

# AUTHENTIC LEADERSHIP IN SMALL BUSINESSES: THE IMPORTANCE OF HUMILITY AND RESILIENCE

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## ABSTRACT

*The main objective of this study is to analyse the impact of authentic leadership on resilience, directly or when mediated by humility, in small and medium-sized enterprises and small businesses since these are personal characteristics that are increasingly determining and differentiating. All over the world, these organisations have been feeling the need to adapt to major societal changes that are taking place at the level of economic, social, political, cultural and ethical relations. The emergence of these new societal conjunctures imposes new conditions on organisations and rebuilds the world of work and business. In this way, authentic leadership and its influence on the behaviour of employees and organisations as a whole are increasingly gaining the attention of academics. This research empirically validates the theoretical arguments that suggest that authentic leadership relates to humility and resilience, both directly and indirectly, and demonstrates that employees are essential resources to help organisations face competitive challenges, take advantage of their employees' potential, and promote organisational efficiency competitive advantages over competitors. The study is based on a questionnaire applied to 109 employees of Portuguese companies, who, in the performance of their professional activity, are in a position of direct subordinates of the top management of these SMEs and small businesses. The analysis of the results obtained allows the conclusion that authentic leaders arouse more humility and more resilience in their subordinates.*

**Keywords:** Authentic Leadership, Humility, Resilience, Small Businesses

## INTRODUCTION

In recent years, authentic leadership and its impact on employees has aroused great interest in both professionals (George, et al., 2007) and academics, who argue that AL promotes positive attitudes and behaviours in subordinates and contributes to better organisational performance (Rego, et al., 2012).

In this paper, we will address LA, resilience, and humility and show how LA predicts subordinates' resilience, mediated by subordinates' humility, small and medium enterprises (SMEs), small businesses, and local entrepreneurship.

Resilience is key in small businesses, as studies indicate that it can be a key factor in explaining entrepreneurial success. Since it is a dynamic adaptation process, which allows entrepreneurs to continue to look to the future despite difficult market conditions and despite the destabilising events they continually face, resilience is essential in local entrepreneurship, where the environment is increasingly competitive and uncertain (Ayala & Manzano, 2014).

Humility assumes an increasingly important role in organisations, as it is a strategic virtue for them in any sector. It becomes a competitive advantage: it is a valuable resource, rare, irreplaceable and difficult to imitate (Vera & Rodriguez-Lopez, 2004).

Thus, studying the antecedents of resilience in SMEs and small businesses is essential for organisations to survive and thrive, taking advantage of the potential of their employees so that learning, performance and competitiveness are sustainable. This study seeks to contribute to enrich the research and deepen the literature on this topic.

This article is structured as follows: the next section discusses the arguments that lead to the formulation of hypotheses; the third and fourth sections present the methods and results, respectively; and the final section discusses the main conclusions and considers the limitations of the research and suggestions for future research.

## LITERATURE REVIEW

### Authentic Leadership

Avolio et al., (2004) refer that authenticity strongly influences how people live their lives. Authentic leaders know who they are, know what they believe and value, and act according to these values and beliefs when interacting transparently with others. These authors consider authentic leaders to be aware of the context in which they operate, being confident, hopeful, optimistic, resilient and with high moral character.

We can analyse AL in four dimensions: (1) self-awareness, understanding one's strengths and weaknesses and the multifaceted nature of oneself, and being aware of its impact on other people; (2) relational transparency, presentation of one's authentic self to others; (3) internal moral perspective, a form of internal and integrated self-regulation that is guided by internal moral standards and values rather than due to organisational or societal pressures, resulting in decision making and behaviour that is consistent with these internal values; (4) balanced information processing, objective analysis of data before making decisions, soliciting views that question one's deeper positions (Avolio, et al., 2004; Avolio & Gardner, 2005; Walumbwa, et al., 2008).

### The Resilience Construct

Resilience may be considered the human capacity to adapt to situations and tragedies, traumas and other adversities (Newman, 2005). It is the result of the interaction between individuals and their environment, being a dynamic and evolutionary process, through which the individual acquires knowledge, skills and competencies to help them face the uncertain future with a positive attitude, creativity and optimism and relying on their resources (Ayala & Manzano, 2014).

