

**Measuring the Impact of Leadership Style and Employee Empowerment on Perceived
Organizational Reputation**

by

Linjuan Rita Men

Doctoral Student

School of Communication

University of Miami

5100 Brunson Drive

Coral Gables, FL 33146

l.men@miami.edu

(973)-818-8801

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Abstract

The current study examines the impact of organizational leadership on public relations effectiveness from an internal perspective. Specifically, it builds links between leadership style, employee empowerment, and employees' perception of organizational reputation. The results showed that transformational leadership positively influences employees' perception of organizational reputation, not only directly but also indirectly, through empowering employees. Transactional leadership represented by contingent reward behavior has a significant negative direct effect on employees' perception of organizational reputation. Transformational leaders are more likely to delegate power to employees and involve them in decision making than transactional leaders. Employees who feel more empowered in terms of competence and control tend to have a more favorable evaluation of organizational reputation. Significant theoretical and practical implications of the findings are discussed.

Keywords: Leadership style, employee empowerment, organizational reputation, internal communication

The two-decade Excellence Study led by James E. Grunig and his colleagues showed that internal characteristics, such as a participative organizational culture, organic structures, symmetrical communication, and gender equality are critical organizational determinants for best practices in public relations. These antecedent factors not only provide a hospitable environment for excellent external public relations practice, but also facilitate internal communication with employees, which affects employees' work attitudes and behavioral outcomes (L. A. Grunig et al., 2002). As an effort to extend the list of organizational contextual characteristics on excellent public relations, the present study examines how organizational leadership style and behaviors influence public relations outcomes.

According to Yukl (1994), leadership is the process of influencing followers. Leaders play an important role in the attainment of organizational goals by creating a climate that would influence employees' attitudes, motivation, and behavior. However, as noted by Aldoory and Toth (2004), despite the extensive research on the construct of leadership in the disciplines of management, business, and marketing, a "strong scholarly discourse on leadership" is lacking in public relations (p. 157). Recently, initiatives have been undertaken to examine the characteristics of leadership in public relations (e.g., Choi & Choi, 2008; Jin, 2010; Werder & Holzhausen, 2009). Nevertheless, little scholarly attention has been paid to understand whether and how leadership, as an organizational antecedent factor, influences public relations effectiveness.

Management scholars (i.e., Bass, 1999; Castro, Perinan & Bueno, 2008) have demonstrated that effective leadership acts through empowering employees to engage them and improve work outcomes. Although not much literature exists on empowerment in public

relations, the concept is not new in public relations research. In the Excellence Study, J. E. Grunig (1992) distinguished holding power over others and empowerment of everyone as asymmetrical and symmetrical. Previous studies in public relations on empowerment have mainly focused on two approaches: first, empowerment of public relations functions (i.e., why public relations managers should be part of or have access to the dominant coalition, and how to get them seated at the corporate decision-making table) (J. E. Grunig, 1992; L. A. Grunig et al., 2002; Men, 2009); and, second, empowerment of minorities in public relations (Aldoory, 2003). However, research on how empowerment of strategic publics contributes to the *effectiveness* of public relations has been sparse.

As noted by many public relations scholars (e.g., L. A. Grunig et al., 2002, Ni, 2006, Rhee, 2004; White et al., 2010), among the different strategic publics that organizations are facing, employees are no doubt the ones with whom organizations have the closest connection. Employees are spokespersons and ambassadors who represent organizations in the face of strategic publics (Rhee, 2004). With the aid of social media, employees are becoming empowered, constructing their own information networks and dialogues. With the ubiquity of information, people talk about companies both inside and outside (Edelman, 2010). Effective employee communication, which nurtures favorable employee attitudes, contributes not only to job satisfaction, organizational performance, and achievement of organizational goals (i.e., Bartoo & Sias, 2004; Rosenfeld, Richman, & May, 2004; White et al., 2010; Zucker, 2002), but also helps protect organizational reputation in a turbulent environment because employees are viewed as credible sources to external stakeholders (L.A. Grunig et al., 2002; Men, 2011; White, 2010).

As an effort to extend the list of contextual characteristics on excellent public relations proposed by the Excellence team, and to add to the body of knowledge on internal communication, the present study examines how organizational *leadership style* and *employee empowerment* impact internal public relations effectiveness, specifically, the *perceived organizational reputation* by employees. By building links between organizational reputation and the two internal antecedent factors, organizational leadership and employee empowerment, the current work will provide new empirical evidence on how organizational context affects public relations outcomes and extend the list of internal characteristics of excellent public relations. As an extensive study to measure organizational reputation, the findings will also enrich the literature on public relations evaluation. In addition, the thorough investigation into organizational leadership styles and employee empowerment will fill the research gap on leadership and empowerment study in public relations. Pragmatically, the present research will provide significant implications for both public relations professionals and organizational leaders on how to form favorable employee attitudes and evaluation, which contribute to organizational effectiveness.

Literature Review

Organizational Reputation

In the past decades, both public relations scholars and professionals have strived to look for concepts to demonstrate public relations effectiveness (Yang, 2007). Organizational reputation is one of the key concepts that have generated the most scholarly attention. As noted by Murray and White (2005), the field of public relations has gradually become a

central plank of strategic communication focusing on building and protecting reputation. In his public relations evaluation model, Stacks (2010) also pointed out that as a major public relations outcome, reputation interacts with other outcome variables such as trust, credibility, relationship, etc., to affect public relations efforts' return on expectation (ROE) and return on investment (ROI) for organizations.

There are a variety of definitions of organizational reputation in recent literature. Fombrun, Gardberg, and Sever (2000) defined reputation as "a collective assessment of a company's ability to provide valued outcomes to a representative group or stakeholders" (p. 243). Gotsi and Wilson (2001) emphasized the role of communication in creating reputation, maintaining that organizational reputation is a stakeholder's overall evaluation of a company over time based on the stakeholder's direct experiences with the company and any other form of communication. Barnett et al. (2006) identified three clusters of meaning for organizational reputation after reviewing 49 sources: reputation as a state of awareness, as an assessment, and as an asset. In the current study, reputation is examined as an awareness and assessment accumulated over time as an outcome of communication.

According to the Harris–Fombrun Reputation Quotient, which has been widely adopted by public relations and business scholars to evaluate organizational reputation (i.e., Kioussis et al., 2007; Hong & Yang, 2009), six key dimensions define corporate reputation (Fombrun et al., 2000, 2004), namely, emotional appeal, products and services, financial performance, vision and leadership, work environment, and social responsibility. *Emotional appeal* refers to whether stakeholders have good feelings about the company, admire and respect the company, and trust the company. Emotion is the primary drive of reputation. Ratings for

other dimensions each contributes to emotional appeal, which in turn creates reputation (Fombrun, 2000, 2004). *Products and services* refer to whether stakeholders think the company sells products or services that are of high quality, innovative, reliable, or have a good value for money. *Financial performance* measures whether stakeholders are satisfied with the company's profitability, and believe it has strong future prospects and worth to invest in. *Vision and leadership* denote stakeholders' feeling that the company has a clear vision for the future, effective leadership, and the capability to recognize and seize market opportunities. The vision clearly articulated and practiced by corporate leaders provides stakeholders with a sense of purpose and direction, which inspires public confidence and positive evaluation (Fombrun, 2000, 2004). *Work environment* refers to whether stakeholders believe the company is well managed, has a good workforce, and is a good place to work. A hospitable environment created for all employees, regardless of gender, ethnicity, and sexual orientation, can significantly contribute to corporate reputation. *Social responsibility* measures whether stakeholders feel the company is a responsible citizen that supports good causes and demonstrates accountability to the environment and community.

Reputation in the eyes of employees

Given its distinctive nature, reputation has been widely recognized as a valuable intangible asset for companies that can generate lasting competitive advantage (Fombrun & Van Riel, 2004; L.A. Grunig et al., 2002). Reputation resides in the eyes of external and internal publics. Externally, a good corporate reputation can enhance profitability because it attracts customers to its products, investors to new investment, and media professionals to favorable press

coverage; moreover, reputation influences the sale of products (Fombrun & Van Riel, 2004). Internally, as argued by Haywood (2005), asked or not, employees put out messages about companies' operations to all the audiences upon whom the company depends. Employees are the living face of the organization and must project the values that reinforce the reputation. Employees with favorable attitudes toward companies are corporate ambassadors, building up a company-wide public relations force. The contribution they can make to enhance corporate reputation is considerable and often at no cost (Haywood, 2005). Employees' family and friends can also serve as the third-party endorsers for the organization (Stacks, 2010). In addition, good reputation in the eyes of employees reinforces employee commitment to the company's values, beliefs, mission, and objectives. By building identification with the company, having the reputation as a good employer can fuel employee loyalty, motivation, and engagement, which in turn generate superior work performance and contribute to organizational effectiveness.

