in several economic environments, both in large companies and SMEs or family businesses,

because leaders tend to show a specific level or lack of trust (Gillespie, 2017). At the same time, trust may have an influence on the subordinates' behavior (Allen, George, & Davis, 2018). Trust is complex, multidimensional and stems from different elements such as personal values, emotions, experiences, and competence display (Ren, Shu, Bao, & Chen, 2016). Trust may also manifest through reliability, honesty, confidence, and the way in which people undertake their activities (Ren, Shu, Bao, & Chen, 2016).

According to Hosmer (1995), trust is a crucial aspect of human relationships because trust develops stable interpersonal relationships and encourages successful economic transactions. In contrast, lack of trust may cause the failure and collapse of any social relationship (Hosmer, 1995). According to Lewicki and Wiethoff (2000), the ability to trust other people stems from events related to trust that are experienced throughout life and affect people's personalities, and the rules and norms set by organizations and even society.

Trust is a key element in order to all parties of an organization may work efficiently (McAllister, 1995). It might be necessary that leaders create bonds with their departments or organizations based on trust (McAllister, 1995). Therefore, a relationship is built when leaders and subordinates trust each other's intentions, motives, and words and also safeguard confidential information, which is thorough and honest and leads to expected behavior between parties (Lewicki et al., 1998).

Trust manifests when all parties are honest with one another and know that shared information will not be used against them because trust is built by a positive expectation among parties (Euwema, Munduate, Elgoibar, Pender, & García, 2015). Thus, positive expectation is crucial to the leader-employee relationship because such expectation encourages more cooperative negotiations, good communication, and decreases competitive behavior (Euwema, Munduate, Elgoibar, Pender, & García, 2015). In an organization, trust might be expressed as the trust leaders show towards employees, the trust employees show towards leaders, and even a third model can be established if mutual trust is considered; most importantly, trust allows managers, subordinates, and every member of an organization to display greater commitment and improve the work teams' relationships (Kim, Wang, & Chen, 2018).

Hence, as previous research has suggested, organizations should regard trust as an essential element to create competitive advantage. It may be essential that trust is developed, structured, and institutionalized in order to achieve organizational efficiency (Lee, Stajkovic, & Sergent, 2016). Trust is built between leader and subordinate as a result of words being consistent with actions, appropriate work, political practices, and organizations being designed with an aim to avoid employees' discontent and distrust (Erkutlu & Chafra, 2016). However, depending on the aspects that people prioritize when trusting we can differentiate between affective or cognitive trust.

### 3.2.2. Affective Trust

Affective trust develops from the emotional bonds created between people, potentially creating a pleasant work environment despite not being necessarily related to performance and contribution to the work group (Hempel et al., 2009). Trust based on affection is essential to develop trusting interpersonal relationships in organizations and ease the tasks and coordination of all parties involved (McAllister, 1995).

Previous research has shown that affective trust comes from an aspect of benevolence within people and manifests as a genuine and natural concern between two or more parties that do not have any ulterior motives (Ha, John, John, & Chung, 2016). Thus, affective trust results from an emotional bond that may develop from the interactions, attention, and concern between parties. Affective trust encourages an emotional connection that distances from shared knowledge because the emotional perception is intrinsically motivated by another party (Ha, John, John, & Chung, 2016). Affective trust has also been described as the perception of a unique, special, and distinct relationship between leader and employee or vice versa, and stems from the belief that concern and interest in others' well-being is mutual (Ferrin & Dirks, 2002).

Affective trust usually thrives on mutual social interaction between parties, on affection and honest feelings. Social interaction is used by leaders to delegate responsibilities and share decision-making processes with subordinates in order to make subordinates more willing to share opinions and get involved positively in the organization (Newman, Rose, & Teo, 2014). Therefore, trust based on affection may develop lasting relationships between leaders and subordinates because creating an emotional bond brings

about a sense of trust and stability. Although an affective trust does not eliminate the potential vulnerability of the trust, it does reduce the potential expectation of harm from one of the parties (Akrout, Diallo, Akrout, & Chandon, 2016).

Nevertheless, the emotional bond between parties might be developed through time, provided that concern about one another's well-being is regarded as important and a sense of benevolence is encouraged. Subordinates may have positive images of themselves and others due to affective trust, which will create reliable social relationships (Metin & Karapinar, 2016). Likewise, affective trust may enable subordinates to identify with the company and its goals, improve achievement skills as well as increase productivity and organizational commitment because there is a perception of belonging (Coleman, Gallagher, Meurs, & Harris, 2016).

When leaders and subordinates develop a strong emotional connection, subordinates have been shown to internalize their own experiences at work and therefore impact the environment perceived by other members of the organization with whom subordinates interact and maintain a close relationship with (Kim, Lee, & Wong, 2016).

### 3.2.3. Cognitive Trust

Trust based on cognition has been defined by McAllister (1995) as trust that is dependent on interactions from the past, which will serve as support for asserting that the other party's behavior corresponds to norms of reciprocity, equity, and compromises between both parties. Furthermore, cognitive trust manifests in people's skills, performance, and contributions to the work group, creating confidence in the belief that assigned tasks will be completed efficiently (Hempel et al., 2009). Evidence is required to demonstrate a person's skills in order to trust them from a rational standpoint, thus, cognitive trust depends on acquired knowledge or past experiences that enable people to anticipate events (Ha et al., 2016).

The acquired knowledge should be relevant to work performance and should stem from recognizable skills and regulatory procedures within an organization that enables to create reliable spaces (Metin Camgöz & Bayhan Karapinar, 2016). However, the relationship is determined by trusting

integrity and predictability, where people expect the other party to behave fairly regardless of who might be involved (Ferrin & Dirks, 2002).

Previous research has suggested that cognitive trust may be related to the ability to interpersonally deliver justice within an organization as well as the leader's ability to inform work groups about recent events because of frequent communication. Basing relationships on cognitive trust, leaders could be perceived as cautious and focused on solving potential problems, creating a competitive atmosphere among employees (Holtz & Hu, 2017). It is apparent that the main sources of cognitive trust are the continuous events and experiences related to skill in task performance, social similarities, and professional qualifications (Ren et al., 2016). Therefore, an expectation of task fulfilment with a specific level of reliability will be created between parties considering that all parties observe behaviors that strengthen their reputation for knowledge and skills (Johnson & Grayson, 2005).

In line with the statements above, subordinates may have a sense of trust in their leaders provided that the latter shows reliability, integrity, and competence in daily tasks. Thus, leaders might be able to influence subordinates by being positively willing to participate in activities that benefit the organization, improving work performance as a result (Newman et al., 2014).

In organizations, trust first enters a cognitive stage that later can derives into an affective one after a period of time and continuous interaction, given that there are positive intentional practices (Ha et al., 2016). Finally, it might be implied that cognitive trust is rational and not emotional because cognitive trust will be established as long as all parties prove to be reliable in their accomplishments and abilities (Meyer, 2015). Managers, especially in developed societies, are more likely to build cognitive trust in professional relationships (Meyer, 2015).

### 3.2.4. Leadership Styles

The theory of leadership styles has arisen from the understanding that leaders tend to show different behaviors during management ( Bass & Avolio, 1990). In this study we use the following leadership styles: transformational, transactional, and laissez-faire.

First, transformational leadership focuses on increasing subordinates' performance through motivation and inspiration, thus establishing a strong personal and social identity where all members meet the organizational goals (Gozukara & Faruk, 2016). Transformational leadership has been the idealized leadership style in the most recent studies due to its observed impact on subordinates' behavior regarding results (Mustafa & Lines, 2014). Previous research has shown that transformational leadership might improve performance in subordinates and encourage innovation, creativity and originality by maintaining the moral standards that dictate the subordinates' actions (Bass, Avolio, Jung, & Berson, 2003; Jung, Chow, & Wu, 2003; Bass & Steidlmeier, 1999; Kark, Chen, & Shamir, 2003).

Previous research has suggested that transformational leaders build trust in employees when they get involved in proceedings, provide employees with support, inspire employees, and show appreciation for the employees' work (Yasir et al., 2016). In order to build trust among employees, transformational leaders should create a common goal that is understood by everyone involved, and establish specific goals individually and collectively (Hui et al., 2018; Mora Casal, 2014). In line with the statements above, transformational leaders might be able to develop emotional bonds that may have a positive impact on the team's inspiration and high-level ethical work (Hui et al., 2018; Mora Casal, 2014). It has been observed that transformational leaders tended to develop a mutually beneficial and harmonious relationship with subordinates, leading employees to trust their leader (Ugwu et al., 2016).

Subsequently, transactional leadership is defined as a leadership style where the subordinate follows the leader's orders in exchange for earning rewards or avoiding punishments. In transactional leadership, an active management-by-exception is involved and contingent reward is the least observable. Transactional leadership consists in giving rewards based on merit, allowing individuals to show off personal skills and thus creating a possible split between employees regarding achievements (Avolio & Bass, 1995; Bass, 1997). Therefore, transactional leadership focuses on establishing individual goals as opposed to collective ones, which might cause a decrease in cooperation among work groups. Transactional leaders exercise the resource

scarcity principle with the purpose of making subordinates demonstrate competences while competing with one another (Hamstra et al., 2014).

Finally, the laissez-faire leadership style has been described as a leadership style where the leader avoids getting involved with subordinates and waits until events occur to make a decision at that moment (Molina, Pérez, & López, 2016). Laissez-faire leadership, also known as passive-avoidant, has been observed to show low levels of prevalence; simultaneously, a poor sense of additional effort is displayed and the leader exerts an occasional and non-permanent influence (Ordoñez, Botello, & Moreno, 2017).

### 3.2.5. Trust & Leadership

Companies need leaders with the ability to adapt to change, be receptive and get involved with work teams (Mora Casal, 2014; Yasir, Imran, Irshad, Mohamad, & Khan, 2016). Especially in current work environments where a multi-diverse workforce and new autonomous teams can be found (Kim et al., 2018). According to Hui, Phouvong and Phong (2018), improving the employees' ability to innovate is a company's priority in order to create competitive advantage. Because companies spend a lot of money trying to constantly improve goods and services, managers may find it necessary to consider the potential impact of trust so they can encourage innovation in team members. Therefore, trust is vital to leadership, and has a significant relationship with work performance, organizational commitment, and job satisfaction (Fox, Gong, & Attoh, 2015). Building trust takes a considerable amount of time but only a little to destroy it (Elgoibar et al., 2016).

Leadership itself is a behavioral dynamic between the people of an organization —each one with different qualities and skills— and should adopt a series of practices and values according to the organization's needs (Mora Casal, 2014).

Previous research has suggested that leadership styles are important for the organization's management (Mohamad, Daud, & Yahya, 2016). It has been suggested that leadership styles are related to trust because different leadership styles focus differently on using knowledge to encourage continuous improvement, develop skills and competences, and establish high ethical values (Mohamad, Daud, & Yahya, 2016).

Transformational leadership practices have been observed to create positive trust in employees (De Lima Rua & Costa Araújo, 2016). Transformational leadership allows leaders to demand additional effort from subordinates while subordinates themselves perceive that leaders are entitled to demand it (Pradhan et al., 2018).

Moreover, transformational leadership has been directly related to job satisfaction, which is influenced by trust, because transformational leadership provided people with a better understanding of organizational processes, and improved collective and individual efficiency, creating positive results in organizations (Gozukara & Faruk, 2016). According to Ugwu (2016), transformational leadership has served to anticipate subordinates' trust in the leader, who sets an example for subordinates: shows how to act accordingly to specific situations, commits to the work group's needs, and empowers the group. Transformational leadership was observed to create an attractive work environment that, along with a sensible distribution of results, ensured employees' psychological well-being (Jena, Pradhan, & Panigrahy, 2017). By virtue of its inspiring and supportive attitude toward subordinates, transformational leadership is considered as more effective for continuous change processes in organizations when compared to other leadership styles (Yasir et al., 2016).

Trust in leadership has been also related to positive results in an organization such as improving employees' performance, organizational behavior, and job satisfaction, increasing commitment, and decreasing the desire of changing companies (Ferrin & Dirks, 2002). Employees' lack of trust in their manager may lead to perceiving the leader as unfair, passive, and unable to maintain an efficient relationship, and as a result, a passive leadership tends to show a negative correlation with cognitive trust (Holtz & Hu, 2017).

Previous research has suggested a strong relationship between trust and transformational leadership when some issues are important for employees —such as emotional and psychological well-being— the relationship appears because the transformational leader engages employees with the organization's ideals and growth, by means of which healthy habits that

decrease stress levels may be developed (Perilla-Toro & Gómez-Ortiz, 2017).

Furthermore, leadership based on trust and ethics, shown through moral and equitable behavior, might be useful to encourage ethical actions and behaviors with high moral values in subordinates and might inspire a high level of trust in leaders; in other words, a trust-based leadership might develop relationships with high quality of social interaction (Afsar & Shahjehan, 2018; Grobler & Holtzhausen, 2018).

