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The intersection of justice and leadership: Testing a moderation model of contingent reward and interpersonal fairness

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KEYWORDS

Leadership;
Contingent reward;
Interactional justice;
Interpersonal treatment;
Respect

Summary Previous studies show the positive impact of contingent reward on satisfaction, but few have examined moderators of this effect. We theorized that interpersonal fairness – treating people with dignity and respect – moderates the contingent reward effect because it creates the situation in which followers can positively engage with contingent reward efforts from their leaders. We therefore examined how interpersonal fairness moderates the contingent reward effect, finding that the positive impact of contingent rewards is stronger as interpersonal fairness increases. The implication of the finding is that using contingent rewards may only be effective when implemented in a polite, respectful manner represented by interpersonal fairness.

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Introduction

Why some leaders are more effective than others is of perennial interest, and there is no more dominant leadership perspective, in both lay and academic circles for the past several decades, than transformational and transactional leadership (Avolio & Bass, 1994; Judge & Piccolo, 2004; Walumbwa & Hartnell, 2011; Wang, Oh, Courtright, & Colbert, 2011). While transformational leadership is often trumpeted in popular incarnations of the theory, Bass's (1985) original theory and contemporary versions highlight the importance of both transformational leadership and

contingent reward. Additionally, recent meta-analyses have shown that contingent reward has positive effects on a range of positive organizational outcomes (Podsakoff, Bommer, Podsakoff, & MacKenzie, 2006) and that contingent reward has a positive impact on individual performance beyond that of transformational leadership (Wang et al., 2011). The moderating conditions under which contingent reward is more or less effective, however, have not received research attention (Podsakoff et al., 2006). The present paper therefore takes a closer look at contingent reward by linking the manner in which contingent reward is used to the organizational justice literature, specifically looking at how contingent reward is moderated by interpersonal fairness. By doing so we bridge two related but separate theoretical traditions: leadership and organizational justice (fairness).

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Leadership

Bass's (1985) transformational leadership theory suggests two types of leadership behavior: transformational and transactional. Transformational leaders motivate followers by tapping into followers' intrinsic motivation, described as the four I's: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Transformational leadership has received a great deal of research attention, identifying relations to a number of positive outcomes, including job satisfaction, organizational citizenship behavior, and work effort (Burke, Sims, Lazzara, & Salas, 2007; Judge & Piccolo, 2004; Rowold & Heinitz, 2007; Wang et al., 2011). Transactional leadership includes behaviors seen as ineffective – management by exception and laissez faire leadership – plus contingent reward, which is viewed as positive.

Contingent reward refers to the degree to which leaders provide clear expectations of performance and then back these up with exchanges. Meta-analyses show that both transformational leadership and contingent reward are positively related to outcomes and contingent reward and transformational leadership are strongly correlated to one another across studies (Judge & Piccolo, 2004; Wang, et al., 2011), which corresponds with full range leadership theories that argue for both transactional and transformational techniques (Antonakis, Avolio, & Sivasubramaniam, 2003). Bass's (1985) original proposition was that transformational behaviors build on a solid base of contingent reward leadership. However, a recent meta-analysis found that "contingent reward predicted follower-individual-task performance beyond transformational leadership" (Wang et al., 2011, p. 253). Podsakoff and colleagues' (2006) meta-analysis of contingent reward found positive impact of contingent reward on satisfaction with jobs, supervisors, and commitment to the organization. Practitioners and theorists agree that providing goals and feedback is beneficial to employees and the organization.

It seems reasonable that there are better and worse ways of using contingent rewards, yet previous research has done little to examine the moderators of contingent reward (Podsakoff et al., 2006). For example, providing guidance and goals and then reinforcing their achievement can be done in either interpersonally sensitive ways or demanding and interpersonally insensitive ways. The justice literature on interpersonal fairness addresses this issue, finding that people respond to being treated respectfully or disrespectfully (Bies & Shapiro, 1987; Donovan, Drasgow, & Munson, 1998; Greenberg, 2006; Masterton, Lewis, Goldman, & Taylor, 2000; Zapata-Phelan, Colquitt, Scott, & Livingston, 2009). The present study therefore focuses on the effects of contingent reward at varying levels of interpersonal fairness.

Interpersonal fairness

Interpersonal fairness refers the quality of interpersonal treatment including politeness, dignity, and respect (Bies & Moag, 1986; Colquitt, 2001). Interpersonal fairness is important to how leaders use contingent reward, but these two issues are explored in the separate literatures of justice and leadership. The present study explores the theoretical

intersection of justice and leadership to examine the joint influence of leadership and interpersonal fairness on followers.

Leadership and fairness, especially interpersonal fairness, seem inextricably linked – having a "natural connection" according to Colquitt and Greenberg (2003) – but have only recently been compared. Both fairness and leadership focus on how people react to treatment from another party, and they have similar outcomes, including job satisfaction, commitment, and trust in the leader (Masterton et al., 2000; van Knippenberg, De Cremer, & van Knippenberg, 2007). One of the few empirical attempts to integrate fairness and transformational leadership theory found that interpersonal fairness was related to transformational leadership but not to transactional leadership (DeCremer, van Dijke, & Bos, 2007). Followers' perceptions of interpersonal fairness were positively related to their perceptions of the leader's transformational leadership ability, suggesting that leaders who treat people with dignity and respect are more inspirational and motivate people to contribute to the enterprise.

In an extensive review of leadership and justice, van Knippenberg and colleagues (2007) found that there was a relationship between leader effectiveness and distributive, procedural, and interpersonal fairness. They painted a future, however, for an integration of leadership and fairness that moves beyond the direct "main effect" of fairness on leadership perceptions. For example, Podsakoff and colleagues (2006) have found that contingent reward is related to fairness directly, but previous studies have not considered the complex manner in which they work together. Van Knippenberg and colleagues (2007) conclude in their review that the dual fields of leadership and justice could benefit from a greater understanding of the inter-relationships between constructs beyond the simple direct effects of interpersonal fairness, contingent reward, and transformational leadership. They concluded that: "A more full-blown contribution to research in leadership requires research focusing on the link between fairness and other aspects of leadership – either focusing on fairness as an explanatory (mediating) mechanism or on leader fairness as interacting with other aspects of leadership" (van Knippenberg et al., 2007, p. 122).

The present study answers this call by investigating how interpersonal fairness works in conjunction (interacts) with transformational and contingent reward leadership. Specifically, we investigate how interpersonal fairness moderates contingent reward on work satisfaction. This moderation is of practical significance because we can readily identify leaders who use contingent reward in more and less interpersonally sensitive ways. Less fair are those who are very specific about performance expectations but do not express those expectations in ways that demonstrate respect or the sense that the follower is valued. In contrast, the same contingent reward style of expectations can be expressed while simultaneously showing verbally and nonverbally that the follower is a valued and respected member of the team.

Moderation

Based on feelings of self worth, we expect that interpersonal fairness moderates the impact of contingent rewards.

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