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Perils of being close to a bad leader in a bad environment: Exploring the combined effects of despotic leadership, leader member exchange, and perceived organizational politics on behaviors

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#### ABSTRACT

Using social exchange theory, we propose a three-way interaction of despotic leadership, leader member exchange (LMX), and perceived organizational politics (POP) to predict employee job performance, organizational citizenship behaviors (OCBs), and creativity. Using two-source field data (N = 480) with independent measures for predictors (self-reports) and outcomes (peer-reports), we tested our hypotheses using moderated regression analyses. The results indicate that despotic leadership is negatively related to the three employee outcomes, and that the effects are stronger under conditions of high LMX or high POP. A three-way interaction suggests that the negative relationship between despotic leadership and the three dependent variables is strongest when both LMX and POP are high. Our study addresses an important and unexplored area of the dark side of leadership and its interplay with perceived politics and LMX to better predict important outcomes in a new cultural setting.

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#### Introduction

The phenomenon of leadership encompasses an individual's ability to influence others—i.e., followers—to help achieve organizational objectives. Since its inception, the domain of leadership has been romanticized, emphasizing the beneficial effects of leaders on followers and organizations (Glaso, Einarsen, Mathiesen, & Skogstad, 2010; Schilling, 2009), while largely neglecting the dark side of leadership. However, the past few years have seen a steady growth in the literature focusing on the potentially ugly side of leadership (Conger, 1990; Frost, 2004; Kellerman, 2004; Padilla, Hogan, & Kaiser, 2007; Schaubroeck, Walumba, Ganster, & Kepes, 2007). Rising interest in the dysfunctional aspects of leadership suggests a major paradigm shift (Karakitapoglu-Aygun & Gumusluoglu, 2013) that recognizes the negative effects that leaders can exert over their subordinates.

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2

Examining the darker side of leadership has also become pertinent in today's globalized environment, where the negative aspects of top executives and leaders are an increasingly serious concern for organizations (Hoobler & Hu, 2013). This is evident in the wake of worldwide corporate scandals such as Enron and WorldCom that have generated huge controversies in the media. We contribute to the leadership literature by considering how contextual factors—the quality of the relationship between leaders and followers and the perceived political nature of the environment—may exacerbate the negative contribution of such leaders. We ground our theorizing on established mechanisms through which leaders affect subordinates, namely, through exchange relationships that are characteristic of daily interactions (i.e., social exchange; Blau, 1964) and the important role of leaders as models for subordinates to emulate (i.e. social identity; Tajfel, 1972; Tajfel, 1978; Tajfel & Turner, 1979) and learn from (i.e., social learning; Bandura, 1977).

In line with the growing interest in the dark side of leadership, many terminologies have been proposed to capture this construct, including petty tyranny (Ashforth, 1994), abusive supervision (Tepper, 2000), supervisor undermining (Duffy, Ganster, & Pagon, 2002), tyrannical leadership, destructive leadership (Einarsen, Aasland, & Skogstad, 2007; Schyns & Hansbrough, 2010), and despotic leadership (Aronson, 2001). Despotic leadership refers to leader behaviors that are focused on gaining supremacy and dominance, and are motivated by a leader's self-interests. Such leaders are arrogant, manipulative, bossy, and unforgiving (Bass, 1990; House & Howell, 1992; Howell & Avolio, 1992; McClelland, 1975). According to Schilling (2009), despotic leadership is a prominent example that encompasses the most important features of negative leadership types. Yet, despite its long-standing presence in the political leadership literature as well as its intuitive appeal, research in this area in the broad management and applied psychology literatures is still in its infancy.

