

Chapter 2

The Leader–Follower Relationship: Leader–Member Exchange, Quality, Justice, and Trust

Summary

Chapter Two includes a chapter discussion on the leader-follower relationship. It introduces the concepts of leader-member exchange quality, justice (fairness), and trust. Chapter two discusses on following a discussion of Leader-Member Exchange (LMX) Theory in the chapter introduction, Reading 5 extends the leader-member exchange Theory to consider issues of organizational justice. Reading 6 presents a meta-analytic review of the literature focused on trust in leadership.

- I. The Leader-Follower Relationship: Exchange Quality and Fairness, and Trust.
 - A. Ralph Stogdill (1948) offered the observation that leadership is a working relationship among members of a group
 - B. An examination of leadership from a relational perspective necessitates an exploration of each of the following areas:
 1. Perception
 2. Cognition
 3. Affect
 4. Behavioral tendencies
 5. Actual behavior
 - C. Two important aspects of leadership explored in the readings following the chapter discussion:
 1. Fairness
 2. Trust
 3. Ethical behavior

- D. A psychological commitment between a leader and follower can take on three forms:
 - 1. Affective commitment – an attachment that stems from wanting to be in the relationship because it produces positive emotion
 - 2. Normative commitment – a relationship that exists because one perceives that he or she ought to maintain the relationship
 - 3. Continuance commitment – a relationship that is based on need
- E. O'Reilly and Chatman (1986) argued there are different levels of psychological connection between a leader and follower. From weakest to strongest, they are:
 - 1. Compliance in nature – each party in a relationship is connected because the costs that they incur are offset by the benefits that are received
 - 2. Relationship based on identification – pride in affiliation
 - 3. Internalization – the goals and values of the group are the goals and values of the leader and follower
 - 4. Psychological ownership – the relationship between the leader and follower is highly integrated and possessive in nature
 - i.e. “my follower”, or “my leader”
- F. Leader-Member Exchange Theory
 - 1. Developed in the mid-1970s, LMX describes how leaders, over time, develop different exchange relationships with their various followers
 - 2. Leaders develop separate exchange relationships with each of their followers
 - a. A small group of followers constitutes an “in-group”
 - b. The majority of the followers constitute an “out-group”
 - 3. Significant differences emerge in the exchanges that take place between in-groups and out-groups:

- a. Individuals in an in-group are more likely to be given interesting and desirable task assignments, are likely to be communicated with more frequently, and are likely to participate more often.
 - b. A leader commonly expects more from an in-group member
 - 4. Domains of leadership
 - a. Leader
 - b. Follower
 - c. Relationship
 - d. Context
 - G. Overview of chapter readings
 - 1. Scandura (1999) introduces the concept of “organizational justice”
 - 2. Dirks and Ferris (2002) examine the last few decades of research finding dealing with trust in leadership.
- II. Reading 5: Rethinking Leader-Member Exchanges: An Organizational Justice Perspective (Scandura)
- A. Introduction
 - 1. Vertical Dyad Linkage (VDL) concept – In-group members have better relationships with leaders and receive more work-related benefits in comparison to out-group members
 - This concept was later measured differently and relabeled Leader-Member Exchange (LMX)
 - 2. LMX has recently been defined as the unique relationship-based social exchange between leaders and members
 - 3. LMX discrepancy
 - a. LMX has been related in some studies to outcome variables including job satisfaction and performance ratings

- b. Other studies do not find conclusive evidence for the relationship between LMX and productivity
- c. One possible explanation for the discrepant findings across studies is the relationship between LMX and organizational justice

B. Review: Work Group Differentiation Process

1. Dansereau et al. (1975) studied how work groups become differentiated into in-groups and out-groups based upon the quality of leader-member relationships
 - a. In-group members receive more attention and support from the leader than out-group members
 - b. Out-group members are more likely to file grievances
2. Dansereau, Alutto, and Yammarino (1984) presented the “investment” and “return” concept of relationships
 - a. Investments – what one party gives to another party
 - b. Returns – what one party gets back from another
 - c. Over time, stable patterns of exchange emerge between leaders and members
3. Current theoretical approaches may limit the potential of LMX theory because they place too much emphasis on social exchange and do not develop aspects of economic exchange
 - a. Without concerns for organizational justice, LMX may have limited contributions in terms of normative theory
 - b. Perceptions of organizational justice are necessary for the leadership process
4. Longitudinal research studies have illuminated the development of LMX relationships over time
 - These studies support the premise that in-group members receive more benefits compared to out-group members

