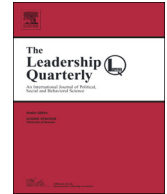




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Idiosyncratic deals and individual effectiveness: The moderating role of leader-member exchange differentiation

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ABSTRACT

Extending prior research on idiosyncratic deals (i-deals), in the current study we examine the functioning of i-deals in the context of leader-member exchange (LMX) differentiation. To that end, we integrate justice, social exchange, and social comparison theories and hypothesize that employee perceptions of their managers' procedural fairness and LMX quality partially mediate (in sequence) the positive relationship between i-deals and individual effectiveness, including job satisfaction, in-role performance, and helping behavior. Furthermore, we propose that LMX differentiation moderates this mediated relationship, such that the mediation effect becomes stronger when LMX differentiation within the group is greater. Data from a U.S. sample of 961 employees and their managers in 71 restaurants supported our hypothesized model. Results shed light on managerial practices regarding how to gain positive effects from i-deals by considering the influence of LMX differentiation.

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Introduction

How to effectively lead a group of employees while allowing for varying work arrangements and interpersonal relationships is a pressing issue that challenges leaders. Despite the presumed superiority of standardized human resource (HR) practices and organizational policies, treating employees differently has inevitably become a part of managerial practice (Rousseau, 2005). Within the context of work groups, scholars have made important progress in examining idiosyncratic deals (i-deals), which capture deviations from standard work arrangements.

Referred to as personalized work arrangements negotiated between employees and their managers, i-deals include flexible work schedules that avoid potential conflicts, special task assignments that match employee strengths and interests, unique career development opportunities that aim at bringing out employees' best potential, and customized compensation packages that fulfill employees' needs (Rosen, Slater, Chang, & Johnson, 2013; Rousseau, 2005; Rousseau, Ho, & Greenberg, 2006). The rise of i-deals in practice as well as research is in line with the development of pragmatic leadership (c.f., Mumford, 2006; Mumford & Van Doorn, 2001; Yammarino & Mumford, 2012). The leadership of pragmatism suggests that instead of always looking for charisma, outstanding leadership is now evident in a functional, problem-centered approach, such as effectively working with followers in the negotiation, creation, and maintenance of i-deals to fulfill their needs. Therefore, investigating i-deals represents an important way for us to understand leadership.

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I-deals are negotiated within dyadic relationships between leaders and followers. These relationships are perhaps best captured by leader-member exchange (LMX) theory. According to LMX theory (Dansereau, Graen, & Haga, 1975; Dienesch & Liden, 1986; Graen & Uhl-Bien, 1995; Liden, Sparrowe, & Wayne, 1997), leaders develop different quality exchange relationships with followers. Although i-deals are negotiated in a context where the leader develops various relationships with followers, the relational context in which i-deals are negotiated has received little research attention. We posit that it is important to understand the impact of the relational context on the functioning of i-deals.

Before we discuss the relational context, it is important to clarify the difference between i-deals and LMX. I-deals are personalized work arrangements that revolve around employee career development, task assignments, and work schedules (Rosen et al., 2013; Rousseau et al., 2006). That is, i-deals reflect the actual terms of work arrangements and are not relationships per se. In contrast, LMX captures aspects of the affective relationship and reflects the exchange relationship between manager and employee (Liden & Maslyn, 1998). Therefore, i-deals and LMX are qualitatively different. The conceptual distinction between LMX and i-deals is also discussed in Anand, Vidyarathi, Liden, and Rousseau's study (2010). These scholars examined LMX as a moderator of the relation between i-deals and OCB. For example, among the reasons mentioned for when employees in poor exchange relationships with their managers may receive i-deals include: (1) when employees experience a psychological contract breach and the i-deal serves to compensate for the breach; (2) as a remedy for employees facing challenges in their personal lives; and (3) as a way in which to motivate employees who have low quality exchanges with their managers. Therefore, although both constructs capture modes of differentiated treatment, LMX and i-deals are unique.