According to empirical research, transformational leadership and their relationship with trust have a direct and positive effect in followers or members of a team (Yasir et al., 2016). Evidence has shown that such relationship encourages innovation (Hui et al., 2018). Transformational leadership tends to correlate positively with team performance and improve the organization's overall performance because employees with an affective organizational commitment show, to a greater degree, thorough work and receptiveness to change and constant improvement (Pradhan et al., 2018).

In comparison, it has been observed that transactional leadership gives subordinates the feeling that they can fulfill their tasks by displaying their skills through cognitive trust (Mohamad et al., 2016). Subordinates manifest cognitive trust through recognizable competences and the effort they devote to activities (Mohamad et al., 2016). Nevertheless, according to Yasir (2016), the relationship between transactional leadership and trust is minimal and even negative with the laissez-faire leadership style.

Research has shown that subordinates under transformational or transactional leaders get motivated when they see leaders getting involved in strategic proceedings and goal achievement (Mohamad et al., 2016). Subordinates are encouraged to behave integrally for the organization's success and develop a sense of commitment and satisfaction (Mohamad et al., 2016). However, employees' perception of trust is affected when leaders show a passive and distant attitude, have little communication, avoid responsibilities, delay decision-making, do not anticipate problems, and are not present at the organization (Holtz & Hu, 2017).

Employees might perceive such actions as a lack of benevolence, which might create a lack of trust and might affect employees' identification with the organization and might encourage bad behavior (Erkutlu & Chafra, 2016). The lack of trust from employees might affect their efficiency to the extent of comparing themselves with other work groups that do display trust (Lee et al., 2016). Thus, employees might idealize these "reliable groups" and create an even more hostile environment, where the differences between employees and the work environment are emphasized, causing a cognitive dissonance regarding employees' lack of trust in the leader (Lee et al., 2016). Consequently, the following were hypothesized:

*Hypothesis 1: Transformational leadership should show a higher positive correlation with affective and cognitive trust than transactional and laissez-faire leadership styles.*

### 3.2.6. Subordinates' Perspective

The employees' perception of a trustworthy leader has been observed to create an impact on subordinates' behavior and attitudes (Grobler & Holtzhausen, 2018). Thus, when work teams are committed, leaders would be expected to express an inspiring attitude. An inspiring attitude might create respect as well as a sense of recognition, consideration, and especially trust in the employees' perspective, and might commit employees to make significant contributions (Allen et al., 2018; De Lima Rua & Costa Araújo, 2016).

It is possible that mutual trust, between leaders and subordinates, favors interpersonal relationships within the group and increases task performance. Mutual trust appears when there is delegation of authority and empowerment to solve problems under the employees' criteria; therefore, trust might also develop behaviors and ethical norms that benefit the entire organization (Kim et al., 2018). Moreover, it is expected that subordinates have a tendency to be proactive and focus their energy on achieving goals. Thus, subordinates might develop a high level of social interaction with their leader because subordinates believe that they are regarded fairly and objectively and are earning the rewards they deserve (Chen & Lin, 2018).

It is important to consider that trust is fragile and employees may disconnect and get discouraged at the minimal inconsistency in the leader's behavior (Chen & Lin, 2018). The leader's behavior might influence the development of trust and might help subordinates to feel comfortable and prepared for the challenges imposed by the leader, thus increasing subordinates' self-awareness and perceived value (Alvey & Barclay, 2007).

Previous research has shown a relationship between transformational leadership and employees' performance that stems from the influence of affective and cognitive trust (Hussain, Shujahat, Malik, Iqbal, & Mir, 2018). Because cognitive trust encourages collective efficiency, a direct relationship seems to exist with how cognitive trust mediates between the leader's transformational leadership style and teams' results (Chou et al., 2013). Hence, the following was hypothesized:

*Hypothesis 2: Subordinates' perception of their managers' transformational leadership styles is positively correlated with their perception of the managers' trust types.*

## 3.3. METHODS

### 3.3.1. Sample & Procedure

The first sample included managers of small and medium-sized enterprises in Ecuador who had volunteered to participate in the study ($N$=341). Participants were adults over 18 years' old who were employed at the moment of answering the instrument, resided in Ecuador, and specialized in activities such as production, commerce, and services. The sample was composed by 40% women and 60% men. The data was collected between June and August 2018.

The second sample included employees of small and medium-sized enterprises in Ecuador who had volunteered to participate in the study and worked in the organizations whose leaders also answered the questionnaire ($N$=314). The participants comprised 46% women and 54% men. The data was collected between June and August 2018.

The analysis of the first sample focused on managers' self-perception, leadership style and trust types used, and the analysis of the second sample

addressed employees' perception of their managers' leadership style and trust types used.

### 3.3.2. Instruments

**Leadership Styles.** To measure the leadership style, the Multifactor Leadership Questionnaire - MLQ (Avolio, 1995) in its Spanish version was used (Rodriguez, Green, Sun, & Baggerly-Hinojosa, 2017; Antonakis, Avolio, & Sivasubramaniam, 2003). The questionnaire comprised 36 items designed to identify three styles of leadership: transformational, transactional, and laissez faire. A sample item for transformational leadership was: "I make others feel good by being around me." A sample item for transactional leadership was: "I feel satisfied when others meet the agreed standard." A sample item for laissez-faire leadership was: "I am happy to allow others to always work in the same way". The participants rated the items on a Likert type scale of 1 to 5, where 1 means completely *disagree* and 5 meant *completely agree*. The scale showed good reliability with a Cronbach's alpha 0.89 across the scale (George & Mallery, 2003).

**Trust.** To measure affective and cognitive trust, the trust scale was used (McAllister, 1995). The questionnaire was comprised of 9 items designed to identify two types of trust: affective and cognitive. A sample item for affective trust was: "If I share my problems with subordinates, I know they will respond constructively and affectionately." A sample item for cognitive trust was: "My subordinates approach their work with professionalism and dedication." The participants rated the items on a Likert type scale of 1 to 5, where 1 meant completely *disagree* and 5 meant *completely agree*. The scale showed good reliability with a Cronbach's alpha 0.86 across the scale (George & Mallery, 2003).

Demographic variables such as gender, level of education, and managers' activity in the organization were also included in the questionnaire.

### 3.4. RESULTS

### 3.4.1. Data Analysis

After taking the sample, we proceeded to analyze the data to test the hypotheses through SPSS. For the SEM models, AMOS from SPSS was

used.

| Variables | N | % |
|---|---|---|
| **Gender** | | |
| Men | 205 | 60 |
| Women | 136 | 40 |
| **Level of Education** | | |
| Primary | 7 | 2 |
| High School | 88 | 26 |
| Third Level University Degree | 205 | 60 |
| Postgraduate | 41 | 12 |
| **Sector** | | |
| Production | 9 | 3 |
| Services | 326 | 97 |

**Table 3.1. Sample's Distribution**

Table 3.1 exhibits the demographics of the managers' sample which was composed of 40% women and 60% men. 60% had a third-level university degree, 57% were owner managers of companies, and 38% were hired managers. 42% of the sampled companies were between 5 and 10 years old while 37% were older than 10 years old. 74% of the companies were engaged in commerce. 55% of the companies had a maximum of 5 employees, and 35% had a maximum of 30 employees in charge.

Table 3.2 shows by manager's perception. Means, standard deviations and correlations between the leadership styles and trust types. For cognitive trust, positive and significant correlation with transformational leadership (r= .534, $p$ <.01), positive and moderate correlation with transactional leadership (r= .442, $p$ <.01), and positive and moderate correlation with laissez-faire leadership (r= .391, $p$ <.01) were demonstrated. For affective trust, positive and moderate correlation with transformational leadership (r= .480, $p$ <.01), positive and moderate correlation with transactional leadership (r= .418, $p$ <.01), and positive and moderate correlation with laissez-faire leadership (r= .454, $p$ <.01) were observed. Moreover, cognitive trust correlated directly and positively with affective trust (r= .519, $p$ <.01). It was also observed that

the leadership styles mostly used by leaders were transactional, transformational, and laissez-faire respectively, and cognitive trust was more predominant than affective trust.

| | M | SD | TRF | TRS | LF | COG | AFF |
|---|---|---|---|---|---|---|---|
| **TRF** | 4.20 | 0.57 | 1 | | | | |
| **TRS** | 4.26 | 0.56 | .681** | 1 | | | |
| **LF** | 4.02 | 0.73 | .486** | .479** | 1 | | |
| **COG** | 4.27 | 0.61 | .534** | .442** | .391** | 1 | |
| **AFF** | 3.87 | 0.69 | .480** | .418** | .454** | .519** | 1 |

Note. M = mean; SD = standard deviation, TRF = transformational; TRS = transactional; LF = laissez faire; COG = cognitive trust; AFF = affective trust.

**Table 3.2. Mean, Standard Deviation, Correlation Analysis by Manager's Perspective**

Table 3.3 shows by subordinates' perception. Means, standard deviations and correlations between the leadership styles and trust types are reported. It was observed that there was no relation between both elements, insomuch as for cognitive trust with transformational leadership ($r = -.027$, $p < .05$), with transactional leadership ($r$ -.022, $p < .05$), and with laissez faire leadership ($r = .024$, $p < .05$); for affective trust with transformational leadership ($r = -.107$, $p < .05$), with transactional leadership ($r = .-068$, $p < .05$), and with laissez faire leadership ($r$ .020, $p < .05$). Moreover, cognitive trust correlates directly and positively with affective trust ($r = .674$, $p < .01$). It is also observed that the leadership styles, perceived by the employees are mostly: transactional, transformational and laissez faire, respectively, and cognitive trust scores higher than affective trust.

| | M | SD | TRF | TRS | LF | COG | AFF |
|---|---|---|---|---|---|---|---|
| **TRF** | 4.21 | 0.55 | 1 | | | | |
| **TRS** | 4.25 | 0.56 | .697** | 1 | | | |
| **LF** | 4.04 | 0.71 | .503** | .491** | 1 | | |
| **COG** | 4.11 | 0.88 | -.107 | -.068 | .020 | 1 | |
| **AFF** | 3.70 | 0.77 | -.027** | -.022 | .024 | .674** | 1 |

Note. M = mean; SD = standard deviation, TRF = transformational; TRS = transactional; LF = laissez faire; COG = cognitive trust; AFF = affective trust.

**Table 3.3. Mean, Standard Deviation, Correlation Analysis by Subordinate´s Perspective**

Path analysis was used to build a model in which the leadership styles and trust types are related from manager's perspective in model 1(Figure 3.1), the mediation of cognitive trust on affective trust in model 2 (Figure 3.2), and the subordinates' perspective in model 3 (Figure 3.3), to testing the hypotheses. In model 1, the direct effects between leadership styles and types of trust are observed; transformational leadership is positively related to cognitive trust, with a path coefficient value .569. Transactional leadership is positively related to cognitive trust, with a path coefficient value .480. Laissez Faire leadership is positively related to cognitive trust, with a path coefficient.323, all with p value < .05.

Additionally, in figure 3.1, model 1 exhibits that transformational leadership was positively correlated to affective trust, with a path coefficient value .578, transactional leadership was positively correlated to affective trust with a path coefficient value .513, and laissez-faire leadership was positively correlated to affective trust with path coefficient value .424, all with p value < .05. The findings provided evidence that supported hypotheses 1: Transformational leadership show a higher positive correlation with affective and cognitive trust than transactional and laissez-faire leadership styles.
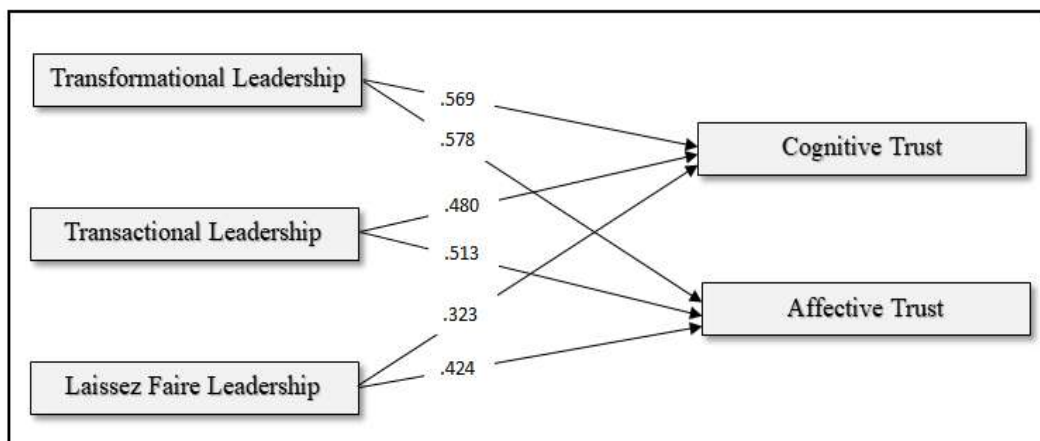


Note. p < .05
**Figure 3.1. Model 1. Direct Effects of Leadership Styles on Types of Trust by Managers' Perception**