Management competence and quality of leadership arguably drive the favorable organizational reputation perceived by stakeholders (Dowling, 2004). However, scant empirical evidence exists to demonstrate the mechanism behind such a phenomenon. To fill the research gap, the present study takes a corporate insiders' perspective to examine how employees' perception of organizational reputation is shaped by organizational leadership style and behavior (i.e., empowering employees).

Leadership Style

The current study examines organizational leadership vis-à-vis perceived organizational

reputation. Leadership as a key factor in determining organizational success has been studied extensively in the past century in the management field (Bass & Avolio, 1997). Current leadership theories indicate that leadership behaviors can be categorized into two main styles: transformational leadership and transactional leadership (Bass & Avolio, 1997; 2000).

Transformational leadership is the most studied leadership style across disciplines. Transformational leaders are charismatic. They motivate subordinates and appeal to their ideals and moral values by creating and representing an inspiring vision of the future (Bass & Avolio, 1997). This form of leadership involves the creation of an emotional attachment between leaders and employees. Transformational leaders take a real interest in the well-being of their employees. As suggested by Jin (2010), transformational leadership integrates the elements of “empathy, compassion, sensitivity, relationship building, and innovation.” (p. 174). It fosters a climate of trust, nurtures employees’ confidence, and encourages their individual development. In addition, transformational leadership includes the elements of participative decision making and sharing of power, as noted by Aldoory and Toth (2004).

Podsakoff et al. (1990, 1996) suggested that six dimensions define transformational leadership behavior:¹ identifying and articulating a vision, providing an appropriate model, fostering the acceptance of group goals, setting high performance expectations, providing

¹ Podsakoff et al.’s six-dimension model of transformational leadership is equivalent to Bass & Avolio’s (1997; 2000) four-dimension model, in which dimensions of “identifying and articulating a vision,” “providing an appropriate model,” “fostering the acceptance of group goals,” and “high performance expectations” are combined and presented as “charisma or idealized influence” and “inspirational motivation.” We adopted Podsakoff’s construct of transformational leadership because it is a more construct-valid measure.

individualized support, and promoting intellectual stimulation. *Identifying and articulating a vision* involves leaders identifying new opportunities for the unit or the company, and developing, articulating, and inspiring employees with the vision of future. *Providing an appropriate model* refers to leaders setting examples for employees that are consistent with the values they hold. *Fostering the acceptance of group goals* means promoting cooperation among employees and getting them to work together toward common goals. *High performance expectation* refers to leaders demonstrating their expectations for excellence, quality, and high performance for employees. *Providing individualized support* means that leaders respect employees and attend to their personal feelings, needs, and well-being. *Intellectual stimulation* refers to leaders stimulating employees to challenge their status quo and to “think creatively, take risks, and participate intellectually” (Harms & Crede, 2010, p. 6).

Transactional leadership is an exchange process. It is a matter of contingent reinforcement of employees based on performances. It motivates subordinates by appealing to their personal desires, based on instrumental economic transactions. Transactional leaders generally use organizational bureaucracy, policy, power, and authority to maintain control; this style of leadership is occasionally referred to as authoritative (Bennet, 2009). Previous leadership scholars (e.g., Bass, 1985, Podsakoff, 1990) have identified *contingent reward*, which involves leaders clarifying roles and task expectations and providing contingent rewards on the fulfillment of contractual obligations, as the principal behavior to represent transactional leadership because it “captures the exchange notion fundamental to transactional leader behavior” (Podsakoff, 1990, p. 113). The transactions or exchanges

included in contingent reward may include tangible (e.g., pay increases) or intangible (e.g., recognition) commodities.

Transactional and transformational leadership have been widely recognized as not mutually exclusive (e.g., Adoory & Toth, 2004; Bass, 1999; Bass & Avolio, 1997, 2000; Laohavichien, Fredendall, & Cantrell, 2009; Werder & Holtzhausen, 2009; Yukl, 1994). As pointed out by Vera and Crossan (2004), good leaders know how to switch between a transformational and transactional leadership style in accordance with the situation (e.g., the environment, strategy). Effective leaders can maximize their influence by employing both leadership styles. Furthermore, some scholars (e.g., Avolio, 1999; Bass, 1998, 1999) argued that transactions lay the foundation for transformations. Transformational leadership builds on “the transactional base in contributing to the extra effort and performance of followers,” which is referred to as the argumentation effect (Bass, 1998, p. 5). Therefore, a positive relationship is expected between transformational and transactional leadership styles.

H1: Transformational leadership is positively associated with transactional leadership.

Leadership Style and Perceived Organizational Reputation

However, evidence suggests that effective leaders exhibit a higher level of transformational leadership than transactional leadership (e.g., Hetland & Sandal, 2003; Laohavichien, Fredendall, & Cantrell, 2009). Transformational leadership has been found to be associated with superior work performance and employee attitudes (e.g., Rowold & Rohman, 2009; Yukl, 1994, Zagoršek et al., 2008). Rowold and Rohman (2009) indicated that

transformational leadership is more associated with positive emotions experienced by employees, whereas transactional leadership is more associated with negative emotions. Transformational leaders inspire and motivate employees by clearly articulating a promising and compelling vision for the future. They provide support to employees, encourage employees to learn and develop, and build good relationships with employees, which then nurture employees' favorable perception of the company. Transactional leadership offers rewards (or threatens punishments) for the performance of desired behaviors and exerts more control. This type of leadership results in compliance and can be effective in some circumstances, but is less likely to generate trust and commitment to work (Zagoršek et al., 2008) and positive evaluation of the company. Therefore,

H2: Transformational leadership is positively associated with perceived organizational reputation by employees.

H3: Transactional leadership is negatively associated with perceived organizational reputation by employees.

Employee Empowerment

Previous studies have indicated that organizational leadership exerts effects on employees' attitudes and behavior through empowering employees (e.g., Behling & McFillen, 1996; Bass, 1999, Epitropaki & Martin, 2005). Employee empowerment is thereby examined in the present study as a potential *mediator* for the effect of leadership style on employees' evaluation of organizational reputation.

J. E. Grunig (1992) defined empowerment as the symmetrical concept of power, which means collaborating to increase the power of everyone in the organization, to the benefit of everyone in the organization. In contrast, the asymmetrical concept of power involves leaders trying to control and make others dependent on them. To further elaborate the concept of empowerment, J. E. Grunig (1992) also cited Frost (1987), who explained empowerment as

“...the use of power to create opportunities and conditions through which actors can gain power, can make decisions, can use and expand their abilities and skills, can create and accomplish organizational work in ways that are meaningful to them... (p. 539).”

The symmetrical concept of power can grow rather than shrink by being shared (L.A. Grunig et al., 2002).

In effective management literature (Anderson & Huang, 2006), the conceptualization of empowerment mainly falls into two categories as discussed by Chiles and Zorn (1995): first, the *perception of self-efficacy/competence*, which focuses on individuals' sense of competence and second, the *perceived control ability/decision-making authority*, which views empowerment as shared power to make decisions. A large amount of management literature (i.e., Conger & Kanungo, 1988; Spreitzer, 1995) stresses the personal psychological aspect of empowerment and holds that a person will feel more empowered if he has the skills and abilities to do his job effectively. Other theorists (i.e., Albrecht, 1988; Kanter, 1983; Parker & Price, 1994) asserted that to become empowered, a person must have the freedom or authority to make necessary decisions in performing his tasks or job. In a synthesis of these two approaches, Chiles and Zorn (1995) conceptualized employee empowerment as both a perception and a process to foster employee's competence and control. As a perception,

employee empowerment refers to the symbolic construction of the personal state as “characterized by competence, or the skill and ability to act effectively, and control, or the opportunity and authority to act” (Chiles & Zorn, 1995, p. 2).

Agreeing with Chiles and Zorn (1995), the present study holds that self-efficacy or competence is a necessary but insufficient condition for employee empowerment. When the employees believe they possess the skills and competence to perform, they may not have the authority or freedom delegated by their managers to make necessary decisions. To attain true empowerment, employees must be both competent and have certain control to make necessary decisions; either aspect alone is inadequate for true empowerment. Therefore, both theoretical perspectives to employee empowerment—competence and control—are examined in the current study.

Employee Empowerment and Perceived Organizational Reputation

Previous studies (e.g., Brown & Peterson, 1993; Fulford & Enz, 1995; Kirkman & Rosen, 1999; Laschinger, Finegan, & Shamian, 2001) have found a significant positive relationship between employee empowerment and work attitudes and performance. As pointed out by Kirkman and Rosen (1999), empowered employees who have more autonomy in decision making are more satisfied with their jobs, and more committed to the team and organization. Spreitzer (1996) also noted that empowered employees with a stronger sense of competence and self-determination help nurture an engaging, transparent, and participative organizational climate, which is critical for a favorable work environment. Similarly, Fombrun (1996) argued that when employees are empowered and involved in decision making, they are more

likely to feel good about the company. Therefore,

H4: Employee empowerment (H4a perceived competence, H4b perceived control) is positively associated with perceived organizational reputation by employees.