In his review of negative leadership, Schilling (2009) divided it into eight distinct categories: insincere leadership; exploitative leadership; despotic leadership; restrictive leadership; failed leadership; avoiding leadership (active); avoiding leadership (passive); and laissez-faire leadership. More recently, Schyns and Schilling's (2013) meta-analysis of the outcomes of destructive leadership identified only four studies on despotic leadership. They argued that although this construct is new, it is deeply relevant to the leadership domain and demands research attention. Our goal is to contribute to the research on negative leadership types by exploring the effects of despotic leadership on three key employee outcomes: job performance, organizational citizenship behaviors (OCB), and creativity.

As with other leadership theories, despotic leadership is predicated on the relationship between leaders and followers. We draw on social exchange theory to explain how despotic leadership impacts the above-mentioned three critical employee outcomes. These outcomes are not only of primary significance to organizations as they directly influence organizational effectiveness and productivity, but are also most relevant in the context of social exchange theory, which posits that social exchange comprises a sequence of give and take between two parties that create mutual obligations (Emerson, 1976). These exchanges are normally two-way and dependent upon the behavior of both parties (Blau, 1964).

In line with empirical evidence stated above, we believe that job performance, OCBs, and creativity are the most important relevant employee obligations that have the greatest direct impact on organizational effectiveness. Firstly, task performance is the most direct behavior associated with the accomplishment of organizational goals, and thus by nature is primarily related to organizational performance. However, as noted by Johns (1993), task performance can be constrained by a number of factors, including the standardization of work practices. For example, employees in customer service whose role involves addressing customer queries may be constrained by the number of calls they can take, despite their excellent abilities at their job, if they are required to proceed through a standardized protocol of questions with each customer before moving on to solving the problem.

In contrast to task performance, the extra-role and discretionary nature of OCBs offers a means for employees to contribute to the organization beyond their immediate task performance. Meta-analytic findings have identified a positive relationship between employee OCBs and organizational performance (Podsakoff, Whiting, Podsakoff, & Blume, 2009), which supports OCBs' important role in advancing organizational functioning. Finally, employee creativity has been linked to a more creative organization (Amabile, 1988), as well as to greater organizational performance (Nystrom, 1990). As such, identifying a negative impact of despotic leadership on these important outcomes would constitute a convincing case for its negative effect on the overall effectiveness of the organization.

Past research examining the negative relationship between despotic leadership and followers' optimism and perceptions of a leader's effectiveness shows contradictory findings (De Hoogh & Den Hartog, 2008). The authors argued that the extent to which despotic leadership negatively influences follower outcomes may depend on situational factors that could strengthen the relationship (De Hoogh & Den Hartog, 2008). One such variable is perceived organizational politics (POP), which characterizes an employee's personal assessment of the degree to which the organizational environment is political (Ferris, Harrell-Cook, & Dulebohn, 2000; Harrell-Cook, Ferris, & Dulebohn, 1999).

Politics are usually associated with perceived or actual self-serving behaviors that are deployed at the individual or group level to gain access to resources and power in organizations. POP entails an individual's subjective evaluations of politically self-serving actions of others in an organization (Ferris & Kacmar, 1992; Ferris, Russ, & Fandt, 1989). According to Ferris et al. (1993), a perceiver's interpretation of organizational politics is more appropriate than the real existence of politics within organizations. This is because individuals' behavior is based on their perceptions of reality, not the actual reality itself (Ferris & Kacmar, 1992; Ferris et al., 1996).

Although POP is a very important and widely studied variable in management studies, research in the leadership field is deficient in theoretical and empirical studies that examine how leadership and POP together might predict organizationally important outcomes (Ammeter, Douglas, Gardner, Hochwarter, & Ferris, 2002; Davis & Gardner, 2004; Vigoda-Gadot, 2007). While some studies integrating leadership styles and POP suggest perceptions of politics as an important mediator between different leadership styles and outcomes (Kacmar, Bachrach, Harris, & Zivnuska, 2011; Vigoda-Gadot, 2007), there is lack of studies which consider the contextual role of perceived organizational politics between leadership styles and outcomes. This is despite the fact that many studies in the literature have examined

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