In model 2, showed in figure3.2, cognitive trust presented mediation between leadership styles and affective trust, under managers' perception; indirect

effects were analyzed using the bootstrapping technique with 1000 interactions to prove the respective significance.
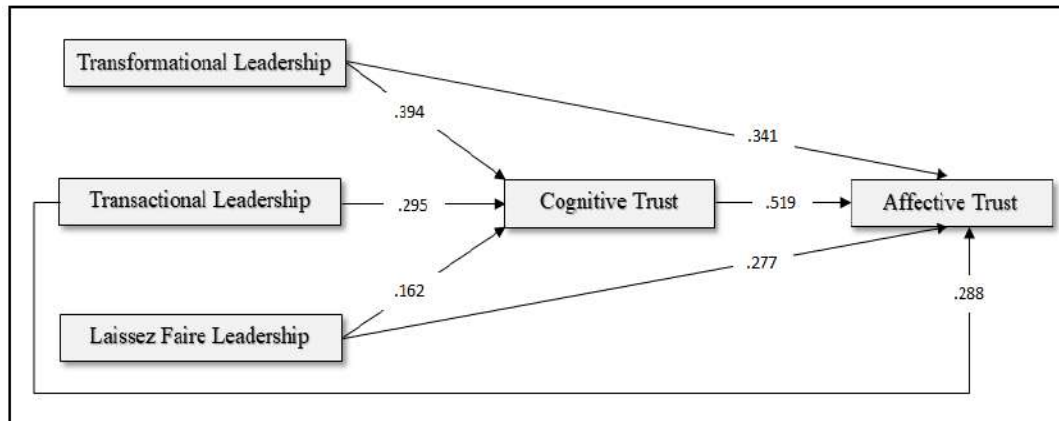


Note. p < .05

**Figure 3.2. Model 2. Mediating Effect of Cognitive Trust between Leaderships Styles on Affective Trust by Managers' Perception**

Table 3.4 exhibit indirect effects in detail, transformational leadership in affective trust through cognitive trust has a path coefficient value .237, upper confidence level was .3224 and the lower confidence level was .1591, without zero between the upper and lower confidence levels, which indicates that cognitive trust mediates the relation between transformational leadership and affective trust. The indirect effect of transactional leadership in affective trust through cognitive trust has a path coefficient value .226, upper confidence level was .2953 and lower confidence level was .1630, without zero between the upper and lower levels of confidence, which indicates that cognitive trust mediates the relation between transactional leadership and affective trust. In the same way, indirect effect of laissez faire leadership on affective trust through cognitive trust has a path coefficient value .148, upper confidence level was .2000 and lower confidence level was .0998, without zero between the upper and lower levels of confidence, which indicates that cognitive trust mediates the relation between passive leadership and affective trust, all of them were significant with p value < .05.

| Path | Indirect Effect | Direct Effect | Total Effect | Ratio of Indirect Effect | Confidence Interval | |
|------|----------------|---------------|--------------|--------------------------|---------------|-------|
| | | | | | Lower | Upper |
| TRF → COG→ AFF | .237 | .341 | .578 | .041 | .1591 | .3224 |
| TRS → COG→ AFF | .226 | .288 | .513 | .044 | .1630 | .2953 |
| LF → COG→ AFF | .148 | .277 | .424 | .034 | .0998 | .2000 |

Note. TRF = transformational; TRS = transactional; LF = laissez faire; COG = cognitive trust; AFF = trust.

**Table 3.4. Indirect Effects Managers**

In figure 3.3, Model 3 exhibits the direct effect between leadership styles and types of trust by employees' perception. Transformational leadership is negatively related to cognitive trust, having a path coefficient value -.04. Transactional leadership is negatively related to cognitive trust having a path coefficient value -03. Laissez faire leadership is insignificantly related to cognitive trust with path coefficient value .03, all with a p value < .05.

Moreover, transformational leadership is negatively related with affective trust having a path coefficient value -17. Transactional leadership is negatively related to affective trust having a path coefficient value -11. Laissez faire leadership is insignificantly related to affective trust with path coefficient value .02, all with a p value < .05. With these findings hypothesis 2 is not supported. Under the subordinates' perception, leadership styles of their leaders are not related to their trust types.
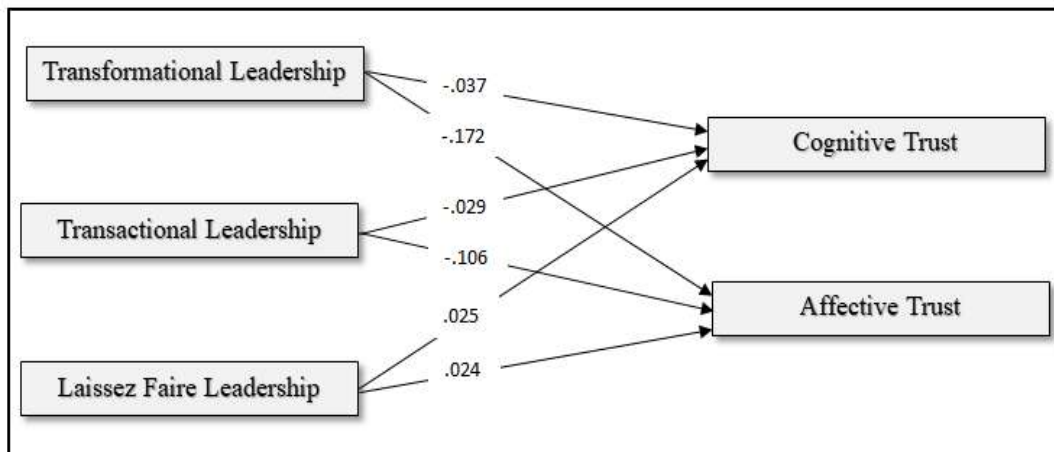
Note. p < .05

**Figure 3.3. Model 3. Direct Effects of Leadership Styles on Trust Types by Subordinates' Perception**

A fourth model was analyzed to observe the mediation of cognitive trust between leadership styles and affective trust, under the subordinates' perspective; indirect effects were analyzed using the 1,000 interaction bootstrapping technique where has not significant relationship, in that way we determined that there is no mediation of cognitive trust between leadership styles and affective trust under employees' perspective.

## 3.5. DISCUSSION

The findings of this study conducted on managers and subordinates of small and medium-sized enterprises provide evidence that supports and, in some cases, rebuts some of our initial propositions.

First, it was found that from the managers' perspective there was a significant positive relation between transformational and transactional leadership styles with affective and cognitive trust, which supports other investigators' arguments (Behery & Al-Nasser, 2016; De Lima Rua & Costa Araújo, 2016; Ferrin & Dirks, 2002). In addition, it was found that laissez faire leadership style also have a connection to cognitive and affective trust, which contrasts with criteria that affirm that there is a negative correlation between them (Holtz & Hu, 2017).

It was proved that there is mediation from cognitive trust in order to build affective trust (Ren et al., 2016). Especially with the transformational leadership. Since its effect on affective trust allows generating job satisfaction, to better understand the organizational processes, improves efficiency and generates positive effects to the organization (Gozukara & Faruk, 2016).

However, when subordinates are concerned, their perception of their manager's leadership style and trust type differs. Even if they may be regarded as transformational leaders, there is no relation to the trust employees perceive, whether it is cognitive or affective in contrast with previous studies (Chou, Lin, Chang, & Chuang, 2013; Hussain, Shujahat, Malik, Iqbal, & Mir, 2018). This divergent perspective of perceptions can lead problems for the organizations, such as lack of efficiency, conflicts or bad work environment (Erkutlu & Chafra, 2016; Lee et al., 2016).

## 3.6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The present research focused on small and medium-sized enterprises. Future research might focus on big enterprises, microenterprises, non-profit organizations and other organizations not present in the current study. Moreover, other comparative analysis should be conducted considering other behavioral variables such as conflict management. Another limitation is that every subordinate was not related with his or her own leader at the moment of the data analysis. Future researches should do this analysis connecting leaders with their employees. And finally an additional limitation is that self-perception is not always accurate because sample respondents were able to answer without a real self-analysis of their behavior trying to appear with more acceptable standards (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

## 3.7. IMPLICATIONS

Such contribution complements the information available in Ecuadorian culture about trust and leadership and reveals that leaders of small and medium-sized enterprises make use of both variables on a daily basis, especially considering transformational leadership which has a closer connection with trust. Cognitive trust, the most used among managers, mediates the relationship between leadership styles and affective trust.

On a practical level it is important to highlight that, despite the relationship model from the managers' perspective is positively significant, the perception of the employees' differs from theirs when the same exercise is performed. According to these results, employees consider leadership and trust as independent variables, which may cause problems to the organization such as a lack of efficiency, conflicts or a negative work environment.

Thus the need of working on programs that improve the leaders' interrelationship, communication and trust building because their management and leadership styles are not perceived by their subordinates as expected. Likewise, encouraging the inclusion of trust-oriented people in work teams and improving relationships by valuing the work of others through acknowledging their own weaknesses (Elgoibar et al., 2016).

## 3.8. CONCLUSION

The present study focused on the analysis of trust types and leadership styles in Ecuador. Despite the limitations, the research findings are expected to provide further information about organizational behavior in Ecuador. It is important to highlight that the study's results showed a correlation between trust types and leadership styles from the managers' perspective versus the subordinate's perspective. In addition, the results supported that cognitive trust appears to mediate between leadership styles and affective trust. Finally, it was empirically tested that no correlation existed between trust types and leadership styles from the subordinates' perspective. It might be significant to emphasize the previous statement because the perspectives of managers and subordinates about leadership style and trust differs.

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**CHAPTER 4.**

**CONTRIBUTION III: HAS TRUST A MEDIATION EFFECT BETWEEN LEADERSHIP STYLES AND CONFLICT MANAGEMENT? AN EMPIRICAL STUDY ON SMES' MANAGERS IN ECUADOR[6]**

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## 4.1. INTRODUCTION

Conflict is considered as one of the most common phenomena within the members of an organization because people have a tendency to show different interests. Therefore, managing conflict has become one of the main managerial tasks (Chen, Yang, & Jing, 2015), in which managers spend a considerable amount of time —approximately 25%— (Yang & Li, 2017). Conflict management research has long recognized (Tjosvold, Wong & Chen, 2014) that conflict is part of organizational life and is not intrinsically destructive (De Dreu & Gelfand, 2008; Euwema, Munduate, Elgoibar, Pender, & Garcia, 2015). Parties need to accept conflict as part of the organizational dynamics and learn to deal with them effectively and efficiently (Elgoibar, Euwema & Munduate, 2017).

Moreover, conflict resolution is an important task for managers if they wish to show high levels of concern, respect, and open communication towards others (Erkutlu & Chafra, 2015). This task is a complex one because there are numerous factors that influence how people respond to conflict (Elgoibar, Euwema, & Munduate, 2017). The processes involved are mostly unconscious (Wilson, 2004) and may lead to certain behaviours that are known as conflict management styles (Barbuto, Phipps, & Xu, 2010).

In addition, leadership is a cultural phenomenon, a product of the leader's own philosophy and a result of his activities and practices (Bown & Mcclellan, 2017). Leadership is deemed important to develop productive relationships and encourage subordinates to be committed to their organizations (Gutermann, Lehmann-Willenbrock, Boer, Born, & Voelpel, 2017). Leaders should make use of different conflict management styles to the aim of developing employees' maximum potential (Jehn, 1995). Additionally, leadership and conflict management are suggested to relate in order to achieve goals in organizations and inspire innovation levels in teamwork (Semuel, Siagian, & Octavia, 2017; West, Borrill, Dawson, & Haward, 2003).

There is ample evidence that constructive conflict and trust are tightly and positively related (Hempel, Zhang & Tjosvold, 2009; Bijlsma & Koopman,

2003; Lewicki, Tonlinson, & Guillespie, 2006). Trust allows managers to influence their subordinates (Allen, George, & Davis, 2018), develop interpersonal relationships, and successfully meet organizational challenges and objectives (Hosmer, 1995). Building trust is critically important in the management and leaders' behaviors, allowing them to develop abilities and competences and establish high moral standards (Mohamad, Daud, & Yahya, 2016). In reliable organizational environments, trust may also encourage team formation that efficiently work together and share values (De Dreu & Van Vianen, 2001).

This study aims to analyze the way in which leadership styles influence conflict management styles and whether trust has a mediation effect in this relationship. The study is based on managers' perception about their leadership style, their conflict management style and trust levels. For these purposes, the following objectives were established:

1. To describe theoretically leadership styles, trust, and conflict management styles.

2. To analyze empirically the relationship between leadership styles — transformational, transactional and laissez-faire— and conflict management styles —problem-solving, yielding, forcing, avoiding, and compromising.

3. To analyze empirically the mediation effect of trust on the relationship between leadership and conflict management styles.

In this respect, this study aims to contribute to the existing literature about conflict management, leadership styles, and trust.