C. Organizational Justice: A Brief Review of Relevant Concepts

1. Distributive justice – the individual’s perception that the outcomes that they receive are fair
 - Examples include pay increases, promotions, and challenging work assignments
2. Procedural justice – an employee’s perception that the procedures followed by the organization in determining who receives benefits are fair
 - Examples include degree of voice the person has in decision making, and whether or not consistent rules are followed in making decisions
3. Interactional justice – the manner in which organizational justice is communicated by supervisors to followers
4. Distributive, procedural, and interactional justice are correlated, but distinct aspects of organizational justice
5. Leaders who are perceived as procedurally fair are rated favorably by subordinates even when resource allocation is unequal

D. LMX and Organizational Justice

1. Hollander (1978) noted that “a psychological contract emerges between leaders and followers that depends upon expectations and actions of both parties to the dyad
2. Meindl (1989) contrasted equity with parity, noting that equity refers to “entitlement based on relative contributions”
 - a. The most frequently used alternative to equity is parity (also referred to as equality)
 - b. Equal reward distribution may harm those who are the hardest workers in the group
3. Crux of argument: Can work group differentiation and organizational justice exist at the same time?

- a. Procedural justice suggests that as long as a leader is perceived as fair by all work unit members, then a fair exchange of inputs to rewards might be maintained for all members
 - b. Interactional justice seems to play a role in member's perceptions of the reasons for reward distribution in the work group as these are communicated to them by the leader
- 4. LMX through a broad justice perspective:
 - a. Distributive justice enables us to understand how leaders distribute both economic and social benefits
 - b. Procedural justice and interactional justice provide an understanding as to how employees in the in-group and the out-group react to the distribution of benefits
- 5. Role Specification
 - a. Early in the LMX development process, leaders send roles to members and members respond to these sets of expectations
 - b. Specifically, the leader assigns tasks to be performed by the member
 - c. Issues of organizational justice may emerge
- 6. Initial Exchange and Feedback
 - a. The leader makes requests and the member responds
 - b. The leader begins to perceive the member based upon his or her responses to requests
 - c. The member can provide different forms of feedback
- 7. LMX and Interactional Justice
 - a. It is critical in the process of LMX development for the leader to be consistent, and not hide things from members

- b. The first test of the leader by the member will often be his/her honesty in dealing with the member
- c. While interactional justice is a distinct concept from LMX, it is expected that they will be positively and significantly correlated

8. In-group/Out-group Decisions

- a. From a distributive justice perspective, LMX is equity-based.
- b. From procedural and interactional justice perspectives, in-groups and out-groups may peacefully coexist, if the leader maintains fairness in procedures and interactions
- c. In-group members are more likely to understand procedural justice issues due to the higher quality LMX and communication with supervisors
- d. Out-group members may be more likely to focus on distributive justice and perform at the level that is appropriate to the rewards they receive

9. Performance and Other Outcomes

- a. Since LMX has been linked to a number of outcome variables in organizational research, it can be expected that job satisfaction, organizational commitment, and extra-role behavior would have similar relationships to organizational justice
- b. Absenteeism and turnover might be negatively related to LMX and organizational justice variables, since those who perceive their leader as being fair may be less likely to psychologically and/or physically withdraw from work

E. Implications for Practice

- 1. Perceptions of organizational justice within work groups must be maintained throughout the LMX development process
- 2. Leaders should offer in-group relationships to all work group members initially

- a. Out-group members should be retested periodically by the leader making offers of in-group roles
 - b. Work group differentiation should not be based on factors other than performance
 - 3. Failure to recognize the important role that organizational justice plays in LMX can help explain why some high quality LMXs disintegrate over time
 - Key issues for future empirical study are attribution processes and interactional justice variables
 - F. Summary – Issues of organizational justice appear central to further refinement of the LMX model
- II. Reading 6: Trust in Leadership: Meta-analytic Findings and Implications for Research and Practice (Dirks & Ferrin)
- A. Introduction
- 1. The importance of ‘trust’ in leadership has found its place in several different leadership theories (e.g., transformational, charismatic, leader-member exchange).
 - 2. During the past decade there has also emerged a strong interest in the study of trust per se.
 - 3. To date there has been no attempt to review the empirical evidence as it pertains to trust in leadership. To fill this void, Dirks and Ferrin review that literature.
- B. Concept Definition and Theoretical Framework
- 1. The authors note that trust has been defined as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions of behavior of another (Rousseau, et al., 1998, p. 395).
 - 2. Trust is also treated as a belief held by the follower and not a property of the leader-follower relationship.
 - 3. Two conceptual perspectives have been employed to focus on the leader-follower relationship and how that relationship comes to be understood and responded to by the follower. The first is social exchange theory, while the

second focuses on perceptions of the leader and how this influences the follower's sense of vulnerability.

