

# A multi-level analysis of team climate and interpersonal exchange relationships at work <sup>☆</sup>

Herman H.M. Tse <sup>a,\*</sup>, Marie T. Dasborough <sup>b,1</sup>, Neal M. Ashkanasy <sup>a</sup>

<sup>a</sup> *UQ Business School, The University of Queensland, St. Lucia, QLD 4072, Australia*

<sup>b</sup> *William S. Spears School of Business, Oklahoma State University, Stillwater, OK 74078-4011, USA*

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## Abstract

This paper seeks to advance research on interpersonal exchange relationships between supervisors, subordinates, and coworkers at work by integrating social exchange, workplace friendship, and climate research to develop a multi-level model. We tested the model using hierarchical linear modeling (HLM) with data obtained from a sample of 215 manager–employee dyads working in 36 teams. At the individual level, leader–member exchange (LMX) was found to be related to workplace friendship. Further, workplace friendship was positively related to team–member exchange (TMX) and mediated the LMX–TMX relationship. At the team level, HLM results indicated that the relationship between LMX and workplace friendship was moderated by affective climate. These findings suggest that high-quality LMX relationships are associated with enhanced workplace friendship between employees, especially when the affective climate is strong.

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**Keywords:** Leader–member exchange (LMX); Team–member exchange (TMX); Workplace friendship; Affective climate

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## 1. Introduction

Considerable research attention has been devoted to understanding the implications of leader–member exchange (LMX) theory over the last 30 years (see [Graen & Uhl-Bien, 1995](#), for a review). LMX theory focuses on differentiated exchange relationships that leaders develop and maintain with subordinates within workgroups ([Dansereau, Graen, & Haga, 1975](#)). Evidence demonstrates that LMX substantially influences employees' organizational commitment, job satisfaction, task performance, helping behaviors, and turnover intentions (e.g., see [Gerstner & Day, 1997](#)). Nevertheless, several important questions remain unanswered in the LMX literature. One of these questions concerns how and whether LMX influences people outside of the leader–member dyadic relationships ([Sias & Jablin, 1995](#)).

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<sup>☆</sup> An earlier version of this paper was presented at the 2006 annual meeting of the Southern Management Association, Clearwater, Florida.

\* Corresponding author. Present address: University of Newcastle, Callaghan, NSW 2308, Australia.

E-mail addresses: [Herman.Tse@Newcastle.edu.au](mailto:Herman.Tse@Newcastle.edu.au) (H.H.M. Tse), [dasboro@bus.miami.edu](mailto:dasboro@bus.miami.edu) (M.T. Dasborough), [n.ashkanasy@uq.edu.au](mailto:n.ashkanasy@uq.edu.au) (N.M. Ashkanasy).

<sup>1</sup> Present address: University of Miami, Coral Gables, FL 33124-9145, USA.

Sparrowe & Liden (1997, 2005) and Cole, Schaninger, & Harris (2002) suggest that interpersonal relationships between leaders, subordinates, and coworkers constitute an interconnected social system that operates in teams and organizations. Similarly, based on a systems perspective, Graen & Uhl-Bien (1995) have called for more research to understand how LMX relationships affect employees' work attitudes and behaviors in larger collectives of workgroups; they argue that LMX is not only influenced by, but may also influence, other exchange relationships within the larger system. Consequently, we posit here that LMX may have implications for team–member exchange (TMX), which has been defined by Seers (1989) as the relationship quality between an individual and her or his team members.

According to Dienesch & Liden (1986), leaders often develop high-quality LMX relationships with only a few subordinates because of limited time, abilities, and resources. The differential treatment of employees in teams appears to be problematic because employees can be sensitive to social comparison information and perceptions of unfairness. The resulting altered self-concept may then affect employees' attitudes toward TMX (Greenberg, Ashton-James, & Ashkanasy, 2007; Tyler & Blader, 2003). The reasoning here is that LMX relationships determine how work team supervisors distribute resources, work-related information, and psychological support. In this respect, team members in high-quality LMX relationships are likely to be more advantageously treated relative to other team members. Team members in low-quality LMX relationships are, therefore, likely to receive less supervisory attention, access to organizational resources, and empowerment, potentially leading to job dissatisfaction and lower organizational commitment (e.g., Gerstner & Day, 1997). Hence, these team members may be jealous and resentful of their coworkers who enjoy more beneficial high-quality LMX relationships.

Although the implications of LMX for TMX within a larger organization's social system have been implicit in the social exchange literature, they have not been made theoretically explicit, nor have they been empirically tested in a systematic manner (e.g., Cole et al., 2002; Graen & Uhl-Bien, 1995; Sparrowe & Liden, 1997, 2005). The empirical evidence demonstrates that individuals who experience high-quality TMX relationships are more likely to contribute by assisting one another and to share information, ideas, and feedback within work teams (e.g., Seers, 1989; Seers, Petty, & Cashman, 1995). Hence, interpersonal relationships play a pivotal role in effective team functioning because they facilitate behaviors that maximize the individual potential for team efficiency and effectiveness (see Kostova & Roth, 2003). Based on this understanding, exploring the processes by which dyadic LMX relationships influence employees' perceptions of TMX relationships is an important, yet neglected aspect of the social exchange literature (e.g., Graen & Uhl-Bien, 1995; Seers et al., 1995).

The present article attempts to advance the research on interpersonal exchange relationships in several ways.

First, we respond to the call by Graen & Uhl-Bien (1995) to examine the impact of dyadic LMX relationships within a larger system of workgroups. To do so, we develop and test a multi-level model that specifies the relationship between LMX, workplace friendship, affective climate, and TMX within a team context.

Second, we hypothesize that workplace friendship is a process variable that mediates the relationship between LMX and TMX. This line of research addresses Gerstner & Day's (1997) call to identify the underlying process variables linking LMX and important work outcomes, such as, TMX. It also responds to the call by Berman, West, & Richter (2002) to explore the role of workplace friendship in creating social systems in organizations.

Finally, this study contributes to the growing body of research on multi-level models of leader–member exchange (e.g., Cogliser & Schriesheim, 2000), integrating individual and team levels of analysis by investigating cross-level interaction effects. Specifically, we conceptualize affective climate as a team-level construct and examine its effects on individual-level constructs such as LMX, workplace friendship, and TMX. Exploring these relationships using multi-level analysis is theoretically and practically imperative because it provides a more comprehensive and realistic picture of the interpersonal exchange relationships between supervisors, subordinates, and coworkers in organizations.

## 2. Theory and hypothesis development

Fig. 1 depicts a multi-level model in which workplace friendship is a mediator linking the relationship between LMX and TMX at the individual level, and affective climate serves as a group-level moderator to buffer the relationship between LMX and workplace friendship at the individual level.

In this section, we provide the rationale underlying our model development, and we develop theoretical arguments supporting the hypothesized relationships. We begin by discussing the extant research concerning the relationships between LMX and workplace friendship. Next, we discuss how workplace friendship mediates the LMX–TMX

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