## 4.2   LITERATURE REVIEW

### 4.2.1.  Conflict Management Styles

Conflict is an interactive process that manifests itself in disagreements, incompatibilities or dissonance within or between social entities, groups, organizations, couples or individuals (Chan, Huang, & Ng, 2008; García, Munduate, Elgoibar, Wendt, & Euwema, 2017; Rahim, 2000). Conflict is unavoidable, especially in a group environment where conflicting ideas, objectives or techniques may exist (Tjosvold, 2008). Conflict may arise when

one party believes that two different goals cannot be achieved simultaneously. Thus, in response, people tend to act by following their emotions more or less conscientiously (Elgoibar et al., 2017).

Some theorists view conflict as a healthy aspect that may lead to an improvement in employee performance, depending on the leader's behaviour (Fotohabadi & Kelly, 2018; Rahim, Antoniani, & Psenicka, 2001). This aspect will depend on the type of conflict that arises and the tension level in which such conflict occurs regarding its cause (Medina, Munduate, Martínez, Dorado, & Mañas, 2004).

There are numerous classifications regarding conflict management. This study uses Beersma & De Dreu's (1999) classification, which comprises five conflict management styles: problem-solving, yielding, forcing, avoiding, and compromising.

Each conflict management style is described below.

### 4.2.2. Problem-Solving

This style is characterized by people taking an interest in themselves and others. The problem-solving style is associated with identifying and confronting the right problems in order to solve them. This conflict management style is most convenient when approaching strategic problems regarding long-term planning and organizational goals and policies (Rahim, 2002). Using the problem-solving style implies showing open-mindedness, exchanging information, seeking alternatives, and examining differences in favour of reaching an effective and satisfactory solution for all parties involved. Problem-solving is mostly used to handle social conflict in different organizational subsystems (Huan & Yazdanifard, 2012).

### 4.2.3. Yielding

The yielding style consists in focusing more on others' interests than oneself' interests. Its usage aims to minimize differences and emphasizes the yielding point for the other party. This style is useful when one party is not familiar with the issues involved in a particular conflict or one party believes that they are right but the problem is more significant to the other party. It may be also used strategically when one party is willing to forgo something in the hopes of obtaining some benefit when the moment comes (Rahim, 2002). Those

who prefer this style use other people's interventions in order to solve conflicts; they are not assertive but cooperative (Huan & Yazdanifard, 2012).

### 4.2.4. Forcing

People who use the forcing style focus more on their own interests than others. They use a dominant and competitive behaviors to achieve their goals and they usually ignore other people's needs and expectations as a result. Forcing is inappropriate for solving conflict that entails complex issues and when there is enough time to work on an integrative decision. In addition, when all parties are equally powerful, using this style may end in a deadlock unless the parties involved change their conflict management styles (Rahim, 2002). These people display an aggressive behavior to resolve conflict because they make use of authority, threats, and intimidation in order to force others to agree with them (Huan & Yazdanifard, 2012).

### 4.2.5. Avoiding

The avoiding style is characterized by taking little interest in oneself and others. It is sometimes related to restraint and abandonment conditions in the workplace. It may be used when the potentially dysfunctional outcome of confronting the other party outweighs the solution's benefits (Rahim, 2002). People who use the avoiding style tend to stay away from conflict and even ignore it on some occasions (Huan & Yazdanifard, 2012; Rahim et al., 2001).

### 4.2.6. Compromising

People who use the compromising style focus equally on themselves and others. Compromising involves giving and receiving while all parties forgo something to reach a mutually satisfactory decision. The compromising style is used when parties cannot reach an integrate and are in need of a temporary solution for a complex problem. As a result, the parties involved are unable to identify real problems and create successful solutions (Rahim, 2002). Compromising is most convenient whenever the goals of all parties involved are mutually exclusive and reaching integrating becomes difficult (Chang & Lee, 2013).

### 4.2.7. Leadership Styles

The leadership styles theory arises from the understanding that leaders show

different behaviors in their management roles (Bass & Avolio, 1990). This theory is comprised of three types of leadership: transformational, transactional and laissez-faire. Previous research has demonstrated that leadership styles allow to understand how managers communicate the organizational vision, inspire commitment, gain trust and generate motivation in their subordinates. In addition, leadership styles influence how managers ensure cooperation among their subordinates by either providing rewards or introducing punishments (Hermosilla, Amutio, & Páez, 2016). Leadership is crucial to organizations because it allows employee alignment with the organizational vision, which inspires and motivates subordinates (Gabriunas, 2004).

***Transformational leaders.*** Transformational Transformational leadership focuses on improving subordinates' performance through motivation and inspiration and establishes a strong personal and collective identity to achieve the organizational goals (Gozukara & Faruk, 2016). Transformational leadership has been preferred in most recent leadership studies due to its impact on results and subordinates' behavior (Mustafa & Lines, 2014).

Research has shown that transformational leadership improves performance, creativity and originality among subordinates and makes them think out of the box while maintaining their moral standards (Bass, Avolio, Jung, & Berson, 2003; Jung, Chow, & Wu, 2003; Bass & Steidlmeier, 1999; Kark, Chen, & Shamir, 2003). This leadership style focuses on individualized consideration and highlights leader self-sacrifice (Arnold, Loughlin, & Walsh, 2016). Ultimately, transformational leaders consider the important role of emotions and values. This leadership is oriented towards growth and creativity within the company because it enables to draw a sense of inspiration from the organizational mission, identity and goals which motivate employees (Le & Lei, 2017).

Transformational leaders encourage their subordinates to work harder for, cooperate with and contribute more to the organization, regardless of their subordinates' personal interests, which results in a high collective performance that may exceed expectations. Previous research has shown that transformational leaders manage to influence their subordinates' attitudes and emotions (Pradhan, Jena, & Bhattacharyya, 2018). In addition,

transformational leaders encourage their employees to achieve their goals, they stay by their subordinates' side, maintain a high level of communication and they are constantly providing feedback (De Lima Rua & Costa Araújo, 2016).

***Transactional leaders.*** The transactional leadership style is characterized by subordinates following the leader's orders in exchange for earning rewards or avoiding punishments, where an active management-by-exception is usually involved and contingent reward observable. Ultimately, transactional leadership consists in giving rewards based on merit, allowing individuals to show off their personal skills and creating a split among employees regarding their achievements (Avolio & Bass, 1995; Bass, 1997). Therefore, this leadership style focuses on establishing individual goals as opposed to collective ones, which causes a decrease in cooperation among work groups. Transactional leaders exercise the resource scarcity principle in an organization with the purpose of making subordinates demonstrate their competences while competing with one another (Hamstra et al., 2014).

***Laissez-faire leaders***. Laissez-faire leadership consists in a lack of leader involvement with subordinates, meaning that decision-making is often delayed (Molina, Pérez, & López, 1997). This behavior, also known as passive-avoidant, shows low prevalence levels where a poor sense of extra effort is displayed and the leader exerts an occasional and non-permanent influence (Ordoñez, Botello, & Moreno, 2017). Also considered as a counterproductive leadership style, characterized by high levels of stress and interpersonal conflicts that can become intimidated towards subordinates, for that reason, its negatives effects should be prevented (Skogstad, Einarsen, Torsheim, Aasland, & Hetland, 2007)

Recent studies have shown that managers might use different leadership styles in different situations and contexts, composing a leadership pattern or cluster instead of a unique leadership style (Espinoza & Elgoibar, 2019). However, the present study analyses leadership styles separately in order to further understand the relationship between each style and conflict behavior.

## 4.2.8. Trust

Trust is a "psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior

of another" (Rousseau et al., 1998, p. 395). Trust makes the one party vulnerable to the other party's actions, according to their expectations or perceptions of reliability (Belkin & Rothman, 2017). Trust manifests itself in different manners depending on the relationship being a continuous one or a one-time occasion. Thus, trust may appear as a premeditated conception or as a response based on emotions and people's attachments, determined by the experiences in the relationship, its developmental stage, and the signs present in the immediate surroundings (Rousseau et al., 1998). People's perceptions of trust have been shown to increase or decrease based on their experiences surrounding positive behavior and levels of competence (Migliore, 2012). In this regard, previous research has made a distinction between competence-based trust and value-based trust.

Trust has been considered as a requirement in several economic environments, both in large companies and SMEs or family businesses, because leaders tend to show a specific level of trust or lack of it (Gillespie, 2017). At the same time, trust may have an influence on subordinate's behavior (Allen, George, & Davis, 2018), trust is complex, multidimensional and stems from different elements such as personal values, emotions, experiences, and competence display. Trust may also manifest through reliability, honesty, confidence, and the way in which people undertake their activities (Ren, Shu, Bao, & Chen, 2016).

According to Hosmer (1995), trust is a crucial aspect of human relationships because trust helps to develop stable interpersonal relationships and encourages successful economic transactions. In contrast, a lack of trust may cause the failure and collapse of many social relationships. As stated by Lewicki & Wiethoff (2000), the ability to trust other people stems from events related to reliance that are experienced throughout life and affect people's personalities, and the rules and norms set by organizations and even society.

As part of a complex action system, trust is a key element that influences parties of an organization to work efficiently (McAllister, 1995). It seems necessary then that leaders create trusting bonds with their subordinates and organizations (McAllister, 1995). Therefore, a relationship is built when leaders and subordinates trust each other's intentions, motives, and words and also safeguard confidential information, which is thorough and honest

and leads to an expected behavior between parties (Lewicki et al., 1998). All parties rely on the belief that they will be honest, trustworthy, and will only participate in activities that will produce the best results possible for the organization (Boateng & Narteh, 2016).

Trust and conflict management have received a lot of attention in academic literature in the last 20 years, particularly in the field of organizational behavior. Although conflict and trust have often been considered as incompatible, recent studies indicate that cooperative conflict management and trust can reinforce each other (Tjosvold, Wang & Tang, 2017). At the same time, trust is important because subordinates tend to perceive their leaders more positively when trust is involved in a work relationship; in other words, subordinates might see leaders as being more supportive, committed to team goals and better decision-makers (Podsakoff, Mackenzie, & Bommer, 1996). Therefore, the aim of this study is to shed light on the impact of trust on the relationship between leadership styles and leaders' conflict management.

### 4.2.9. Conflict Management & Leadership Styles

Managers' leading method specifically impacts on cooperation in social predicaments whenever different aspects of their leadership style focus on encouraging ethical and cooperative decisions (Naquin & Kurtzberg, 2018). For the purpose of this study, we deem important to consider each leadership style and different conflict behaviors. According to previous research, a transformational leader encourages their subordinates to pursue more than their personal interests in a conflict situation and to adopt a cooperative approach to solve problems (Dionne, Yammarino, Atwater, & Spangler, 2004). Thus, transformational leaders participate in a social exchange instead of an economic or material one. These leaders motivate their employees and value their subordinates' needs in order to increase their organizational commitment, which in return helps to reduce conflict among employees (Hussain, Shujahat, Malik, Iqbal, & Mir, 2018).

Thus, transformational leadership increases engagement in cooperative conflict management in team processes (Ayoko & Callan, 2010). Transformational leaders are prone to generate motivation, present themselves as considerate and eager to train and help their subordinates to face challenges, promote trust in shared mental model schemes for team

reliability and, in consequence, avert potential conflicts in the organization (Braun, Peus, Weisweiler, & Frey, 2013).

In comparison, transactional leaders tend to resolve conflict situations, doubts and uncertainties with a functional approach to leadership, which emphasizes the leader's helpful and regulating nature. Consequently, transactional leaders are expected to manage and not avoid team affairs, including conflict (Tremblay, Vandenberghe, & Doucet, 2013). According to previous research, these leaders establish rules and standards for organizational behavior and then monitor their employees in search of mistakes and deviations. Employee monitoring is conducted with a view to defining goals, assigning tasks, and clarifying expectations so employees are able to achieve the organization's expected results without creating conflict (Martin, 2015). Transactional leader's effectiveness stems from meeting their subordinates' basic needs and, as a result, they improve productivity and morale (Chang & Lee, 2013).

Finally, the laissez-faire leadership style entails a lack of feedback and involvement and, in consequence, an absence of supportive leadership. This may lead to a poor conflict management that often involves the use of avoidance techniques. As a result, laissez-faire leaders may be perceived as absent and failing in their responsibilities (Skogstad, Einarsen, Torsheim, Aasland, & Hetland, 2007). In fact, laissez-faire leadership itself could be a major cause for stress in the workplace —leading to frustration, psychological distress, and exhaustion— inasmuch as this type of leader does not show interest or may lack confidence in their own ability to lead or solve different organizational problems (Martin, 2015).

In accordance with this theoretical framework, we hypothesize the following:

*Hypothesis 1: Transformational leadership is positively related to the problem-solving style.*

*Hypothesis 2: Transactional leadership is positively related to the compromising style.*

*Hypothesis 3: Laissez-faire leadership is positively related to the avoiding style.*

## 4.2.10. Conflict Management & Trust

Previous research on organizational conflict has defined trust as a main factor in conflict management (Elgoibar et al., 2016; Hempel et al., 2009). For this reason, trust is also frequently associated with the leaders' behaviour and their decision-making process when involved in a conflict (Ferrin & Dirks, 2002).