Resilience can be divided into four dimensions: (1) perseverance, enthusiastic persistence in finding solutions to problems, overcoming adversity; (2) sense of life, the awareness that one has something meaningful to live for and involves determination and satisfaction for achieving defined goals; (3) serenity, the balanced and focused perspective on the purposes of one's own life, with the ability to accept the variety of experiences (even adverse ones) serenely and enthusiastically and with the capacity to exercise self-esteem; (4) self-sufficiency and self-confidence, the awareness

that each person's life path is unique and that certain stages are faced not in a group but alone, being able to be on their own and depending essentially on themselves (Carvalho & Leal, 2012).

Resilient individuals are goal-driven and can cope with adversity, reflecting tenacity, optimism and an aggressive approach to solving problems (Sinclair & Wallston, 2004). Resilient entrepreneurs are willing to work hard to achieve their goals and adapt to change by taking advantage of new opportunities and learning from their own mistakes (Ayala & Manzano, 2014). Thus, resilience becomes a key personal characteristic for leaders active in SMEs, small businesses and local entrepreneurship.

Keong & Mei, (2010) suggest that since small and medium enterprises are business organisations consisting of two or more people coming together to pursue specific goals, it is reasonable to infer that small businesses can be considered resilient when their employees possess resilient qualities, this being a key characteristic for their success.

### **The Humility Construct**

Owens & Hekman, (2012) consider humility to be an essentially stable trait, characterised by a self-view that recognises that other people may be more significant than ourselves.

Humility can be considered an interpersonal characteristic that emerges in social contexts and encompasses three dimensions: (1) willingness to know oneself accurately; (2) appreciation of others; (3) willingness (availability) to learn from others (Owens et al., 2013).

The most commonly cited dimension of humility involves the ability or willingness of individuals to self-assess themselves without positive or negative exaggerations, taking a more accurate, non-defensive and objective view of themselves. In organisational parlance, humility appears to allow a person to make a clear SWOT (i.e. strengths, weaknesses, opportunities and threats) analysis of their intrapersonal resources (Owens, et al., 2011).

In the organisational context, humility is important as it enhances the ability of companies to understand and respond to external threats and opportunities, allowing them to achieve outstanding performance and being a source of competitive advantage (Vera & Rodriguez-Lopez, 2004).

### **Authentic Leadership, Resilience, and Humility**

AL influences employees' behaviour through positive modelling, emotional contagion and positive social communication exchanges (Avolio & Gardner, 2005). It also contributes to increasing their creative performance, fostering hope for the future, and helping them find meaning and commitment to work (Anwar, et al., 2020; Avolio & Gardner, 2005; Malik & Dhar, 2017; Mubarak & Noor, 2018).

Thus, some authors (Anwar, et al., 2020; Gaddy, et al., 2017; Zehir & Narcikara, 2016 ) argue that AL can increase the resilience levels of subordinates. (Zehir & Narcikara, 2016) argue that one of the roles of the authentic leader is to enhance the resilience of their employees by helping them recover from adversity and not only to withstand but also to thrive when they have to face high levels of change. By having high levels of awareness of potential adversity, authentic leaders are able to support and help their people cope in all situations.

As we have previously addressed, in SMEs and small businesses, resilience is key. It translates the effectiveness with which individuals and organisations adapt to change and the likelihood of achieving long-term growth and survival (Vera & Rodriguez-Lopez, 2004).

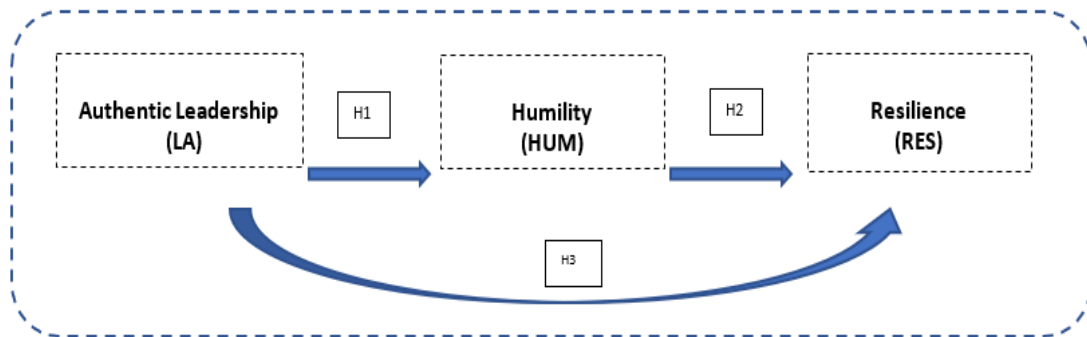
This relationship can be explained through the humility of employees. Thus, we know that AL has commonalities with humility, as authentic leaders are thought to be humble and less likely to feel the need to demand someone's attention (May, et al., 2003). Since leaders' humility is

contagious, we can infer that authentic leaders, by being humble, also foster humility in their employees (Owens & Hekman, 2016; Rego, et al., 2017).