LMX differentiation theory posits that (1) leaders develop and maintain unique relationships with followers that vary in quality and (2) the degree to which leaders differentiate among their relationships with followers varies across groups (Anand, Vidyarathi, & Park, 2016; Henderson, Liden, Glibkowski, & Chaudhry, 2009; Liden, Erdogan, Wayne, & Sparrowe, 2006). The degree of LMX differentiation varies from low, in which leaders maintain relationships of similar quality with followers in the same group to high, where leaders form distinct relationships with followers that vary widely in quality. Thus, reflecting variability of leader-member relationships within a group, LMX differentiation captures the leader-member relationship context at the group level.

While LMX differentiation describes the relational context where i-deals are negotiated, to date research on i-deals and LMX differentiation has been conducted in isolation. We posit that jointly considering i-deals and LMX differentiation may present researchers a fairness paradox. Providing an i-deal or developing a high quality LMX relationship with one follower but not others may fairly represent (and reward) the contributions or unique situation faced by that follower versus others in the work group (Sias & Jablin, 1995). On the other hand, such differential treatment may be viewed as favoritism that may compromise the effectiveness of the work group (Liden et al., 2006). Liden et al. (2006) suggest that follower perceptions of the supervisors' procedural justice may determine whether follower reactions to i-deals or LMX differentiation are positive or negative. However, we have little knowledge about how employees react to i-deals they receive in a broader group context where more or less LMX differentiation is present. Indeed, differential treatment at both the individual and group levels may generate uncertainty and confusion among employees. Scholars (Bal, De Jong, Jansen, & Bakker, 2012; Liao, Wayne, & Rousseau, 2016) have suggested that there is a need to consider the group context in understanding the effect of such personalized work arrangements. With an interest in gaining more comprehensive knowledge on differential treatment in the workplace, our first objective is to examine the effect of i-deals on individual effectiveness in the context of LMX differentiation. Drawing from social comparison theory, we propose that i-deals are more influential in a group context where the leader maintains differential relationships with followers than in a group where everyone enjoys a similar relationship with the supervisor.

Empirical research on i-deals has revealed its important role in enhancing work outcomes, such as job satisfaction (Hornung, Glaser, & Rousseau, 2010), commitment (Liu, Lee, Hui, Kwan, & Wu, 2013; Ng & Feldman, 2010), organizational citizenship

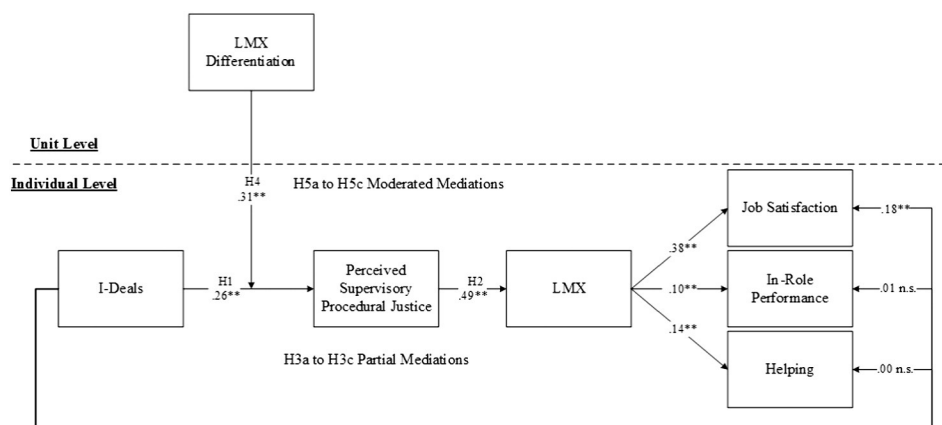


Fig. 1. Hypothesized model. H = hypothesis. LMX = leader-member exchange. I-deals = idiosyncratic deals. H3a to H3c specify the partial mediational relationships from i-deals to individual outcomes via perceived supervisory procedural justice and LMX. H5a to H5c specify the indirect effects moderated by LMX differentiation. Employee dyad tenure with the manager is controlled for at the individual outcome variables. Unstandardized path coefficients for the hypothesized model. ** $p < 0.01$; * $p < 0.05$; n.s. $p > 0.05$.

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