The members of an organization who are not pleased with the outcome after a conflict may adopt more negative attitudes towards their workplace or may even wish to quit. Meanwhile, those members who believe that conflict was handled correctly will develop trust in their leaders, consequently, can increase in members' organizational commitment. This shows the important effect of conflict management in leaders (Ohbuchi, Suzuki, & Hayashi, 2001).

As stated by Ozyilmaz, Erdogan & Karaeminogullari (2018), trust creates an expectation about the organization's course of action when dealing with employees' efforts. Accordingly, trust can determine the relevance of motivation levels among employees once conflict has been settled.

By the same token, trust serves as a basis for providing mechanisms that allow assertive decision-making on organizational dilemmas, as well as fostering the ability to actively participate, with commitment, in the organization's goals (Naquin & Kurtzberg, 2018).

Despite trust being usually observable in a working environment, people relate to each other depending on their own perceptions (Belkin & Rothman, 2017). Academic research in psychology has suggested that, even when group membership remains anonymous —Minimal group paradigm—, people tend to identify, trust, and cooperate more with their in-group than out-group members (Naquin & Kurtzberg, 2018). This creates a trusting environment where talking is accepted in order to handle dysfunctional and conflicting behavior in the process of seeking a strong competitive advantage (Lin, Dang, & Liu, 2016).

When conflict management is related to trust, managers become more efficient and tend to show flexibility in the conflict management process (Elgoibar et al., 2017) because they are prone to consider their alternatives, which makes subordinates more likely to adopt their leaders' solutions (Chen

et al., 2015). In such manner, conflict behavior translates to conflict management. Previous research has suggested that work-related trust should be developed in a group context that consists of a wide team of people from different demographic groups (Belkin & Rothman, 2017). For example, a person who is naturally compliant may immediately yield to other people's demands, but may become more efficient once they learn to evaluate a situation and carefully decide on a course of action —which may be very different from their natural reaction (Elgoibar et al., 2017).

Along these lines, the present study analyses how trust acts as a mediator in managers' behavior regarding the relationship between their leadership style and their conflict management style. These three variables —trust, leadership style and conflict management style— allow managers to influence subordinates and achieve organizational goals (Hussain et al., 2018).

### 4.2.11. The Mediation Effect of Trust

It has been suggested that leadership styles are related to trust because different leadership styles focus differently on using knowledge to encourage continuous improvement, develop skills and competences, and establish high ethical values (Wahab, Rahmat, Yusof, & Mohamed, 2016). Therefore, trust is vital in managerial life and high trust levels, as well as leadership, are significantly related to work performance, organizational commitment and job satisfaction (Fox, Gong, & Attoh, 2015).

Trust makes it possible for leaders to arrive at better decisions or resolutions when confronted with organizational conflict (Yang, 2014). Subsequently, the leader's action in a conflict situation will change according to the level of trust they create (Naquin & Kurtzberg, 2018). Since high levels of trust may lead managers to present cooperative behaviors aimed at finding solutions, a low level of trust may bring leaders towards more competitive behaviors. Therefore, we hypothesize that trust has a positive mediation effect on the relationship between leadership styles and conflict management styles in managers.

In previous sections of the current study, we have suggested that transformational leadership is linked to facilitating the pursuit of solutions in conflict resolution. We have also implied that transactional leaders might be

able to compromise and handle conflict efficiently, while suggesting that laissez-faire leadership exhibits avoidant behavior during conflict management.

Moreover, it has been established that trust is strongly associated with leaders' behavior when making decisions regarding conflict. So, in accordance with these statements, is it possible that trust exert a mediating effect between leadership styles and conflict management styles? Provided that trust is a component of organizational behavior, we expect that it will play a positive mediation role in the relationship between leadership styles and conflict management styles known the positive effects of this behavior on managers. Hence, we formulate the following:

*Hypothesis 4: There is a mediation effect of trust in the relation between leadership styles and conflict management styles.*

The following model is proposed to show the interrelation between trust, leadership styles and conflict management styles:
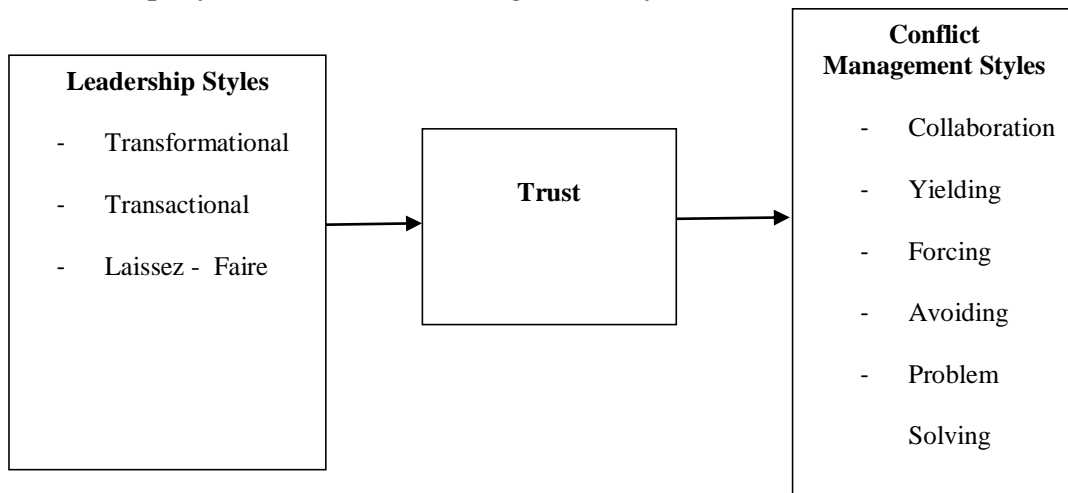


**Figure 4.1. Proposal Model**

## 4.3. METHODS

### 4.3.1. Sample and Procedure

Sample was composed of managers (N=341) of small and medium-sized enterprises (SMEs) in Ecuador who had volunteered to participate in the study. The respondents were adults over 18 years' old who were employed at the moment of answering the instrument, resided in the area of influence of the study, and specialized in activities such as production, commerce, and services. The respondents consisted of 40% women and 60% men. The questionnaire also included other demographic variables such as level of education, type of enrolment to the company, age of the company, activity, and number of employees. The data was collected between June and August 2018.

### 4.3.2. Instruments

**Leadership Style.** Leadership style was measured using the Multifactor Leadership Questionnaire - MLQ (Avolio, 1995) in its Spanish version (Rodriguez, Green, Sun, & Baggerly-Hinojosa, 2017; Antonakis, Avolio, & Sivasubramaniam, 2003). The questionnaire consists in 36 items designed to identify three styles of leadership: transformational, transactional, and laissez faire. A sample item for transformational leadership is: "I make others feel good by being around me." A sample item for transactional leadership is: "I feel satisfied when others meet the agreed standard." A sample item for laissez faire leadership is: "I am happy to allow others to always work in the same way". The respondents rated these aspects on a 5-point Likert-type scale, where 1 means "totally disagree" and 5 "totally agree". The scale shows good reliability with a Cronbach's alpha 0.89 across the scale (George & Mallery, 2003).

**Trust.** Trust was measured using the trust scale (McAllister, 1995). The questionnaire comprised 9 items designed to identify the two types of trust: affective and cognitive. A sample item for affective trust was: "If I share my problems with subordinates, I know they will respond constructively and affectionately." A sample item for cognitive trust was: "My subordinates approach their work with professionalism and dedication." The respondents rated the items on a 5-point Likert-type scale, where 1 means "totally

disagree" and 5 means "totally agree". The scale showed good reliability with a Cronbach's alpha 0.86 across the scale (George & Mallery, 2003).

**Conflict Management.** Conflict management style was measured using the DUTCH scale (De Dreu, Evers, Beersma, Kluwer, & Nauta, 2001). The questionnaire was comprised of 20 items designed to identify the five conflict management styles: yielding, problem-solving, forcing, collaborating and avoiding. At this point in the questionnaire managers were asked to answer how they would act in the following conflict: "During the last six months — given the economic context in Ecuador—, your subordinates were given more tasks without expectations of a better salary. This has caused them discomfort and they show an unacceptable level of performance in various activities. Given this disconformity, employee representatives request an urgent meeting with you to improve the situation".

An item for yielding was: "I adapt to the other parties' goals and interests." An item for compromising was: "I try to provide a middle-of-the-road solution." An item for forcing was: "I push for my own point of view." A sample item for problem-solving was: "I examine ideas from both sides to find a mutually optimal solution." An item for avoiding was: "I avoid differences of opinion as much as possible." The respondents rated the items on a 5-point Likert-type scale, where 1 means "totally disagree" and 5 "totally agree". The scale showed good reliability with a Cronbach's alpha 0.86 across the scale (George & Mallery, 2003).

## 4.4. RESULTS

### 4.4.1. Data Analysis

| Variables | N | % |
|---|---|---|
| **Gender** | | |
| Men | 205 | 60 |
| Women | 136 | 40 |
| **Level of Education** | | |
| Primary | 7 | 2 |
| High School | 88 | 26 |
| Third Level University Degree | 205 | 60 |
| Postgraduate | 41 | 12 |
| **Sector** | | |
| Production | 9 | 3 |
| Services | 326 | 97 |

**Table 4.1. Sample Demographics**

Table 4.1 exhibits sample's demographics

Table 4.2 exhibits the means, standard deviations and correlations between the leadership styles, trust and conflict management styles. For transformational leadership: positive and significant correlation are demonstrated with trust ($r = .579$, $p < .01$), positive and significant correlation with compromising ($r = .506$, $p < .01$), positive and significant correlation with problem solving ($r = .619$, $p < .01$), were demonstrated. For transactional leadership, positive and significant correlation with compromising ($r = .532$, $p < .01$), and positive and significant correlation with problem-solving ($r = .545$, $p < .01$) were demonstrated.

It was also observed that the conflict management styles stronger related to transformational and transactional leadership were problem-solving and compromising. In contrast, the conflict management styles stronger related to laissez-faire leadership were forcing and avoiding.

|  | M | SD | TRF | TRS | LF | TRT | YIE | COM | FOR | PSO | AVO |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **TRF** | 4.20 | 0.57 | 1 | | | | | | | | |
| **TRS** | 4.26 | 0.56 | .681** | 1 | | | | | | | |
| **LF** | 4.02 | 0.73 | .486** | .479** | 1 | | | | | | |
| **TRT** | 4.07 | 0.56 | .579** | .492** | .487** | 1 | | | | | |
| **YIE** | 3.37 | 0.95 | .328** | .292** | .342** | .371** | 1 | | | | |
| **COM** | 4.15 | 0.77 | .506** | .532** | .274** | .419** | .532** | 1 | | | |
| **FOR** | 3.90 | 0.93 | .263** | .247** | .335** | .270** | .200** | .192** | 1 | | |
| **PSO** | 4.33 | 0.65 | .619** | .545** | .205** | .413** | .245** | .542** | .152** | 1 | |
| **AVO** | 4.21 | 0.70 | .445** | .415** | .387** | .367** | .251** | .404** | .172** | .396** | 1 |

Note. M = media; SD = standard deviation, TRF = transformational; TRS = transactional; LF = laissez faire; TRT = trust; YIE = yielding; COM = compromising; FOR = forcing; PSO = Problem Solving; AVO = avoiding

**Table 4.2. Correlation Analysis**

To test the hypotheses, path analysis was used to build model 1, in which the leadership styles and conflict management styles were related (Figure 4.2). The mediation effect of trust on the relationship between leadership styles and conflict management styles is illustrated in model 2 (Figure 4.3).

In model 1, the direct effects between leadership styles and conflict management styles were observed; transformational leadership was positively and significantly related to the following conflict management styles: Problem Solving, with a path coefficient value .701; compromising, with a path coefficient value .647; avoiding, with a path coefficient value .548; yielding, with a path coefficient value .544, all with p value < .05.

In comparison, transactional leadership was positively and significantly related to the following conflict management styles: with a path coefficient value .692 for compromising, a path coefficient value .629 for problem-solving, and a path coefficient value .521 for avoiding, all with $p$ value < .05.

Lastly, laissez-faire leadership was positively but poorly related to problem-solving, with a path coefficient value .180 and $p$ value < .05.

These findings present further evidence that supports hypotheses 1, 2 and 3. Transformational leadership has been shown to bear a higher positive and significant relation to problem-solving and compromising, while bearing a less prominent relation to avoiding and yielding. Transactional leadership has a higher positive and significant relation to compromising and problem-solving, while bearing a less prominent relation to avoiding. Finally, laissez-faire leadership appears to have a positive but insignificant relation to the problem-solving conflict management style.