In turn, humility will also positively influence the resilience of individuals. Vera & Rodriguez-Lopez, (2004) consider that humility is valuable because it increases the ability of individuals and companies to understand and respond in the best way to external issues such as threats and opportunities, developing their resilience. Thus, organisations where individuals are humble, are also organisations where there are high levels of resilience.

## HYPOTHESIS AND STRUCTURAL MODEL

The main objective is to analyse the impact of authentic leadership on resilience, either directly or when mediated by humility. The structural model shown in Figure 1 was defined.



**FIGURE 1**  
**THEORETICAL STRUCTURAL MODEL**

This model contains the three latent variables: authentic leadership, humility and resilience. A direct relationship was established between authentic leadership and humility, according to May et al., (2003), Owens & Hekman, (2016); Rego, et al., (2017); Owens & Hekman, (2016); Rego, et al., (2017) an indirect relationship between authentic leadership and resilience, according to Anwar, et al., (2020), Gaddy, et al., (2017); Zehir & Narcikara, (2016); and a direct relationship between humility and resilience, according to Vera & Rodriguez-Lopez, (2004). Based on the theoretical structural model, the following hypotheses (identified in Figure 1) were formulated:

- H1: Authentic leadership has a positive impact on humility.*  
*H2: Humility has a positive impact on resilience.*  
*H3: Authentic leadership has a positive impact on resilience when mediated by humility.*

## DATA, METHODOLOGY AND VALIDATION OF THE RESEARCH MODEL

### Sample

The sample for this study consists of observations collected through an online questionnaire applied to SMEs and small businesses, with a direct professional relationship with the company leader, located in the district of Leiria, the central region of Portugal. Only employees of SMEs and small businesses registered as members of NERLEI (Business Association of the Leiria Region), acting in commerce and services, were considered. It was collected through an online questionnaire between 1st March and 15th April, where it was possible to collect 109 valid answers. The questionnaire contains four groups of questions: (G1) aims to ascertain authentic leadership,

measured with 16 questions; (G2) aims to ascertain humility, measured through 9 questions; (G3) aims to ascertain resilience, which was measured through 22 questions; (G4) ascertains the socio-demographic characteristics of the respondents, measured by six questions (gender, age, educational qualifications, seniority in the company, number of years as leader and weekly number of working hours). Concerning the metrics of the questions, in G1 regarding authentic leadership, a 5-point Likert scale was used, with 1 - never to 5 - often, if not always; in G2 regarding humility and G3 regarding resilience, a 5-point Likert scale was used, with 1 - the statement does not strictly apply at all to me to 5 - the statement applies completely to me.