Leadership Style and Employee Empowerment

Scholars have identified the important role that organizational leadership plays in empowering employees. According to Spreitzer (1995), two work context factors determine employees' feeling of empowerment: information and rewards. Specifically, information about the organization's mission and information about performance are crucial for empowering employees. Without being informed about where the organization is headed, employees will not be able to have the sense of control or being involved; without performance information, employees will not be able to know how well they are performing, which is fundamental to reinforcing a sense of competence (Lawler, 1992; Spreitzer, 1995). Transformational leaders characterized by open communication can empower employees by articulating clear organizational future goals, generating employee enthusiasm for worthy causes, and expressing high performance expectation from employees.

A second critical factor for empowerment is an incentive system to reward employee performance (Lawler, 1992; Spreitzer, 1995). Performance-based rewards, often associated with transactional leadership, may recognize and reinforce employee competencies. However, an over-reliance on rewards and punishments will create the perception of a lack of delegation among employees (Bass & Avolio, 1994). Therefore, overall, a negative

relationship should be expected between transactional leadership and empowerment.

H5: Transformational leadership is positively associated with employee empowerment (H5a perceived competence, H5b perceived control).

H6: Transactional leadership is negatively associated with employee empowerment (H6a perceived competence, H6b perceived control).

The Mediating Role of Employee Empowerment

Behling and McFillen (1996) posited that employees' feeling of empowerment is crucial to the ability of transformational leadership to have a positive influence on the responses of employees. In a similar vein, Epitropaki and Martin (2005) suggested that by empowering employees, transformational leaders can create a perception among employees that they are being taken seriously, listened to, and valued as members of the organization.

Following Bass's (1999) notion that employee empowerment is a potential mediator for transformational leadership effects, Castro, Perinan and Bueno (2008) demonstrated that employee empowerment (including perceived competence and control) mediates the relationship between transformational leadership and employee attitudes, specifically, job satisfaction and affective commitment to the organization. Following their line of thinking, the present study posits the mediating role of employee empowerment in the influence of transformational leadership and transactional leadership on perceived organizational reputation by employees.

H7: Employee empowerment (H7a perceived competence, H7b perceived control) mediates the influence of transformational leadership on perceived organizational reputation by employees.

H8: Employee empowerment (H8a perceived competence, H8b perceived control) mediates the influence of transactional leadership on perceived organizational reputation by employees.

In view of the preceding discussion on leadership style and employee empowerment in association with employees' evaluation of organizational reputation, the conceptual model to be tested in the present study can be drawn as follows (see Figure 1).

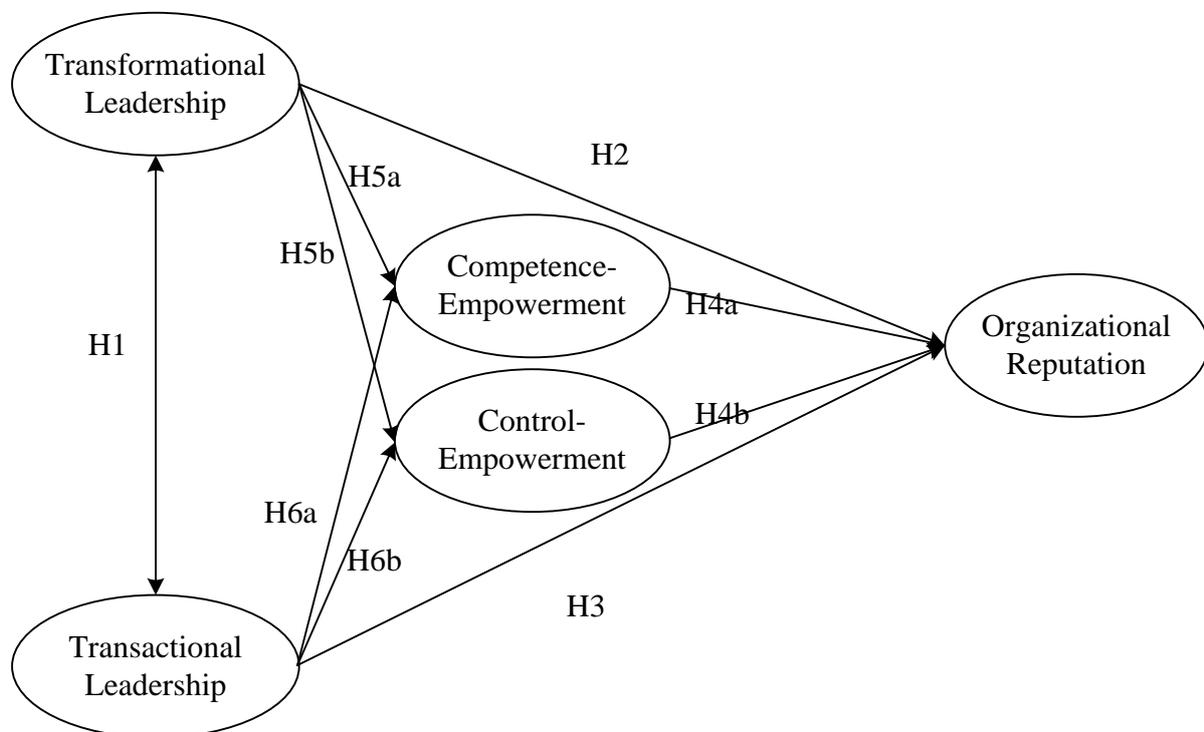


Figure 1. Conceptual model of the impact of leadership style and employee empowerment on

perceived organizational reputation.

Method

To determine the answers to the research questions and test the proposed model, a quantitative survey method was used in the present study because it provides a cost-effective and efficient way of collecting data from large populations (Stacks, 2010). The on-line questionnaire was adopted as the technique for data collection due to its advantages of low cost and high speed in sending and returning information (Stacks, 2010).

Sample

In February 2011, an on-line survey was conducted with 700 randomly selected employees from diverse work units of a Fortune 500 company in the United States.² A total of 166 employees completed the on-line survey with a response rate of 23.7%. The average age of the respondents was 45 years, and the company and position tenures were 16.5 years and three years, respectively. A total of 32% of the respondents were women and 68% were men. Meanwhile, 78% of the respondents held at least a college degree. Respondents were employees from different levels of position, of which 17.8% were non-management, 36.5% were lower-level management, and 42.7% were middle-level management and above.

Data Collection Procedures

² The company is a Fortune 500 Energy company providing electrical service for over one million customers in the United States (Wiki, 2011).

For specific procedures, the researcher first reached out to 20 randomly selected companies from the 2010 Fortune 500 list. They were introduced to the study and invited to participate. One company agreed to participate in the current research. The on-line survey link was then provided to the contact person (the Chief Communication Officer of the company) by email; the contact person immediately distributed the on-line questionnaire to a random list of employees to complete within a two-week period in February 2011. Respondents were assured of data anonymity. The on-line questionnaire included Likert-scale questions consisting of three domains, including employees' perception of management leadership, corporate reputation, and feeling of empowerment, and questions on demographic information.

Before the actual administration of the questionnaire to the participant company, the instrument was pretested with 30 employees generated by convenience sampling from a Fortune 100 software company in the U.S. to ensure the validity of the instrument. Respondents were asked to fill out the survey and give feedback on their feelings of the survey in terms of wording, clarity of theme, and format. Based on respondents' feedback, three items were slightly reworded to avoid ambiguity and confusion. For example, the item, "Leaders in my department trust me to make appropriate decisions..." was changed to "My manager trusts me to make appropriate decisions...." Moreover, a 5-point Likert scale on major concepts (i.e., leadership style, employee empowerment, and perceived organizational reputation) was changed to a 7-point Likert scale (1= "Strongly Disagree," 7= "Strongly Agree") to better capture respondents' traits, following respondents' suggestions.

Measures

Leadership style³

The measure of leadership style in the current study was adopted from Podsakoff, MacKenzie, Moorman, and Fette's (1990) Transformational Leadership Inventory (TLI) and their contingency reward measure of transactional leadership. Strong evidence from prior empirical studies supports the reliability and validity of these scales (e.g., Podsakoff et al., 1990; 1996, Laohavichien et al., 2009; Pillai & Williams, 1998; Spreitzer et al., 2005, Viator, 2001).

The 22 items (e.g., "My manager paints an interesting picture of the future for us," "My manager provides a good model to follow," see Appendix I) of the TLI were used to measure six factors of transformational leadership (articulating a vision, providing an appropriate model, fostering the acceptance of group goals, high performance expectations, individualized support, and intellectual stimulation) ($\alpha=.95$),⁴ and 5 items measured contingency-reward transactional leadership (e.g., "My manager always gives me positive feedback when I perform well;" "My manager gives me special recognition when my work is very good") ($\alpha=.93$).