In model 2, trust is presented as a mediator between leadership styles and conflict management; indirect effects were analyzed using the bootstrapping technique with 1000 interactions to prove the respective significance.
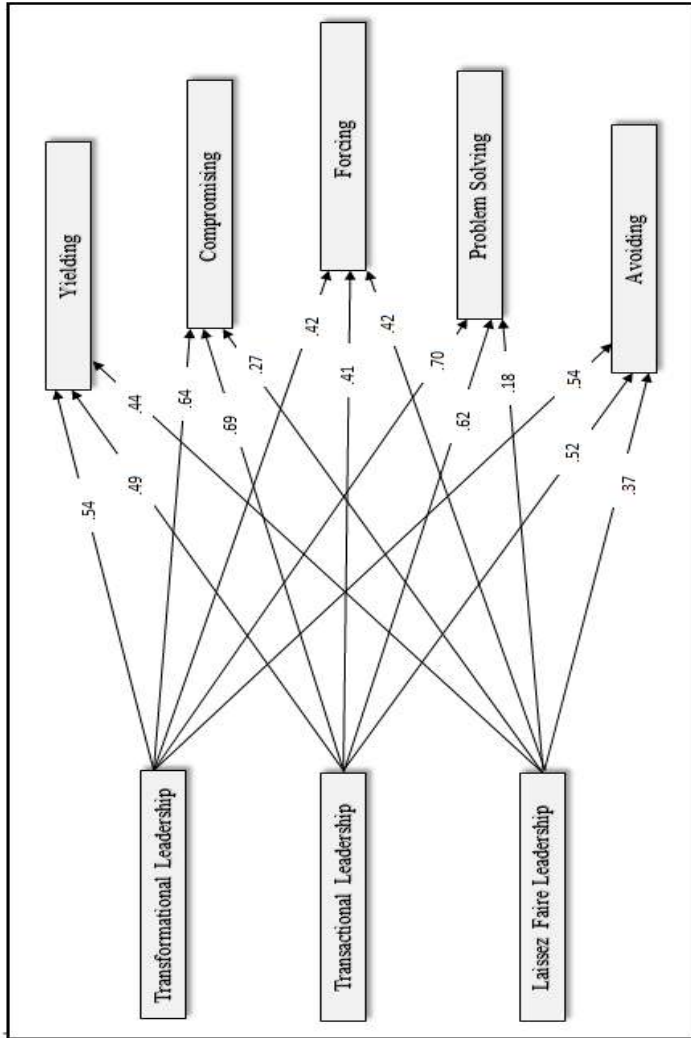
Note. p <.05
**Figure 4.2. Model 1 Relationship between Leadership Styles and Conflict Management Styles**
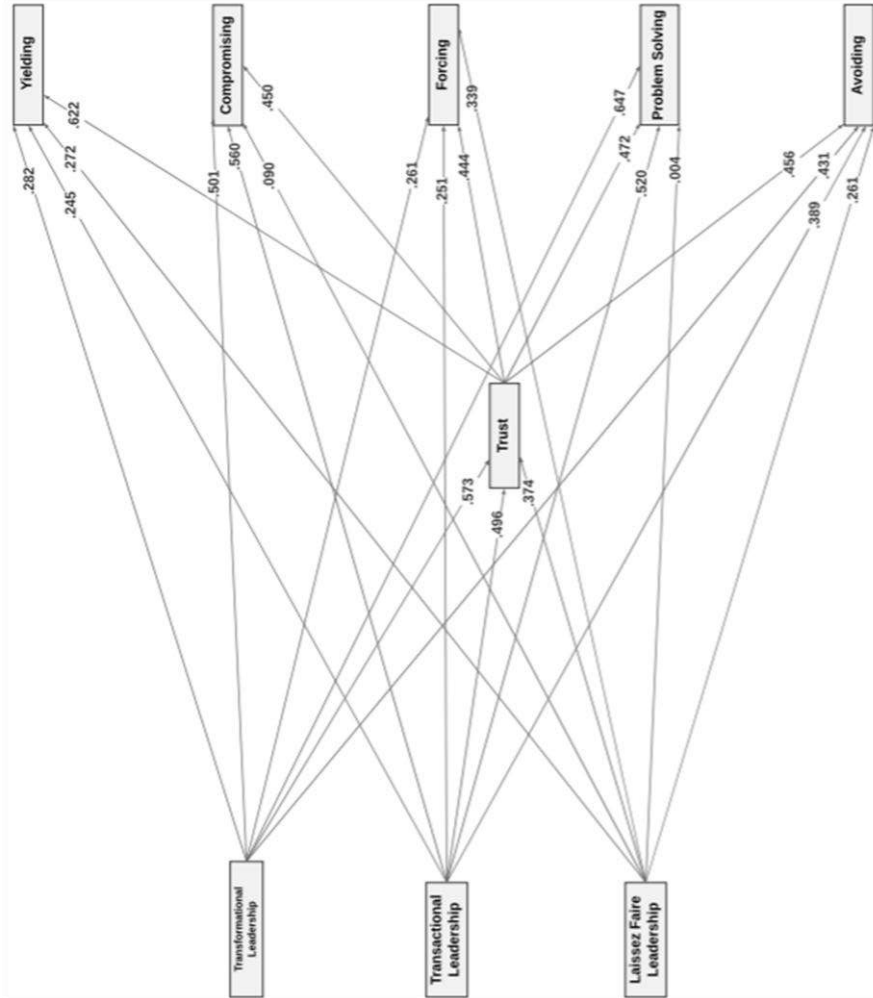
Note. p < .05

**Figure 4.3. Model 2. Mediating Effect of Trust**

Table 4.3 shows indirect effects in detail using path analysis. Transformational leadership with the mediation effect of trust shows a positive impact on compromising, avoiding, yielding and forcing conflict management styles, showing upper and lower confidence levels without zero, which supports the idea that trust mediates the relation between these variables. Nevertheless, with problem-solving, the mediation effect is not significant.

For transactional and laissez – faire leaderships table 3 shows that trust shows a positive mediation effect with all conflict management styles.

Based on the previous findings, hypothesis 4 has been partially corroborated because trust showed no mediator effect between transformational leadership and the problem solving-conflict management style. This outcome is understandable given the characteristics of transformational leaders, who display problem-solving naturally therefore, trust seems to be unnecessary in this case.

| Path | Indirect Effect | Direct Effect | Total Effect | Ratio of Indirect Effect | Confidence Interval Lower | Upper |
|---|---|---|---|---|---|---|
| TRF → TRT → YIE | .263 | .282 | .544 | .066 | .1347 | .3974 |
| TRF → TRT → COM | .140 | .501 | .647 | .050 | .0468 | .2428 |
| TRF → TRT → FOR | .167 | .261 | .428 | .066 | .0466 | .3017 |
| TRF → TRT → PSO | .054 | .647 | .701 | .030 | -.0206 | .1266 |
| TRF → TRT → AVO | .118 | .431 | .548 | .038 | .0435 | .1918 |
| TRS → TRT → YIE | .250 | .245 | .495 | .052 | .1464 | .3572 |
| TRS → TRT → COM | .132 | .560 | .692 | .037 | .0564 | .2086 |
| TRS → TRT → FOR | .160 | .251 | .411 | .056 | .0571 | .2808 |
| TRS → TRT → PSO | .109 | .520 | .629 | .030 | .0529 | .1723 |
| TRS → TRT → AVO | .133 | .389 | .521 | .034 | .0698 | .2032 |
| LF → TRT → YIE | .169 | .272 | .441 | .042 | .0864 | .2568 |
| LF → TRT → COM | .181 | .090 | .271 | .034 | .1180 | .2499 |
| LF → TRT → FOR | .086 | .339 | .424 | .036 | .0138 | .1496 |
| LF → TRT → PSO | .176 | .004 | .180 | .031 | .1215 | .2430 |
| LF → TRT → AVO | .109 | .261 | .370 | .030 | .0550 | .1728 |

Note. M = media; SD = standard deviation, TRF = transformational; TRS = transactional; LF = laissez faire; TRT = trust; YIE = yielding; COM = compromising; FOR = forcing; PSO = Problem Solving; AVO = avoiding

**Table 4.3. Path Analysis**

## 4.5. DISCUSSION

This study focused on analyzing the relationship between leadership styles and conflict management styles and whether trust influences this relationship based on managers' self-perception. In this regard, this study further contributes to this line of research. The study's findings provided evidence that supports and, in some cases rebuts some of our initial propositions. Results have shown empirical evidence that there is a strong, positive relation between transformational leadership and problem-solving conflict management style and between transactional leadership and compromising conflict management style. Additionally, the present study provided further evidence that trust may have a mediation effect on leadership and conflict management styles, except for the relation between transformational leadership and problem-solving.

The strength of this study's contributions lies in three important findings that further support some of our initial propositions. First, it was found that there was a significant and positive correlation between transformational leadership with the problem-solving and compromising conflict management styles. Such results were expected according to previous studies (Ayoko & Konrad, 2012; Huan & Yazdanifard, 2012; Hussain, Shujahat, Malik, Iqbal, & Mir, 2018). Furthermore, during the analysis, transformational leaders showed characteristics of the social exchange process making the positive correlation of transformational leadership with the problem-solving style understandable (Hussain et al., 2018). In the same way, it was found that transactional leadership has a significant and positive correlation with the compromising conflict management style, as expected, in accordance with previous studies (Chang & Lee, 2013; Martin, 2015; Peterson & Nemeth, 1996; Tjosvold, 2008).

Second, the current study was able to provide further evidence that trust plays a mediation effect in the relationship between leadership and conflict behavior styles. This is so for Ecuadorian managers, supporting previous research in other cultural contexts (Ferrin & Dirks, 2002; Hempel, Zhang, & Tjosvold, 2009; Ozyilmaz, Erdogan, & Karaeminogullari, 2018).

Third, it is important to highlight that the strongest direct relationship was observed between transformational leadership and the problem-solving conflict management style. Owing to their natural features, transformational

leaders do not need trust as a mediator, which seems to support former affirmations (Braun et al., 2013; De Lima Rua & Costa Araújo, 2016; Dionne, Yammarino, Atwater & Spangler, 2004; Pradhan, Jena, & Bhattacharyya, 2018).

## 4.6.  LIMITATIONS

Since the present study focused on small and medium-sized enterprises, future research could focus on big enterprises, microenterprises, or non-profit organizations. In addition, other comparative analyses could be conducted on the perspective of the employees. Another limitation to be considered is that self-perception is not always accurate because sample respondents during data collection were able to answer without a real self-analysis of their behavior, trying to appear with more acceptable standards as problem-solving or transformational (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

## 4.7.  IMPLICATIONS

This study contributes towards developing the line of research on conflict management, trust, and leadership styles in Ecuadorian culture by demonstrating that these three variables are present in SMEs managers' daily behavior. To our knowledge, this research is the first study exploring these relations in Ecuador, maybe even in Latin America. Our analysis suggests that transformational leadership especially has a strong connection with trust as well as the problem-solving conflict management style. Trust mediates between all leadership styles and conflict management styles, except between transformational leadership and the problem-solving style. As mentioned before, the strong connection between these two styles shows that transformational leaders, due to their features, naturally use problem-solving without the need of trust mediation.

On a practical level, managers should strive to create a reliable work environment, focusing on understanding their conflict management styles and the contexts in which their use is most appropriate.

## 4.8.  CONCLUSION

In conclusion, the current study analyzed three variables of organizational

behavior in Ecuador —leadership styles, trust, and conflict management styles— and thus has further contributed to this line of research. We deem important to emphasize the relationship between these three variables since the analysis carried out has supported our primary proposals. In that regard, results obtained during the analysis suggest that trust in fact acts as a mediator between different leadership styles and conflict management styles used by managers. However, it is important to highlight that, according to the study's results, trust was not shown to have a mediation effect on the relationship between transformational leadership and the problem-solving style.

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**CHAPTER 5.**
**CONCLUSIONS, LIMITATIONS, IMPLICATIONS AND FUTURE RESEARCH LINES**

## 5.1. CONCLUSIONS

There are several variables in organizational behavior that may affect leader performance and subordinate behavior (Molina, Armenteros Acosta, Medina, Barquero, & Espinoza, 2011; Ordeñana, 2016). Thus, these variables may create an impact in organizational objectives and results (Danna-Buitrago, Alarcón, & Gomez, 2017). Context is always changing, externalities occur daily, and this fast-paced era compels managerial behavior in organizations to be more and more flexible and adaptable to different scenarios (Adisa, Osabutey, & Gbadamosi, 2016).

SMEs managers —whether they are the company's owner or hired personnel— should consider leadership style, trust, and conflict management behavior key aspects of organizational behavior (Peterlin, 2016; Romero Galarza, Flores Sánchez, Campoverde Campoverde, & Coronel Pangol, 2017). These aspects should be properly analyzed by the people in charge of leadership and managerial roles with the aim of improving task fulfilment, teamwork, performance, and well-being at work (Muñoz, 2015; Tarapuez, Guzmán, & Parra Hernández, 2016).