C. Primary Relationships with Other Variables –Outcome

1. A review and integration of the literature focused on the relationship between trust in leadership and other variables (e.g, performance, attitudes) is presented leads to two major hypotheses.
2. Hypothesis –Trust in leadership will be positively related to job performance, OCB's (i.e., organizational citizenship behaviors), job satisfaction, organizational commitment, goal commitment, and belief in information and will be negatively related to intention to quit.
3. Hypothesis –/Trust in leadership will have the largest correlation with job attitudes (e.g., job satisfaction, organizational commitment), the second largest with OCB's, and the smallest with job performance.

D. Primary Relationships with Other Variables – Antecedents

1. Trust in leadership will be positively related to transformational leadership, perceived organizational support, interactional justice, transactional leadership, procedural justice, PDM (participative decision making) distributive justice, propensity to trust, and length of relationship and will be negatively related to unmet expectations.

E. Correlates of Trust

Trust in leadership will be positively related to satisfaction with leader and LMX. (i.e., leader-member exchange). (Note: This construct was discussed in the introduction to Chapter 2 and it was focused on in the first reading in Chapter 2 by Scandura.)

F. Construct Issues: Different Referents and Definitions of Trust in Leadership

1. Referent of Trust – Much of the leadership literature derives from the study managers and their subordinates. In this literature the subordinate, treated as a follower, is asked to focus on one of two referents: the direct leader (e.g., supervisor, work group leader), or organizational leadership (e.g., executive leadership).
2. This distinction leads to their presentation of two additional hypotheses:
 - A. Trust in direct leaders will have a stronger relationship with job satisfaction, OCB altruism and job performance than trust in

organizational leadership; trust in organizational leadership will have a stronger relationship with organizational commitment.

B, Interactional justice, procedural justice, and PDM will have a stronger relationship with trust in direct leaders than with trust in organizational leaders. Perceived organizational support will have a stronger relationship with trust in organizational leadership.

G. Definition of Trust

1. While most conceptual definitions of trust have the same core, there are different operational definitions.
2. Dirks and Ferrin's literature review employs the measurement framework that looks at two different dimensions, more specifically cognitive forms of trust and affective forms of trust. This is important as it enables comparison of a similar kind (i.e., apples to apples, instead of attempting to compare apples to oranges).

H. Method

1. To facilitate understanding of their approach to the literature review conducted and employment of the meta-analytic review they describe the following: identification of studies employed, edited from the reading is information pertaining to coding and meta-analytic. procedures.

I. Results

1. Primary Relationships with Hypothesized Outcomes and Correlates

Trust in leadership was significantly related to each of the outcome variables, thereby providing basic support the hypothesized effects.

2. Primary Relationships with Hypothesized Antecedents

Nearly all of the variables had statistically significant relationship with trust in leadership.

J. Discussion

The authors close their literature review with comments pertaining to theory, relationships between trust in leadership and both its antecedents and consequences, and some more nuanced relationships as they related to differences in research findings that stem from both the referent in leadership employed (i.e., team leader, supervisor or executive, organizational leader), and the operational definition of leadership that was employed.

Discussion Questions

Readings:

- Scandura (1999), *Rethinking Leader-member Exchange: An Organizational Justice Perspective*.
 - Dirks & Ferrin (2002) Trust in Leadership: Meta-Analytic Findings and Implications for Research and Practice.
1. Ralph Stogdill (1948), after his extensive review of the leadership literature, made the observation that leadership appears to be a *working relationship* between the leader and other group members. Discuss what this idea of a working relationship is all about. What is a working relationship, and what might be among its many dimensions?
 2. One of the most extensive elaborations of leadership as a relationship is found in Leader-Member Exchange (LMX) Theory. What is the basic premise of LMX Theory? What is involved in the “exchange” process between a leader and his/her followers? Discuss the essence of this perspective on the leader-member relationship.
 3. Scandura (1999) employs LMX Theory in her exploration of the concept, “organizational justice.” What is meant by organizational justice? How and why is this an important part of the leader-follower relationship?
 4. Define trust, and where is it most important?
 5. What does the research indicate in terms of the major determinants and outcome associated with trust in leadership?