³ TLI was used in the current study to measure transformational leadership rather than the standard leadership instrument, Multifactor Leadership Questionnaire (MLQ, Bass, 1990; Avolio & Bass, 2004) because TLI was suggested to be a more construct-valid measure (e.g., Schriesheim, 2008; Scandura, Schriesheim, personal communication, Dec. 12, 2010).

⁴ " α "s in parentheses throughout the paper report the reliabilities of the measures in the current study.

Employee empowerment

The measure of employee empowerment in the present study was adapted from Chiles and Zorn's (1995) and Spreitzer's (1995) empowerment scales, incorporating both perspectives of competence and control. Four items (e.g., "I feel competent to perform the tasks required for my position," "I feel adequately prepared to perform my job") were used to measure employees' feeling of competence ($\alpha=.89$). Another four items (e.g., "My manager trusts me to make the appropriate decisions in my job," and "I have significant autonomy in determining how I do my job") were used to measure employees' feeling of control ($\alpha=.88$). Considering that the measure of empowerment was adopted from different studies incorporating two different approaches, the questions were exploratorily factor analyzed for further statistical analyses (see the Results section for an exploratory factor analysis).

Perceived organizational reputation by employees

The measure of perceived organizational reputation by employees was adopted from the Harris–Fombrun Corporate Reputation Quotient (Fombrun et al., 2000, 2004), which, to date, has been proved as "a valid, reliable, and robust tool for measuring corporate reputation" (Gardberg & Fombrun, 2002). A total of 20 questions (e.g., "I feel good about the company," "The company is a good place to work") ($\alpha=.96$) were included to ask employees' overall evaluation of the company on aspects of emotional appeal, products and services, financial performance, vision and leadership, work environment, and social responsibility.

Data Analysis

Data analysis was conducted using SPSS 18.0 for Windows. A $p < .05$ significance level was used for all statistical tests performed. Before the analysis, missing data were analyzed with the expectation maximization (EM) method.⁵ Little's MCAR test was not significant ($\chi^2 = 378.60$, $p = .97$), indicating that missing data in the current study were missing completely at random (MCAR). The EM approach was then used to compute and impute missing data before all multivariate analyses. The proposed model (Figure 1) and all hypotheses were tested with structural equation modeling (SEM) AMOS 18.0 software. The chi-square, although the most commonly reported measure of model-data fit, is strongly dependent on the sample size (Kline, 1998). Thus, multiple criteria were used in the present study to evaluate the goodness of model fit including the comparative fit index (CFI), the root mean square error of approximation (RMSEA), and standardized root mean square residual (SRMR) indices.⁶ Additionally, a multivariate analysis of variance (MANOVA) was conducted to examine whether and how demographic variables (i.e., gender, education level, and level of position) influence the examined variables.

⁵ The expectation maximization (EM) method for missing data diagnosis and imputation uses all available data to optimize the likelihood. According to Gold and Bentler (2009), the EM or maximum likelihood method for missing data is favorable (over mean substitution) because it provides good estimators of the data, S , and even under violation of normality.

⁶ According to Hu and Bentler (1999), the CFI value approaching 1.0 suggests a better fit; RMSEAs below .05 suggest a good fit, and SRMR values below .08 suggest a good fit of the model to the data.

Results

Exploratory Factor Analysis (EFA) for Employee Empowerment

The Principal Axis Factor (PAF) method, with an oblique Varimax rotation,⁷ was used to extract factors from the eight measurement items of employee empowerment. The analysis yielded a two-factor solution with a simple structure. The two factors extracted were consistent with the two major approaches to measure empowerment in existing literature: competence and control (e.g., Anderson & Huang, 2006; Chiles & Zorn, 1995). Factor loadings (based on Pattern Matrix), eigenvalues, and variances explained are presented in Table 1. Four items loaded onto factor 1 (.69–.91) were related to employees' feeling of self-efficacy or competence. Four items loaded on factor 2 (.67–.87) were about employees' feeling of decision making, autonomy, and control. The two factors jointly explained about 67% of the variances in the questions, with “feeling of competence” explaining 45.64% and “feeling of control” explaining 21.33%, respectively.

Table 1

Obliquely Rotated Factor Loadings for 8 Items Measuring Employee Empowerment

Items	Factor Loadings	
	1	2
I am self-assured about my capabilities to perform my work activities.	.908	

⁷ Oblique rotation, rather than orthogonal rotation, was applied because the researcher assumed the underlying constructs for employee empowerment are correlated, based on previous research.

I feel competent to perform the tasks required for my position.	.882	
I am confident about my ability to do my job.	.820	
I feel adequately prepared to perform my job.	.686	
My manager trusts me to make the appropriate decisions in my job.		.870
I have significant autonomy in determining how I do my job.		.846
I have considerable opportunity for independence and freedom in how I do my job.		.818
I have the authority to make the decisions that need to be made to perform my job well.		.669
Eigenvalues	3.95	1.71
Percentage of Total variances	45.64%	21.33%

Table 2 reports the means, standard deviations, and correlations for the study variables.

Results showed managers in the participant company demonstrated both transformational leadership ($M=5.31$, $SD=.93$) and transactional leadership ($M=5.22$, $SD=.25$). Employees were empowered in terms of sense of competence and decision-making control, but the ratings of control level ($M=5.51$, $SD=1.09$) appeared slightly lower than that of competence level ($M=6.17$, $SD=1.09$). Employees in the sample had an overall positive evaluation of the participant company's reputation ($M=5.75$, $SD=.89$).

Table 2

*Descriptive of Leadership Style, Employee Empowerment, and Organizational Reputation**Measures (Mean, Standard Deviation, and Correlations)*

	Mean	SD	1	2	3	4	5
1. Transformational leadership	5.31	.93	1.00				
2. Transactional leadership	5.22	1.25	.62** ⁸	1.00			
3. Competence-Empowerment	6.17	.75	.11	.03	1.00		
4. Control-Empowerment	5.51	1.09	.50**	.44**	.31**	1.00	
5. Perceived organizational Reputation	5.75	.89	.50**	.13	.34**	.49**	1.00

** Correlation is significant at $p < .01$ (2-tailed).

Analysis of Structural Equation Modeling

The analysis and interpretation of the proposed model was a two-stage process: (1) an assessment of the construct validity of the measurement model using confirmatory factor analysis (CFA), and (2) an assessment of the structural model. In the tested model, transformational leadership and perceived organizational reputation were specified as latent

⁸ Since the exogenous variables of transformational and transactional leadership had a relatively high correlation ($r = .62$), multicollinearity was diagnosed using multiple regression statistics. The tolerances were over the cutoff (.02), indicating that no multicollinearity was detected.

variables with multiple indicators; contingent reward transactional leadership, employees' feeling of competence, and feeling of control were specified as observed variables. The maximum likelihood method was employed for model estimation.

Measurement (CFA) model

The test of the initial measurement model indicated an unsatisfactory fit to the data: $\chi^2(83) = 252.25$, $p < .001$, $\chi^2/df = 3.04$, Root Mean Square Error of Approximation (RMSEA) = .11 (90% CI = .096–.127), Standardized Root Mean Square Residual (SRMR) = .07, Comparative Fit Index (CFI) = .90. Thus, interpreting any individual parameter estimates is not appropriate. The model was modified accordingly. According to Byrne (2009), “forcing large error terms to be uncorrelated is rarely appropriate with real data” (p. 111); furthermore, allowing error covariance within the same construct can sometimes explain content redundancy. Following this line of thinking and based on model modification indices, the model was modified by adding error covariances as depicted in Figure 2.⁹ The modified model demonstrated an adequate fit to the data: $\chi^2(77) = 161.71$, $p < .001$, $\chi^2/df = 2.1$, RMSEA = .08 (.06–.09), SRMR = .06, CFI = .95. The high standardized loadings in the measurement model revealed that latent variables—transformational leadership and perceived organizational reputation—have good construct validities. In addition, higher loadings of articulating a vision (.91), providing an appropriate model (.86), and fostering the acceptance of group goals (.83) on transformational leadership (compared to the remaining dimensions) confirmed

⁹ Six error covariances (r1-r5, r4-r5, r10-r11, r11-r12, r4-r8, r2-r13) were found. The magnitude of these covariances ranged from .20 to .48.

Podsakoff et al.'s (1990) notion that these three dimensions represent the “core” transformational leadership behaviors.