The present study provides managers and academics with detailed knowledge about leadership styles, trust, and conflict management behavior in a developing country as Ecuador. First, by identifying the leadership styles used by managers in SMEs in Ecuador, focusing on demographic characteristics such as culture, gender, level of education, and task within the company (first objective). Second, by identifying managerial and subordinate trust levels as well as establishing the relationship between trust and leadership styles (second and third objectives). Finally, by identifying the conflict management behavior used by managers and their relationship to leadership styles and trust (fourth objective).

The first specific objective aimed to describe and define the study group according to leadership style (first variable) and the aforementioned demographic characteristics (Avolio & Bass, 1995). Study results showed that managers do not appear to use one leadership style exclusively. Using cluster analysis, it was concluded that there are at least five patterns of leadership styles. In other words, managers generally use a combination of two or three leadership styles. In addition, it was observed that leaders'

gender and level of education affects leadership patterns (Espinoza & Elgoibar, 2019). These findings constitute the first contribution.

The second specific objective addressed the leadership style and trust variables from a dual perspective. A model was proposed in order to determine the relationship between leadership style and trust from a managerial and subordinate perspective with the interest of analyzing the differences between both perspectives (Elgoibar, Euwema, & Munduate, 2016; Mayer, Davis, & Schoorman, 1995).

Study results showed that leadership styles and trust are closely related from managerial perspective, and that managerial and subordinate perceptions that managers and subordinates agree on the leadership styles used. However, subordinates consider both variables to be independent; that is to say, the leadership styles demonstrated by their managers do not influence the way in which they demonstrate their cognitive or affective trust. Another important contribution is that, from managerial perspective, cognitive trust was observed to mediate the relationship between leadership and affective trust. This mediation was not observed on the employees' perspective. These findings constitute the second contribution.

The third specific objective discovered that SME's managers have been use problem-solving, compromising, forcing and avoiding conflict management behaviors in determinated situation or depending the leadership style using.

Finally, the fourth specific objective focused on exploring the relationship between leadership styles, trust, and conflict management (De Dreu & Van Vianen, 2001; Lawal & Babalola, 2017). It was revealed that there is a strong relationship between these three variables according to managerial perspective. Additionally, it was determined that trust mediates between leadership styles and conflict management behavior. However, we deem important to highlight that an exception was observed during the study: trust mediation was not identified between transformational leadership and the problem-solving behavior. Due to its nature, transformational leadership does not need the effect of trust in order to use.

As a final conclusion, it is pertinent to emphasize the contributions made to the literature about leadership styles, trust, and conflict management in SMEs of a developing country like Ecuador. A country where research of this nature

is rare but crucial to improve performance in small and medium-sized organizations in order to extend their life and achieve better results. Research will not only encourage intellectual growth from an academic aspect, but also from a practical one as it provides groundwork for social and economic implications that will contribute to the development of these enterprises.

## 5.2. IMPLICATIONS

Implications are divided into two sections for better understanding regarding academic and practical contributions.

### 5.2.1. THEORETICAL IMPLICATIONS

Organizational behavior variables such as leadership, trust, and conflict management have been poorly researched in Ecuador. Likewise, studies on Ecuadorian small and medium-sized enterprises have been rare. Addressing this matter, the present study aimed to expand on the literature for academic purposes (education, research, and social action programs) and practical purposes.

This study provided empirical results on the leadership styles, trust, and conflict management behavior of Ecuadorian SMEs managers. Our findings indicate that the managers under study did not adopt only one leadership style or favoured one style over others, but adopted a mixed leadership style pattern. These leadership patterns are influenced by demographic characteristics such as gender and level of education.

Furthermore, it was found that while most managers and subordinates believe that they mostly use cognitive trust, the perceived relationship between trust and leadership styles differs between perspectives. According to managers, trust and leadership styles are closely related, however, subordinates perceive them as independent, unrelated variables. Likewise, it was determined that transformational leaders are strongly related to the trust variable and cognitive trust allows transformational leaders to develop affective trust.

Concerning the conflict management variable, it was observed that conflict management behavior of managers bears a close relationship to their leadership styles and types of trust. Results supported that trust acts as a mediator between leadership styles, especially between transformational leadership and most conflict management behaviors —with the exception of the problem-solving style because it has shared characteristics with

transformational leadership.

## 5.2.2. PRACTICAL IMPLICATIONS

Given the lack of academic contributions aimed at managers from small and medium-sized enterprises in Ecuador, this study was proposed to provide SMEs managers with useful tools to improve their tasks and leadership in their organizations.

The first contribution highlights the need of managerial knowledge about which leadership styles are being used. As was mentioned before, this study has shown that managers tend to use different leadership style patterns. Hence, it is essential that managers know which patterns they fall into, how they use their leadership styles, and which course of action is the most appropriate for their specific context. Similarly, managers' selection processes should take into account that demographic factors such as gender and education level will impact leadership style patterns.

Secondly, we emphasize the importance of adopting an appropriate managerial approach so that the image managers wish to project is perceived equally by their subordinates. As it is known that leaders' attitudes impact their subordinates' contributions towards achievement of organizational goals, it is important to create reliable workgroups where managers understand that these relationships do not happen spontaneously, but need time and cognitive trust development that mediates between leadership styles and affective trust.

The third contribution sheds light on managers' knowledge of their own managing profile and behavior. Findings show that variables such as leadership, trust, and conflict management are integrally related. For this reason, it is important that researchers and managers work towards improving managing profiles and understand the benefits of using certain leadership styles and their contexts of use, knowing that leaders are in charge of an organization's future and that their behavior will directly impact on decisions that will amount to the fulfilment or failure of organizational objectives.

This analysis allows managers of SMEs in Ecuador to understand how their leadership behaviour is related to the trust and conflict management.

## 5.3. LIMITATIONS

The one major drawback to this research is the manner in which items were presented gave the possibility to managers to answer presenting themselves in a better light. Similarly, subordinates could have also been influenced towards forgoing their true perceptions of their superiors ended up reporting responses which present the person in a favorable light (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Future research could use different data collection methodologies that ensure respondents greater freedom and confidentiality to express personal opinions

Moreover, a possible source of unreliability is in the method used to collect data. Interviewer presence during one-on-one data collection could cause social pressure on respondents that may influence their answers.

Also, another limitation lies in the conflict situation proposed in the questionnaire about conflict management behavior. Future research could propose another organizational conflict situation that triggers other reactions and answers from respondents.

Aditionally, the data collected for this study is cross-sectional. Cross-sectional data refers to observations at a given time. Therefore, we are unable to establish any causal link between the variables.

Finally, the type of group chosen for analysis, as it is limited to managers from SMEs. It is possible that more encompassing results could be obtained if different study groups were to be surveyed, such as managers from large enterprises, multinational companies, non-profit organizations, etc.

## 5.4.   FUTURE RESEARCH LINES

Given the large amount of small and medium-sized enterprises in Ecuador, other developing countries in Latin America, and other regions of the globe, contributions aimed at SMEs managers are of great relevance for economic and social benefit.

We suggest that future research continue to replicate the analysis presented in this study and thus conduct comparative studies between countries. Likewise, researchers could perform relational analysis between leadership styles, trust, and conflict management variables and other variables connected to organizational behavior, workgroup management, or specific competences regarding organizational objectives.

Further research should focus on managers who show characteristics of transformational leadership, affective trust or problem-solving strategies in order to determine their professional training. Given that transformational leadership, affective trust and problem-solving strategies are considered to be the most efficient behaviors in most contexts, it is important to broaden the literature on these elements.

In addition, future research could also be conducted on other types of organizations such as large enterprises, microenterprises, and public or non-profit organizations using similar methods.

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# APPENDIXES

## Appendix 1. Questionnaire for Managers

The following questionnaire was utilized to collect the information under the manager's perspective:

**Test para gestión de conflictos (DUTCH) / MLQ Liderazgo / Confianza**
**Parte 1: GESTIÓN DEL CONFLICTO**
**Escala:**

| 1=Nada | 2= De vez en cuando | 3=Algunas veces | 4=Casi siempre | 5=Siempre |
|--------|---------------------|-----------------|----------------|-----------|

Lea detenidamente el siguiente enunciado:

"Desde hace seis meses, dado el contexto económico del país, a los empleados de su empresa se les ha aumentado las tareas a realizar y sin expectativas de una mejor remuneración, lo que ha ocasionado malestar en ellos y se evidencia un desempeño poco aceptable en el rendimiento de las diferentes actividades. Dado este malestar, los representantes de los empleados piden una reunión urgente con Ud. en donde se espera mejorar esta situación".

Bajo el conflicto antes descrito en el trabajo, hago lo siguiente:

| | Enunciado | OPCIONES | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Cedo a los deseos de la otra parte | | | | | |
| 2. | Estoy de acuerdo con la otra parte | | | | | |
| 3. | Intento agradar a la otra parte | | | | | |
| 4. | Me adapto a los objetivos e intereses de la otra parte | | | | | |
| 5. | Intento encontrar una solución intermedia | | | | | |
| 6. | Insisto en que tenemos que comprometernos a encontrar una solución | | | | | |
| 7. | Insisto en que ambos cedamos un poco. | | | | | |
| 8. | Me esfuerzo, cuando sea posible, hacia un compromiso de cincuenta a cincuenta. | | | | | |
| 9. | Hago énfasis en mi propio punto de vista | | | | | |
| 10. | Busco mis beneficios | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **11.** | Lucho por un buen resultado para mí | | | | | |
| **12.** | Hago todo para ganar | | | | | |
| **13.** | Examino los problemas hasta que encuentro una solución que realmente me satisface a mí y a la otra parte | | | | | |
| **14.** | Defiendo los objetivos e intereses propios y ajenos | | | | | |
| **15.** | Examino las ideas de ambos lados para encontrar una solución mutuamente óptima | | | | | |
| **16.** | Elaboro una solución que sirve tanto a mí como a los intereses de los demás lo mejor posible | | | | | |
| **17.** | Evito una confrontación sobre nuestras diferencias | | | | | |
| **18.** | Evito las diferencias de opinión tanto como sea posible. | | | | | |
| **19.** | Intento hacer que las diferencias sean menos severas | | | | | |
| **20.** | Intento evitar una confrontación con los demás. | | | | | |

## Parte 2:
## ESTILO DE LIDERAZGO

**INSTRUCCIONES:** Este cuestionario provee una descripción de su estilo de liderazgo. Se enlistan 21 enunciados descriptivos en la parte de abajo. Juzgue cuan frecuente cada enunciado se ajusta a usted marcando con una **X** el casillero que desee. La palabra "**otros**" puede significar sus seguidores, clientes o grupos de trabajo.

| **Enunciado** | | **OPCIONES** | | | | |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| **21.** | Hago que otros se sientan bien al estar alrededor mío. | | | | | |
| **22.** | Expreso en pocas palabras simples lo que podemos y debemos hacer. | | | | | |
| **23.** | Permito a otros pensar sobre viejos problemas de nuevas maneras. | | | | | |
| **24.** | Ayudo a otros a desenvolverse por sí solos. | | | | | |
| **25.** | Digo a otros que hacer si quieren ser recompensados | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | por su trabajo. | | | | | |
| 26. | Me siento satisfecho cuando otros cumplen con el estándar acordado. | | | | | |
| 27. | Me siento contento por permitir que otros trabajen siempre de la misma forma. | | | | | |
| 28. | Otros tienen fe completa en mí. | | | | | |
| 29. | Proporciono imágenes atractivas de lo que podemos hacer. | | | | | |
| 30. | Proveo a otros con nuevas formas de mirar las cosas desconcertantes. | | | | | |
| 31. | Permito a otros conozcan cómo pienso de lo que están haciendo. | | | | | |
| 32. | Proveo de reconocimientos o premios cuando otros alcanzan sus metas. | | | | | |
| 33. | Mientas las cosas funcionen. No trato de cambiar nada. | | | | | |
| 34. | Lo que otros quieren hacer es estar bien conmigo. | | | | | |
| 35. | Otros se sienten orgullos de estar asociados conmigo. | | | | | |
| 36. | Ayudo a otros a encontrar el significado de su trabajo. | | | | | |
| 37. | Hago que otros repasen las ideas que nunca antes habían cuestionado. | | | | | |
| 38. | Doy atención personal a quienes parecen rechazados. | | | | | |
| 39. | Llamo la atención a lo que otros pueden obtener por lo que logran. | | | | | |
| 40. | Doy a otros los parámetros que deben conocer para llevar a cabo su trabajo. | | | | | |
| 41. | No pido más de lo que es absolutamente esencial. | | | | | |