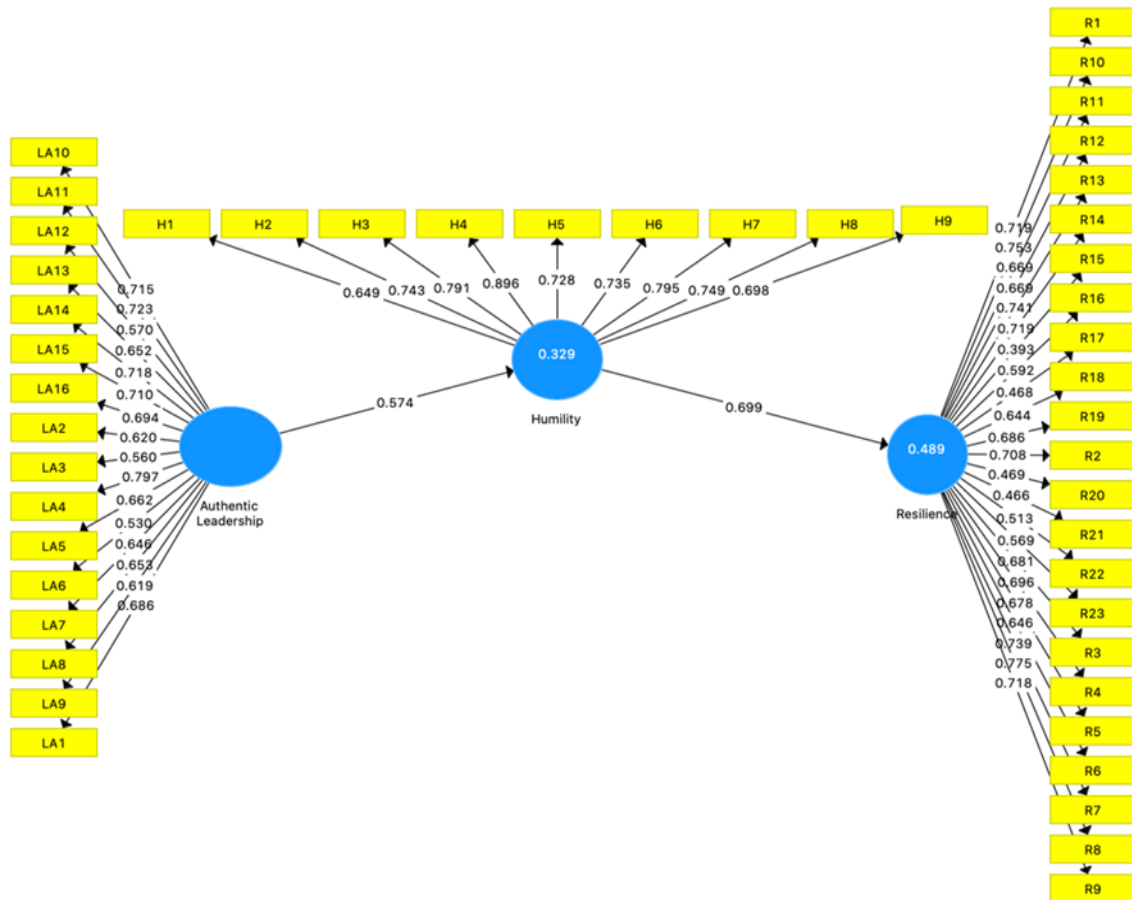
In terms of socio-demographic characterisation of the sample, 42.2% are men, and 57.8% are women. Most of the respondents are less than 40 years old (57.8%), have a university degree (45.9%) and have worked for less than 10 years in the company where they currently work (60.6%). Concerning the company leader, 54.1% have had direct contact with this leader for more than 2 years and less than 5 years. In Portugal, the legal working week is 40 hours, and 82.6% of the respondents work at least the standard number of hours, the remaining hours being considered overtime.

## Methodology

As with most social science studies, and considering the central objective of this study, a quantitative methodology was used, which has the advantages of exploring meaningful relationships between variables and indicators, replicating the methods and techniques in other samples and generalising results (Nikam, et al., 2019).

The method used is Partial Least Squares (PLS) using Smart PLS 3.0 software (Ringle, et al., 2015). This variance-based method assumes a non-distribution of data and combines factor analysis with regression estimation. As the data in our study were collected through questionnaires, the sample data do not have a normal distribution. In addition, many indicators were collected, which were later aggregated into latent variables, as stated in the structural model. On the other hand, the sample is small, and this method optimises the relationships between the latent variables and between these and the indicators, allowing not only to identify the significant relationships between them but also to test the formulated hypotheses (Ringle, et al., 2019; Hair, et al., 2019).

The next step was to apply the PLS algorithm, which consists of a sequence of regressions in terms of weight vectors, these vectors being obtained at convergence that satisfies the fixed-point equations (Ringle, et al., 2015), and the model shown in Figure 2 was obtained.



**FIGURE 2**  
**APPLICATION OF THE PLS ALGORITHM TO THE THEORETICAL STRUCTURAL MODEL**

Thus, Figure 2 shows three latent variables represented in the circles and to which 47 indicators are associated, represented in the rectangles. The latent variable authentic leadership is exogenous, and the remaining two latent variables are endogenous.

**Validation of the Research Model**

After applying the PLS algorithm to the structural model, the next step is to validate the model in terms of internal consistency and predictive accuracy. For the internal consistency (Table 1), composite reliability and Cronbach's Alpha were used as reflective measures, which have reference values of 0.70 (Hair, et al., 2019). The estimated model shows values higher than the reference value in these two indicators, so it was concluded that the internal convergence is "satisfactory to good". We also assessed the outer loadings or structural paths between the indicators and the latent variables that are presented in Figure 2, which are all greater than 0.5 (reference value according to Hair, et al., (2019)), except for resilience question R16, referring to "in an emergency, I am someone people can usually count on". We also assessed the Average Variance Extracted (AVE), which should be greater than 0.50 as estimated in our model. Thus, the model is valid in terms of internal consistency.