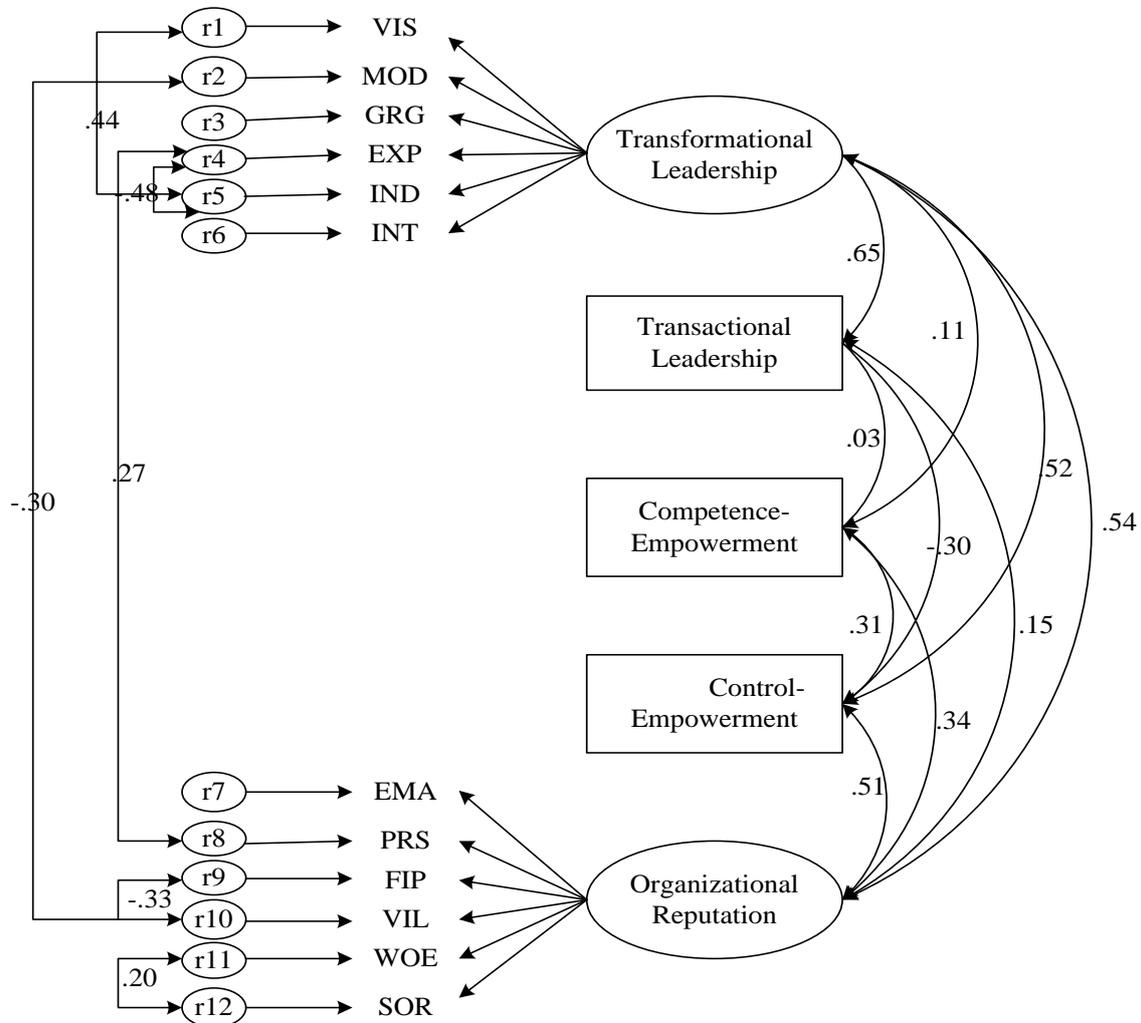


Figure 2. Confirmatory factor analysis (CFA) of the measurement model.

Before estimating the hypothesized model, the multivariate normality assumption of SEM was evaluated in AMOS. Results indicated that the sample data showed a significant positive multivariate kurtosis; therefore, bootstrapping ($N=2,000$ samples) using maximum

likelihood method was performed to address the multivariate non-normality of the data.¹⁰ A bias-corrected 90% confidence interval was provided for each bootstrap estimate. The bootstrap parameter estimations did not deviate from those based on normal theory; that is, significant results in Figure 2 remained significant in the bootstrapping process, and non-significant results remained non-significant.

Structural model

The hypothesized structural model displayed in Figure 3 demonstrates a good fit to the data:

$\chi^2(77) = 161.71, p < .001, \chi^2/df = 2.1, RMSEA = .08 (.06-.09), SRMR = .06, CFI = .95.$ ¹¹

According to Baron and Kenny (1986), partial mediation is present when the paths from the independent variables to the mediator, from the mediator to the dependent variables, and from the independent variable to the dependent variable, are significant. As seen in Figure 3, all standardized path coefficients were statistically significant except for the effect of transformational leadership and transactional leadership on employees' feeling of competence. For parsimony, the model was trimmed by deleting the two non-significant paths. The simplified model was recalculated and compared to the hypothesized model via nested model comparison. The model fit change was not statistically significant, although the hypothesized

¹⁰ According to Kline (1998) and Byrne (2001), bootstrapping is a procedure in which one takes repeated, smaller random samples of an existing sample to develop empirical estimates of standard errors of any parameter. It is a common procedure used to address multivariate non-normality issues.

¹¹ The model was estimated by allowing the disturbances of feeling of competence and feeling of control to covariate because the two variables share a common factor-employee empowerment.

model fit the data slightly better than the simplified model: $\Delta\chi^2 (2, N = 166) = 2.50, p = .286$.

Therefore, the more parsimonious model was retained.

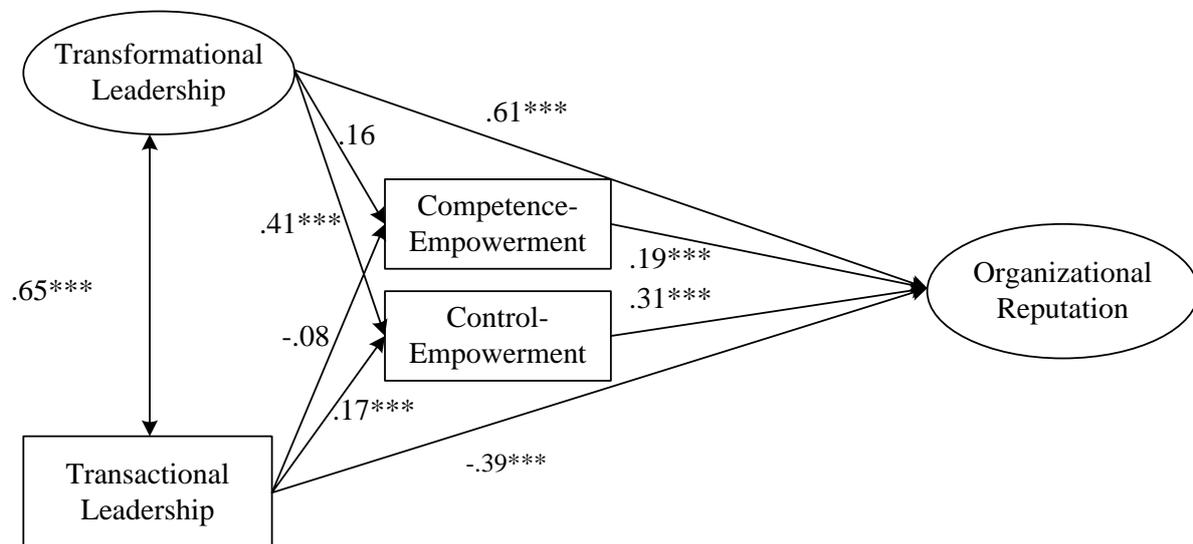


Figure 3. Results of the hypothesized model. Coefficients are standardized regression weights. For the sake of brevity, only the path model is demonstrated. The CFA model pattern coefficients, error terms of indicators, and disturbances of endogenous variables were omitted from the figure. $^{***} p < .001$.

In addition, to identify the best-fitting model, three other alternative models as seen in Figure 4, all of which are theoretically plausible, were compared to the simpler model. In alternative model 1, employees' perceived competence and control could fully mediate the influence of transformational and transactional leadership on employees' perception of organizational reputation (i.e., the direct links between leadership style and perceived organizational reputation were removed). In alternative model 2, transformational and

transactional leadership did not influence competence and control aspects of empowerment; hence, transformational and transactional leadership and employees' feeling of competence and control independently influence employees' evaluation of organizational reputation. In alternative model 3, the direct links between employees' feeling of competence, feeling of control, and perceived organizational reputation were removed; that is, employees' feeling of competence, control, and perceived organizational reputation were all predicted outcomes of leadership style.