**Parte 3:**

**CONFIANZA**

Por favor describa la relación de trabajo con sus subordinados:

| | **Enunciado** | **OPCIONES** | | | | |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| **42.** | Tenemos una relación de reciprocidad. Podemos compartir libremente nuestras ideas, sentimientos y esperanzas. | | | | | |
| **43.** | Pueden hablar libremente conmigo sobre las dificultades que tienen en el trabajo y saben que los quiero escuchar | | | | | |
| **44.** | Todos nos sentiríamos perdidos si uno de nosotros fuera transferido a otra área y no pudiéramos seguir trabajando juntos | | | | | |
| **45.** | Si comparto mis problemas con los subordinados, sé que responderán de manera constructiva y afectuosa | | | | | |
| **46.** | Mis subordinados abordan sus trabajos con profesionalismo y dedicación. | | | | | |
| **47.** | Dado el historial de mis subordinados, no veo ninguna razón para dudar de su competencia y preparación para realizar su trabajo | | | | | |
| **48.** | Puedo confiar en mis subordinados para que mi trabajo no sea más difícil por causa de errores en su trabajo. | | | | | |
| **49.** | Incluso sin ser amigos cercanos con mis subordinados, confiamos y nos respetamos como compañeros de trabajo. | | | | | |
| **50.** | Otras personas de la empresa que más interactúan con mis subordinados los consideran confiables | | | | | |

**Parte 4:**

**INFORMACIÓN DEMOGRÁFICA**

| | |
|---|---|
| **51. GÉNERO DEL GERENTE O ADMINISTRADOR**<br><br>_____ Masculino<br><br>_____ Femenino | **52. NIVEL DE EDUCACIÓN**<br><br>_____ Primaria<br>_____ Secundaria<br>_____ Tercer Nivel Universitario<br>_____ Cuarto Nivel Universitario |

**53. ACTIVIDAD ECONOMICA**

_____ Producción

_____ Servicios

## Appendix 2. Questionnaire for Subordinates

**Test para gestión de conflictos (DUTCH) / MLQ Liderazgo / Confianza**

**Parte 1: GESTIÓN DEL CONFLICTO**
**Escala:**

| 1=Nada | 2= De vez en cuando | 3=Algunas veces | 4=Casi siempre | 5=Siempre |
|--------|--------------------|-----------------|----------------|-----------|

Lea detenidamente el siguiente enunciado:

"Desde hace seis meses, dado el contexto económico del país, a ustedes como empleados de la empresa se les ha aumentado las tareas a realizar y sin expectativas de una mejor remuneración, lo que les ha ocasionado malestar y se evidencia un desempeño poco aceptable en el rendimiento de sus diferentes actividades. Dado este malestar, todos ustedes como empleados piden una reunión urgente con el gerente general en donde se espera llegar a un acuerdo para mejorar esta situación".

Bajo el conflicto antes descrito en el trabajo, hago lo siguiente:

| | Enunciado | OPCIONES | | | | |
|---|-----------|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Cedo a los deseos de la otra parte | | | | | |
| 2. | Estoy de acuerdo con la otra parte | | | | | |
| 3. | Intento agradar a la otra parte | | | | | |
| 4. | Me adapto a los objetivos e intereses de la otra parte | | | | | |
| 5. | Intento encontrar una solución intermedia | | | | | |
| 6. | Insisto en que tenemos que comprometernos a encontrar una solución | | | | | |
| 7. | Insisto en que ambos cedamos un poco. | | | | | |
| 8. | Me esfuerzo, cuando sea posible, hacia un compromiso de cincuenta a cincuenta. | | | | | |
| 9. | Hago énfasis en mi propio punto de vista | | | | | |
| 10. | Busco mis beneficios | | | | | |
| | Enunciado | OPCIONES | | | | |
| | | 1 | 2 | 3 | 4 | 5 |

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| **11.** | Lucho por un buen resultado para mí | | | | | |
| **12.** | Hago todo para ganar | | | | | |
| **13.** | Examino los problemas hasta que encuentro una solución que realmente me satisface a mí y a la otra parte | | | | | |
| **14.** | Defiendo los objetivos e intereses propios y ajenos | | | | | |
| **15.** | Examino las ideas de ambos lados para encontrar una solución mutuamente óptima | | | | | |
| **16.** | Elaboro una solución que sirve tanto a mí como a los intereses de los demás lo mejor posible | | | | | |
| **17.** | Evito una confrontación sobre nuestras diferencias | | | | | |
| **18.** | Evito las diferencias de opinión tanto como sea posible**.** | | | | | |
| **19.** | Intento hacer que las diferencias sean menos severas | | | | | |
| **20.** | Intento evitar una confrontación con los demás. | | | | | |

## Parte 2: ESTILO DE LIDERAZGO

**INSTRUCCIONES:** Este cuestionario provee una descripción del estilo de liderazgo de su líder. Se enlistan 21 enunciados descriptivos en la parte de abajo. Juzgue cuan frecuentemente cada enunciado se ajusta a él/ella marcando con una **X** el casillero que desee. La palabra "**otros"** puede significar sus seguidores, clientes o grupos de trabajo.

| **Enunciado** | | **OPCIONES** | | | | |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| **21.** | Hace que otros se sientan bien al estar alrededor suyo. | | | | | |
| **22.** | Expresa en pocas palabras simples lo que podemos y debemos hacer. | | | | | |
| **23.** | Permite a otros pensar sobre viejos problemas de nuevas maneras. | | | | | |
| **24.** | Ayuda a otros a desenvolverse por sí solos. | | | | | |
| **25.** | Dice a otros que hacer si quieren ser recompensados | | | | | |

| | por su trabajo. | | | | | |
|---|---|---|---|---|---|---|
| **26.** | Se siento satisfecho cuando otros cumplen con el estándar acordado. | | | | | |
| **27.** | Se siento contento por permitir que otros trabajen siempre de la misma forma. | | | | | |
| **28.** | Otros tienen fe completa en él / ella. | | | | | |
| **29.** | Proporciona imágenes atractivas de lo que podemos hacer. | | | | | |
| **30.** | Provee a otros con nuevas formas de mirar las cosas desconcertantes. | | | | | |
| **31.** | Permite a otros conozcan cómo piensa de lo que están haciendo. | | | | | |
| **32.** | Provee de reconocimientos o premios cuando otros alcanzan sus metas. | | | | | |
| **33.** | Mientas las cosas funcionen. No trata de cambiar nada. | | | | | |
| **34.** | Lo que otros quieren hacer es estar bien con él/ella. | | | | | |
| **35.** | Otros se sienten orgullos de estar asociados a él o ella. | | | | | |
| **36.** | Ayuda a otros a encontrar el significado de su trabajo. | | | | | |
| **37.** | Hace que otros repasen las ideas que nunca antes habían cuestionado. | | | | | |
| **38.** | Da atención personal a quienes parecen rechazados. | | | | | |
| **39.** | Llama la atención a lo que otros pueden obtener por lo que logran. | | | | | |
| **40.** | Da a otros los parámetros que deben conocer para llevar a cabo su trabajo. | | | | | |
| **41.** | No pide más de lo que es absolutamente esencial. | | | | | |

**Parte 3: CONFIANZA**

**Por favor describa la relación de trabajo con su líder:**

| | Enunciado | OPCIONES | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **42.** | Tenemos una relación de reciprocidad. Podemos compartir libremente nuestras ideas, sentimientos y esperanzas. | | | | | |
| **43.** | Podemos hablar libremente sobre las dificultades que tenemos en el trabajo y sabemos que nos quiere escuchar | | | | | |
| **44.** | Todos nos sentiríamos perdidos si él/ella fuera transferido a otra área y no pudiéramos seguir trabajando juntos. | | | | | |
| **45.** | Si comparto mis problemas con él/ella, sé que responderá de manera constructiva y afectuosa. | | | | | |
| **46.** | Él/ella aborda su trabajo con profesionalismo y dedicación. | | | | | |
| **47.** | Dado el historial de mi líder, no veo ninguna razón para dudar de su competencia y preparación para realizar su trabajo. | | | | | |
| **48.** | Mi líder confía en que su trabajo no será más difícil por causa de errores en mi trabajo. | | | | | |
| **49.** | Incluso sin ser amigos cercanos con mi líder, confiamos y nos respetamos como compañeros de trabajo. | | | | | |
| **50.** | Otras personas de la empresa que más interactúan con mi líder lo consideran confiable. | | | | | |

**Parte 4:**
**INFORMACIÓN DEMOGRÁFICA**

**51. GENERO**

_____ Masculino

_____ Femenino

**52. NIVEL DE EDUCACIÓN**

_____ Primaria
_____ Secundaria
_____ Tercer Nivel
     Universitario
_____ Cuarto Nivel
     Universitario

**53. ACTIVIDAD DE LA EMPRESA**

_____ Producción

_____ Servicios

**Appendix 3. Methodologycal Approuch**

**Database**

The universe of study is limited to small and medium enterprises (SMEs) in the Republic of Ecuador, which are understood by definition of the Internal Revenue Service of Ecuador (SRI) of those natural or juridical persons with annual sales exceeding $ 150,000 and maximum $ 1,000,000 US Dollars. This implies the exclusion of larger and microenterprises.

The study was delimited within Ecuador to Zone 5, a geographical space composed by the provinces: Guayas, Los Ríos, Santa Elena, and Bolívar since it is the strip with the greatest commercial influence in the country. According to the last National Economic Census (2012) there are approximately 25495 registered SMEs in this zone, from this universe a random sample was selected.

On this basis, physical surveys were carried out: 296 for the first and 341 for the second and third contributions respectively.

The surveys were applied through personal interviews, one by one, with the managers of these SMEs who agreed to answer the questionnaire voluntarily. In the second contribution, in addition to approaches to managers, 314 employees of SMEs were surveyed through voluntary personal interviews in order to carry out a comparative analysis.

**Variables**

**Qualitative:**
Gender, level of study, industry.

**Quantitative:**
Leadership Style: transformational, transactional, Laissez faire
Trust: affective trust, cognitive trust
Conflict Management: problem solving, yielding, forcing, avoiding, compromising.

**First Contribution: Leadership Patterns in Ecuadorian Managers: The Impact of Gender and Education**

**Instrument**

**Leadership Styles.** The Multifactor Leadership Questionnaire (Avolio, Bass, & Jung, 1999) was used in order to measure the leadership style variable. The instrument comprises 21 items, 12 items for transformational leadership, 6 items for transactional leadership and 3 items for laissez-faire leadership. All items were rated on a 5 point Likert-type scale, fixed at $1 =$ never, 2= sometimes, 3 = regularly, 4= usually and 5= always

We also used the demographic variables of gender, education and sector.

**Methods**

We used mean K cluster analysis, with Euclidean distance considering 5 groups: 1. leaders mainly transformational; 2. leaders mainly transactional; 3. leaders mainly laissez-faire; 4. leaders with equal transformational and transactional; and 5. leaders with equal in three styles.
Then in contingency tables we show the counts for the three qualitative variables (gender, education and sector) by the clusters.

**Second Contribution: Trust and Leadership Styles in Ecuador: Divergent Perspective by Managers and Subordinates**

**Instruments**
**Leadership Styles.** The Multifactor Leadership Questionnaire (Avolio, Bass, & Jung, 1999) was used in order to measure the leadership style variable. The instrument comprises 21 items, 12 items for transformational leadership, 6 items for transactional leadership and 3 items for laissez-faire leadership.

**Trust.** The affective and cognitive trust scale (McAllister, 1995) was used

to measure the trust variable. The instrument comprises 9 items, 4 items for affective trust and 5 items for cognitive trust.

All items were rated on a 5 point Likert-type scale, fixed at 1 = never, 2= sometimes, 3 = regularly, 4= usually and 5= always

## Methods

For the analysis, structural equation modeling (SEM) has been used. Three models have been tested. Model 1. Represents the direct effect between leadership styles and trust types. Model 2 represents the indirect effects between leadership styles and affective trust with the mediation of cognitive trust. These two models are tested using the sample of the manager.
Model 3 however exhibits the direct effect between leadership styles and trust types, using the employees´ sample.
As indicated before, in this study mediating role of cognitive trust is examined, for this purpose, path analysis technique using bootstrapping technique with 1000 interactions to test the significance was used.

## Third Contribution: Has Trust a Mediation Effect Between Leadership Styles and Conflict Management?

### Instruments

**Leadership Styles.** The Multifactor Leadership Questionnaire (Avolio, Bass, & Jung, 1999) was used in order to measure the leadership style variable. The instrument comprises 21 items, 12 items for transformational leadership, 6 items for transactional leadership and 3 items for laissez-faire leadership.

**Trust.** The affective and cognitive trust scale (McAllister, 1995) was used to measure the trust variable. The instrument comprises 9 items, 4 items for affective trust and 5 items for cognitive trust.

**Conflict Management.** The DUTCH scale (De Dreu et al., 2001) was used to measure conflict behavior. The instrument comprises 20 items, 5 items for

each dimension: problem solving, yielding, forcing, avoiding, compromising.

All items were rated on a 5 point Likert-type scale, fixed at 1 = never, 2= sometimes, 3 = regularly, 4= usually and 5= always

**Methods**

For the analysis, structural equation modeling (SEM) has been used. Two models have been tested. Model 1 represents the direct effect between leadership styles and conflict management styles. Model 2 represents the indirect effects between leadership styles and conflict management styles with the mediation of trust.

As indicated before, in this study mediating role of trust is examined, for this purpose, path analysis technique using bootstrapping technique with 1000 interactions to test the significance was used.