<b>Table 1</b>			
<b>REFLECTIVE MEASURES OF THE MODEL</b>			
	<b>Authentic Leadership</b>	<b>Humility</b>	<b>Resilience</b>
Cronbach's Alpha	0.915	0.905	0.936
Composite Reliability	0.926	0.923	0.942
Average Variance Extracted (AVE)	0.540	0.573	0.520

The Fornell-Larcker criterion was used to assess the discriminant validity of each of the three latent variables, whereby each AVE of the latent variables (elements on the main diagonal that are in bold) should be greater than all the square correlations of the latent variables (off-diagonal elements), as found in this model.

<b>Table 2</b>			
<b>RESULTS OF THE APPLICATION OF THE FORNELL-LARCKER CRITERION</b>			
	<b>Authentic leadership</b>	<b>Humility</b>	<b>Resilience</b>
Authentic Leadership	0.663		
Humility	0.574	0.757	
Resilience	0.528	0.639	0.648

Predictive accuracy is assessed by the  $R^2$  value calculated for the model and shown in Figure 2. According to Cohen's (1988) criteria for the social sciences, this model has an  $R^2$  medium (between 0.15 and 0.35) of 0.329 for the latent variable humility and an  $R^2$  high (greater than 0.35) of 0.489 for the latent variable resilience.

### ANALYSIS AND DISCUSSION OF RESULTS

Once the model was validated, the bootstrap technique was applied in Smart PLS, a non-parametric procedure whose objective, according to Ringle, et al., (2015), is to test the relationships established between latent variables at a 95% confidence interval. The results are shown in Table 3, and we can conclude that the relationships established between the latent variables, both directly and indirectly, are significant for  $p = 0.000$ .

<b>Table 3</b>					
<b>SIGNIFICANCE TESTING RESULTS OF THE STRUCTURAL MODEL PATH COEFFICIENTS</b>					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
H1: Authentic Leadership -> Humility	0.574	0.595	0.059	9.745	0.000*
H2: Humility -> Resilience	0.699	0.711	0.058	12.019	0.000*
H3: Authentic Leadership -> Resilience	0.401	0.424	0.057	7.083	0.000*
Note: * $p=0.000$ . Source: authors' calculations.					

We can conclude that authentic leadership positively impacts humility ( $\beta = 0.574$ ), confirming H1. In this sense, and for the type of organisations studied (SMEs and small businesses), these findings are in line with the contributions of May et al. (2003), Owens & Hekman (2016) and Rego et al. (2017).

It was also possible to ascertain that humility positively impacts resilience ( $\beta = 0.699$ ), confirming H2. Although in a different organisational context, this finding confirms the contributions of Vera & Rodriguez-Lopez (2004).

Finally, it was found that authentic leadership has a positive impact on resilience ( $\beta = 0.401$ ), confirming H3, which is in line with the contributions of Anwar et al. (2020), Gaddy et al. (2017) and Zehir & Narcikara (2016).

## **CONCLUSIONS, RESEARCH LIMITATIONS AND AVENUES FOR FUTURE RESEARCH**

SMEs and small businesses have been undergoing a need to adapt to major societal changes that are taking place at the level of economic, social, political, cultural and ethical relations, which impose new conditions on organisations, rebuilding the world of work and business. In this way, the importance of authentic leadership and its influence on the behaviour of employees and organisations as a whole has been highlighted.

Among the personal characteristics that can influence authentic leadership in an organisation of this type, resilience and humility have become of paramount importance in our society due to the constant changes caused by globalisation and the growing competition between organisations, making it essential for their leaders to provide conditions for the development of these characteristics among employees.

Generally, we can say that our research has shown that authentic leaders elicit more humility and more resilience from their subordinates.

This study is interesting in scientific terms. In the literature review conducted, we found no other studies that address the direct influence of authentic leadership on the variables resilience and humility. On the other hand, this research provides interesting results that may be applied in organisational contexts, at the time of decision-making, concerning the development of employees' skills for outstanding individual and collaborative performance.

As for the research limitations, the first limitation relates to the fact that the dependent and independent variables were collected simultaneously and from the same source. We suggest using longitudinal studies in the future, with data concerning the dependent and independent variables being collected at different moments in time.

On the other hand, our study does not predict the influence of different individual characteristics of employees on the levels of resilience, humility. We consider that leaders can influence these characteristics of their employees. Still, we do not measure the influence that the individual characteristics of each employee have on there in those variables. This is followed by longitudinal studies that may explain the importance of these variables in establishing authentic leadership and its benefits for SMEs and small businesses.

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