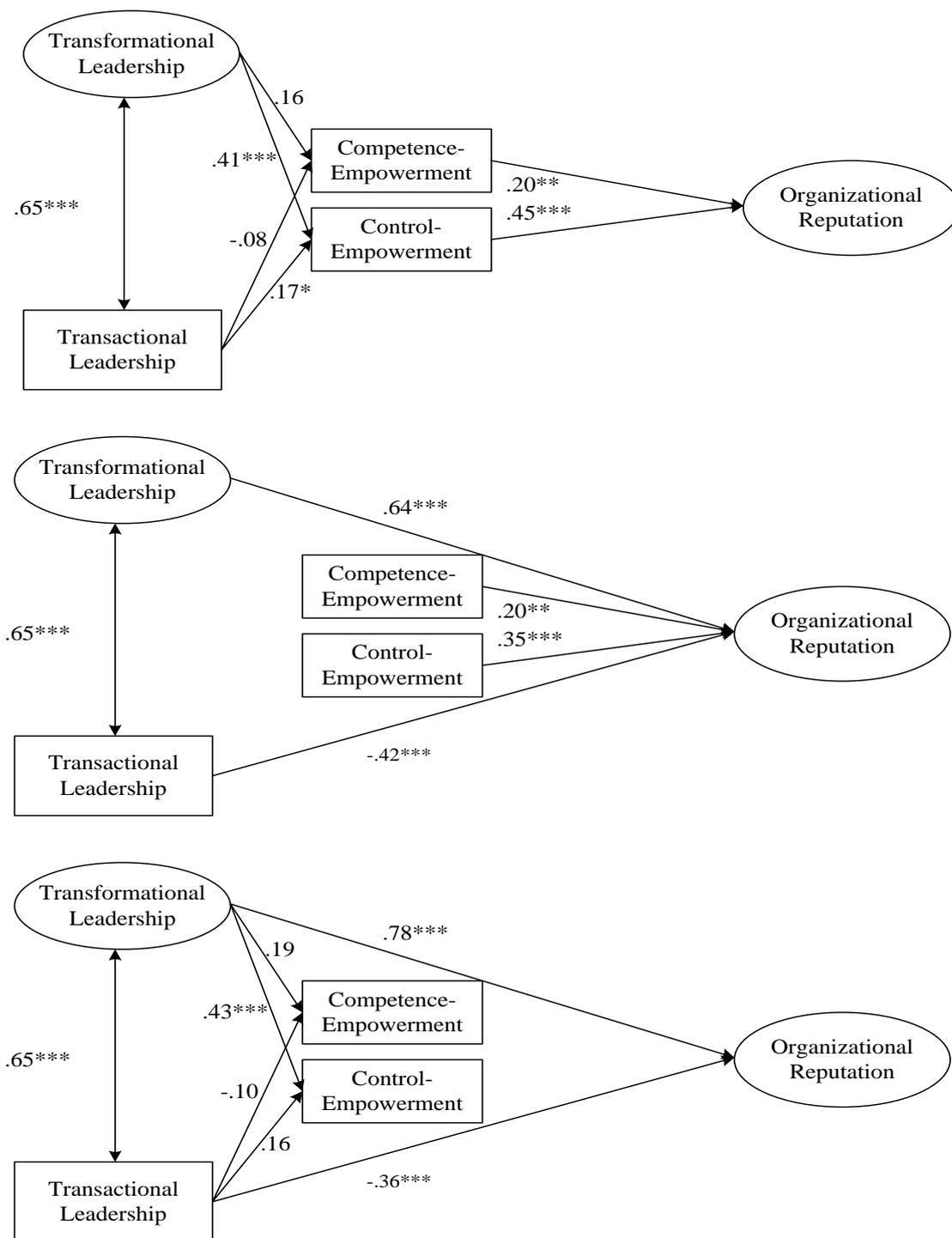


Figure 4. Alternative models 1, 2 and 3. For the sake of brevity, only the path models are demonstrated. The fit indices for these alternative models are presented in Table 3. * $p < .05$.

** $p < .01$. *** $p < .001$.

As demonstrated in Table 3, all three alternative model fits were significantly worse than the hypothesized model and the simplified model. The chi-square differences of the three alternative models ranged from 34.07 to 54.82 (all $p < .001$), and thus offered support for the superiority of the hypothesized partial mediation model. The path coefficients of the retained parsimonious model are presented in Figure 5.

Table 3

Fit Indices of the Hypothesized, Simplified, and Alternative Models

Model	χ^2	Df	χ^2/df	$\Delta\chi^2$	Sig. of Δ	CFI	RMSEA	SRMR
Hypothesized Model	161.71	77	2.1	--	--	.95	.08 (.06–.09)	.06
Simplified Model	164.22	79	2.08	2.50	.286	.95	.08 (.06–.10)	.07
Alternative 1	207.35	81	2.56	43.13	.000	.92	.10(.08–.11)	.13
Alternative 2	219.04	81	2.70	54.82	.000	.92	.10(.09–.12)	.14
Alternative 3	198.29	81	2.45	34.07	.000	.93	.09 (.08–.11)	.11

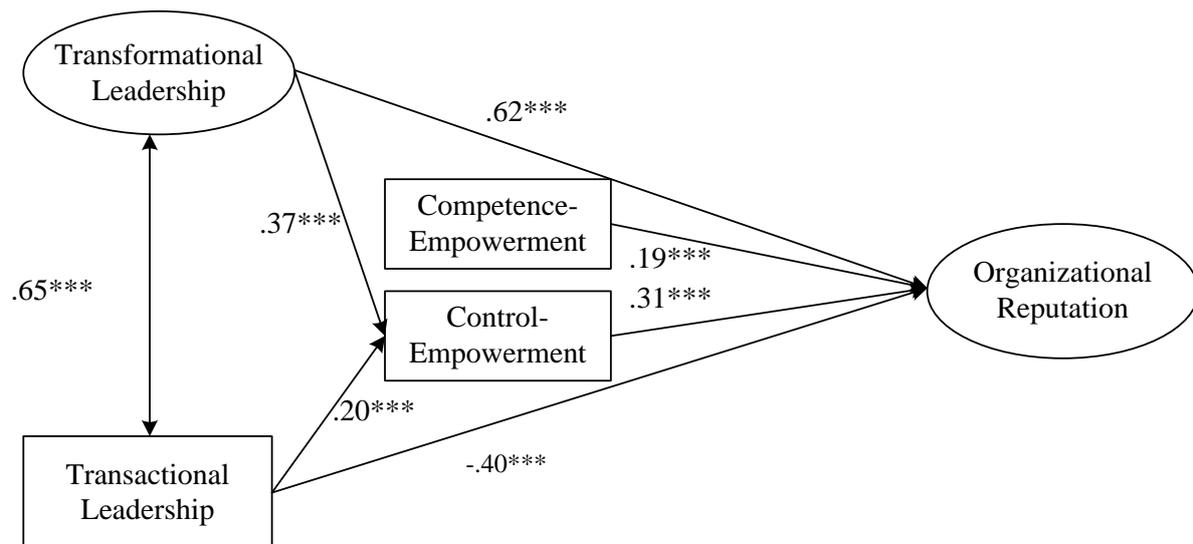


Figure 5. Results of the retained (simplified) model with the deleted non-significant paths.

Coefficients are standardized regression weights. *** $p < .001$

Test of Hypotheses

As presented in Figure 5, Hypothesis 1 was supported; transformational leadership covaried with transactional leadership, $\beta = .65$, $p < .001$. An effective leader could demonstrate both transformational and transactional leadership styles.

Direct effects

Hypotheses 2 and 3 proposed the direct effect of transformational and transactional leadership on employees' perception of organizational reputation. As indicated in Figure 5, both Hypothesis 2 and 3 were supported; transformational leadership had a large positive effect on perceived organizational reputation by employees, $\beta = .62$, $p < .001$, implying that employees who perceive their managers to be transformational leaders tend to have a more

favorable evaluation of their company.¹² In contrast, transactional leadership was found to have a large negative effect on employees' perception of organizational reputation, $\beta = -.40$, $p < .001$, suggesting that employees who perceive their managers to be transactional leaders tend to evaluate the company negatively.

Hypothesis 4 predicted the positive effects of employees' feeling of competence and feeling of control on perceived organizational reputation. The results showed support for Hypotheses 4a and 4b. Employees' perceived competence had a moderate positive effect on employees' evaluation of organizational reputation, $\beta = .19$, $p < .001$; employees' perceived decision making control had a large positive effect on employees' evaluation of organizational reputation, $\beta = .31$, $p < .001$. Thus, empowered employees, who are competent or involved in decision-making, tended to evaluate the company's reputation in a more favorable way.

Hypotheses 5 and 6 predicted the effects of transformational and transactional leadership on employees' feeling of empowerment, in terms of competence and decision-making control. Hypothesis 5 was partially supported by the data and hypothesis 6 was rejected. Specifically, transformational leadership had a large positive effect on employees' feeling of control, $\beta = .37$, $p < .001$, but no significant effect on employees' feeling of competence. Transactional leadership had a moderate positive effect on employees' feeling of control, $\beta = .20$, $p < .001$, but no significant effect on employees' feeling of competence. Both transformational and transactional leadership styles can empower employees in decision-making control; however,

¹² According to Keith (2006), a standardized coefficient (β) of less than .05 suggests a negligible effect; a standardized coefficient of .05-.10 suggests a small but meaningful effect; a standardized coefficient of .10-.25 means a moderate effect, and a standardized coefficient of above .25 represents a large effect.

they had negligible effects on employees' sense of competence. Transformational leaders were found more likely to share power with employees than transactional leaders.

Indirect (Mediation) effects

As shown in Table 2, the partial mediation model demonstrated a better fit to the data than the alternative models (i.e., full mediation model and no mediation models). Significant paths in H2, H3, H4, H5b, and H6b indicated that employees' feeling of control partially mediates the effect of transformational leadership and transactional leadership on employees' perception of organizational reputation. For a closer examination, a formal significant test of indirect effects using a bootstrap procedure ($N=2,000$ samples) was conducted. The results demonstrated that the indirect effects in paths from transformational leadership to perceived organizational reputation by employees through employees' feeling of control were significant, $\beta=.16$, $p<.001$ (95% CI: .092-.247). However, the indirect effects in paths from transactional leadership to perceived organizational reputation by employees through employees' feeling of control were not significant, $\beta=.04$, $p=.371$ (95% CI: -.032-.119). Therefore, employee empowerment, in terms of decision-making control, could mediate the impact of transformational leadership on employees' evaluation of organizational reputation. Hence, H7 was partially supported, whereas H8 was rejected.

Beyond testing the hypotheses and the proposed model, the present study also examined how managers from different levels (i.e., lower-level management, middle-level management, and top management) differ in their demonstrated leadership style. The results showed that the main effect of a manager's level of position on the linear combination of

transformational leadership was significant (Wilks' lambda = .82, $F(12,296) = 2.54$, $p = .003$, Eta Squared = .093). Follow-up discriminant analysis showed that the significant discriminant function ($p = .003$) was defined by transformational leadership behaviors of providing high performance expectation (.81), articulating a vision (.30), and intellectual stimulation (-.04). The squared canonical correlation indicated that 16% of the total relationship between managers' level of position and transformational leadership was explained by this function. According to the group centroids along the discriminant function, top management (.49) were more likely to demonstrate these transformational leadership behaviors than would middle-level management (.01) and lower-level management (-1.01). However, no significant difference was found between different levels of management on transactional leadership style ($F(2, 153) = .96$, $p = .39$).

Discussion and Conclusion

The systemic nature of organizations determines that the public relations function interacts with other subsystems in the achievement of organizational goals. Moreover, it is influenced by organizational contextual factors, such as organizational culture, structure, internal communication system, employee satisfaction, and gender equality (L. A. Grunig et al., 2002). The current study represents an extensive effort to explore how public relations effectiveness is affected by organizational antecedents. Hence, taking an internal perspective, the purpose of the present study was to examine the influences of organizational leadership style on employees' perception of organizational reputation and the mediation role of employee empowerment on such influences.

Leadership Style and Perceived Organizational Reputation

The results revealed that transformational leadership positively influences employees' perception of organizational reputation, not only directly but also indirectly, through empowering employees. Leadership behaviors, such as communicating shared vision and high performance expectations, providing an appropriate role model, fostering collaboration among employees to achieve collective goals, stimulating new perspectives and ideas, emphasizing the quality of relationships with employees, and showing concern about employees' individual feelings and welfare, directly cultivate employees' favorable overall attitudes toward the organization. The findings are in line with previous literature on the positive association between transformational leadership and employees' job satisfaction (e.g., Castro et al., 2008; Yukl, 1999; Rafferty & Griffin, 2006), organizational commitment (e.g., Castro et al., 2008, Lowe & Barnes, 2002; Rafferty & Griffin, 2004), and positive emotions such as joy, pride, admiration, and enthusiasm (Rowold & Rohmann, 2008). Managed by transformational leaders, employees are more likely to be satisfied with their job, affectively committed to the organization, and work in a good mood, thereby perceiving the organization more favorably. In addition, through sharing power with employees and engaging them in the decision-making process, transformational leaders make employees feel more accepted, trusted, and valued, thus indirectly shaping employees' favorable evaluation of the organization. The results provide new evidence for the claim made by previous leadership scholars (i.e., Bass, 1999; Castro et al., 2008) that employee empowerment is a potential mediator for transformational leadership effects on organizational outcomes.

In contrast, transactional leadership represented by contingent reward behavior in the current study demonstrated a large negative effect on employees' perception of organizational reputation. When managers mainly focus on economic and instrumental transactions in treating employees, as well as when they exert more control, employees tend to evaluate the organization less favorably. This concurs with findings from previous studies that although transactional leadership can be effective or even necessary under certain circumstances considering that it meets employees' fundamental utilitarian needs, it is less likely to generate trust and commitment to work compared to transformational leadership (Zagoršek et al., 2008). An over-reliance on rewards and punishment to exert influence may make employees feel not fully trusted, leading to employees' negative perception of organizational reputation. In addition, the hypothesized mediating role of employee empowerment (i.e., competence and control) in the relationship between transactional leadership and perceived organizational reputation was not supported. In other words, transactional leadership only has a significant negative direct effect on perceived organizational reputation but no indirect effects through empowerment. The findings confirm the notion that empowering employees is "one of the major features that distinguish transformational leadership behaviors from transactional leadership" (Castro et al., 2008, p. 1847).

Existing literature on reputation (i.e., Dowling, 2004; Fombrun et al., 2000; Helm, 2005) has identified management competence and quality of leadership as among the major reputation drivers. Findings of the present study provide new evidence from an internal perspective that effective leadership such as transformational leadership (strategic,

charismatic, inspiring, democratic, and relational-oriented) shapes employees' positive perception of the organizational reputation, whereas transaction-based authoritarian leadership does not. As noted by Yukl (1994), leadership plays an important role in creating an organizational climate and constituting an internal environment, which influence employees' attitudes and motivation. To develop favorable internal reputation which can generate positive word-of-mouth and supportive behavior (Hong & Yang, 2011), the transformational leadership style should thereby be advocated rather than the transactional leadership style, as evidenced by the current study.

Empowerment and Perceived Organizational Reputation

Regarding the relationship between employee empowerment and employees' perception of organizational reputation, the findings suggest that the more employees feel competent or having the ability or skill to perform, the more favorably they perceive organizational reputation; the more employees feel having control ability or authority in decision making, the more favorably they perceive organizational reputation. The findings are consistent with those in previous studies in management and public relations (e.g., Brown & Peterson, 1993; Fombrun et al., 2000; Fulford & Enz, 1995; Kirkman & Rosen, 1999; Laschinger, Finegan, & Shamian, 2001; Men, 2011) that employee empowerment leads to employee satisfaction, commitment, trust, loyalty, and quality organization-employee relationship. When employees are psychologically empowered, they feel more self-efficacy and confidence in achieving self-fulfillment and meaningfulness and in exerting influence (Spreitzer, 1995). Therefore, employees are more likely to be satisfied and committed to the organization. When

employees are delegated more power and authority in decision making, they are more likely to trust the organization and agree on the mutual influence in the relationship (Men, 2011). Organization-public outcomes (i.e., trust, control mutuality, commitment, and satisfaction) are found to positively influence publics' cognitive representation of the company (Yang & J. E., Grunig); thus, the positive association between employee empowerment and perceived organizational reputation revealed by the present study is thereby expected.

Meanwhile, in predicting employees' evaluation of organizational reputation, employees' feeling of control (i.e., managerial empowerment) plays a more important role than feeling of competence (i.e., psychological empowerment). The finding reflects Fombrun et al.'s (2000) claim that reputable companies are usually characterized by a participative culture and willingness to share power with employees and engage them in the decision-making process. It also concurs with Men's (2011) finding that employees' perceived control has a larger positive effect on organization-employee relationship than perceived competence.

Leadership Style and Employee Empowerment

With regard to the linkage between leadership style and employee empowerment, the present study revealed that transformational and transactional leadership are both positively associated with employees' feeling of control; in other words, managerial empowerment, with the former demonstrating stronger effects. Thus, transformational leaders are more likely to delegate power to employees and involve them in decision making than transactional leaders, supporting claims in existing literature (Aldoory & Toth, 2004; Behling & McFillen,

1996; Bass, 1999; Spreitzer, 1995). Surprisingly, neither transformational nor transactional leadership was found to be significantly related to employees' feeling of competence, or individual psychological empowerment. One possible explanation may be that employees' psychological empowerment or self-efficacy depends on a host of factors where other individual difference variables, such as locus of control, may play a much more important role (Menon, 2001). Leadership could indirectly influence employees' perceived competence level under certain circumstances through intellectual stimulation or emphasis on a worthy cause (Memon, 2001); it remains a non-determinant according to the current study.

Moreover, the present study found that higher level managers are more likely to demonstrate transformational leadership than lower level managers. However, no significant difference was found in how managers from different levels demonstrate transactional leadership (all managers were rated relatively high on transactional leadership). This reflects the notion made by Bass (1999) that the instrumental exchange-based transactional leadership is a fundamental type of leadership, whereas the relationship-oriented transformational leadership is more strategic and effective. Considering that higher level managers in the organization are normally more successful and have more leadership experience, their demonstration of more transformational leadership style than lower level managers makes sense.

Theoretical Implications

The present study provides important implications for public relations scholars, professionals, and top management. Theoretically, the findings of the current work contribute to the body of

knowledge in reputation management, internal characteristics for excellent public relations, leadership, and empowerment theory in public relations and internal communication.

First, the present research extends the efforts in examining possible internal drivers for organizational reputation, revealing that transformational leadership style and employee empowerment behavior shape employees' favorable perception of organizational reputation, which generates positive word-of-mouth, and in turn contributing to the building and protection of external organizational reputation.

Second, by demonstrating the impact of leadership style and employee empowerment on one of the major public relations outcomes, organizational reputation, from an internal perspective, the current study suggests new antecedent factors to add to the list of internal characteristics for excellent public relations. Other than organizational infrastructures (i.e., organizational structure, culture, gender equality), leadership style and behaviors also interact with public relations functions and contribute to public relations effectiveness.

Third, the current research adds to the growing body of knowledge on leadership in public relations by showing how the two major leadership styles, transformational and transactional leadership, are related to public relations outcome, suggesting a new direction for leadership study in the context of public relations. It also advances the understanding of the concept of "empowerment" in public relations by incorporating two distinct major approaches in conceptualizing empowerment, namely, psychological empowerment (i.e., competence) and managerial empowerment (i.e., control). It suggests that to truly empower employees, managers not only have to satisfy employees' power needs or needs for decision-making authority and autonomy, but also employees' needs for psychological

self-efficacy. In addition, as an exploratory effort, the present study provides empirical evidence showing why the empowerment of strategic publics (L. A. Grunig et al., 2002) matters for public relations effectiveness. Finally, by focusing on how to shape internal publics', specifically employees' favorable perception of the organization through effective leadership, the current study contributes to the growing literature on internal communication.

Implications for Public Relations Professionals and Management

The present work provides pragmatic implications for public relations professionals and organizational managers. First, by demonstrating the influence of organizational leadership style and employee empowerment on perceived organizational reputation by employees, the present study suggests that public relations effectiveness can be affected by management effectiveness and leadership behavior. The realm of public relations interacts with other subsystems in the organization in the achievement organizational goals. Therefore, for best practices of public relations, in addition to developing effective public relations/communication strategies toward audiences, public relations professionals must inform and educate organizational leaders and engage them in relationship (people)-oriented *transformational* leadership behaviors that can facilitate public relations activities and contribute to public relations effectiveness.

Second, systematic leader communication training programs should be developed to build an effective hierarchical communication system (i.e., the communication of CEOs, vice presidents, directors, managers, and frontline supervisors with their subordinates) as it represents a major building block of internal communication (Whitworth, 2011). Since

managers interact with their subordinates on a daily basis, and their demonstrated leadership style influences employees' overall perceptions toward the organization, managers of different levels should be trained to communicate accurately, clearly, and effectively with their subordinates. Public relations professionals can help by providing training and coaching to develop effective leader communication skills, crafting messages, evaluating leadership communication effectiveness as well as rewarding leaders who do well in communication. With that said, the internal roles of public relations professionals should not only include developing internal communication programs but also providing effective leadership communication coaching.

Third, for organizational management, the current study suggests transformational leadership style which is strategic, inspiring, interactive, empowering, democratic, and relational-oriented not only affects employees' motivation, productivity, and performance (Castro et al., 2008), but also shapes employees' favorable perception of the organization. By contrast, transactional leadership style, which focuses on economic and instrumental exchanges, can be effective in pure business situations, it has a *negative* effect in shaping employees' perception of the organization. Especially in the age of social media, employees are increasingly empowered to initiate dialogues in the public domain. How the employees perceive the organization determines what they say about the organization outside, which in turn constitutes reliable sources for other stakeholders and stockholders to form their perception of the organization's reputation. Therefore, it is essential for organizational managers to develop the transformational leadership style, which is then advocated by employees.

Limitations and Future Research Directions

Despite the pioneering explorations of the present study, several limitations were encountered and should be addressed in future research. One possible limitation was the use of sample from one single company in one particular industry. However, the value of the current work lies in its theoretical examinations rather than its generalizability. A second limitation was that the data were collected only from employees' perspective. To provide a more comprehensive understanding of how organizational leadership style and behaviors influence public relations outcomes, insights from public relations professionals and organizational leaders should be incorporated. Third, although the present study contributes to a general understanding of the relationship between leadership, empowerment, and organizational reputation, a triangulated methodological approach would have provided more in-depth explanations about how the relationship works.

In future research, a wider range of samples from different types of organizations across various industries should be used to test the proposed model and generalize the findings. Qualitative research methods such as in-depth interviews with organizational leaders and public relations professionals can be applied to provide thorough explanations while incorporating different perspectives to the research problems. Considering that leadership in the context of public relations has not been fully explored, future research should be devoted to investigate how leadership factors interact with public relations functions to contribute to communication effectiveness; for example, how managers with different leadership styles choose communication worldviews and strategies (i.e.,

symmetrical vs. asymmetrical communication; one-way communication vs. two-way communication), and how leadership is associated with other public relations outcomes such as organization-public relationship, corporate credibility, and public confidence. Finally, the scope of future research can be extended to other strategic publics to determine whether effective leadership acts as a new internal characteristic for excellent public relations.

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Appendix: Measures of Key Variables

Transformational Leadership

Articulating a vision: (a) “My manager is always seeking new opportunities for the unit/department/organization;” (b) “My manager paints an interesting picture of the future for us;” (c) “My manager has a clear understanding of where we are going;” (d) “My manager inspires others with his/her plans for the future;” (e) “My manager is able to get others committed to his/her dream of the future.”

Providing an appropriate model: (a) “My manager leads by ‘doing’ rather than simply by ‘telling’;” (b) “My manager provides a good model to follow;” (c) “My manager leads by example.”

Fostering the acceptance of group goals: (a) “My manager fosters collaboration among work groups;” (b) “My manager encourages employees to be team players;” (c) “My manager gets the group to work together for the same goal;” (d) “My manager develops a team attitude and spirit among his/her employees.”

High performance expectations: (a) “My manager shows us that he/she expects a lot from us;” (b) “My manager insists on only the best performance;” (c) “My manager will not settle for second best.”

Individualized support: (a) “My manager acts without considering my feelings;” **(R)** (b) “My manager shows respect for my personal feelings;” (c) “My manager behaves in a manner that is thoughtful for my personal needs;” (d) “My manager treats me without considering my personal feelings.” **(R)**

Intellectual stimulation: (a) “My manager has provided me with new ways of looking at things which used to be a puzzle for me;” (b) “My manager has ideas that have forced me to rethink some of my own ideas I have never questioned before;” (c) “My manager has stimulated me to think about old problems in new ways.”

Transactional Leadership

Contingent reward: (a) “My manager always gives me positive feedback when I perform well;” (b) “My manager gives me special recognition when my work is very good;” (c) “My manager commends me when I do a better than average job;” (d) “My manager personally compliments me when I do outstanding work;” (e) “My manager frequently does not acknowledge my good performance.” **(R)**

Employee Empowerment

Feeling of Competence: (a) “I feel competent to perform the tasks required for my position;” (b) “I feel adequately prepared to perform my job;” (c) “I do not have the skill to excel in my job;” **(R)** (d) “I am confident about my ability to do my job,” and (e) “I am self-assured about my capabilities to perform my work activities.”

Feeling of Control: (a) “I have the authority to make the decisions that need to be made to perform my job well;” (b) “My manager trusts me to make the appropriate decisions in my job;” (c) “I have significant autonomy in determining how I do my job;” (d) “I cannot decide on my own how to go about doing my work,” **(R)** and (e) “I have considerable opportunity for interdependence and freedom in how I do my job.”

Perceived Organizational Reputation by Employees

Emotional appeal: (a) “I feel good about the company;” (b) “I admire and respect the company;” (c) “This is a company I can trust.”

Products and services: (a) “The company sells high quality products or services;” (b) “The company is innovative in its products and services;” (c) “The products and services of this company are unfairly priced;” (d) “This company provides excellent value to the customer.”

Financial performance: (a) “I have been happy with the company’s profitability;” (b) “I believe the company has strong future growth prospects;” (c) “There is low risk investing in this company;” (d) “The company outperforms its competitors.”

Vision and leadership: (a) “The company can identify its market opportunities;” (b) “The company is a leader in the (name of the industry) industry;” (c) “The company has a clear vision for the future.”

Work environment: (a) “The company is a good place to work;” (b) “The company has good employees;” (c) “The company rewards employees fairly.”

Social responsibility: (a) “The company supports good causes;” (b) “The company assumes responsibility for the environment;” (c) “The company assumes responsibility for the community.”