Authentic Leadership and Team Member Perceptions of LMX Differentiation Fairness

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ABSTRACT

Leadership researchers have recently begun to focus on issues of authenticity, ethicality, and intentionality. While these issues have been explored with respect to individual leaders, there has been no examination of authenticity within teams, however. Within the team context, team member perceptions of "fairness of LMX differentiation" may contribute to their perceptions of authentic leadership. We explore fairness of LMX differentiation as a determinant of team-member exchange (TMX) quality. In our proposed model, perceived fairness of LMX differentiation influences team members' perceptions of leader authenticity; this then influences team member affect (positive and negative); then ultimately, impacts the quality of the TMX relationship. We conclude with a discussion of implications of our model for theory, research and practice.

(118 words)

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The focus of authentic leadership research to date has been on the motives and intentions of the leaders as individuals. For example, Bass and Steidlmeier (1999) argued that authentic transformational leadership must be grounded in moral behaviour and intentions; in contrast to inauthentic or 'pseudo' transformational leadership, where the leader sets out to manipulate followers for unethical, self-serving purposes (Dasborough & Ashkanasy, 2002). The theoretical and empirical contributions within the field of authentic leadership have therefore been focused on the moral character of the leader (May, Chan, Hodges, & Avolio, 2003). There has, however, been no discussion to date of leader authenticity within a team context.

We argue that authentic leadership can also be studied from a team perspective, by focusing on leader-member exchange (LMX) relationships between leaders and team members. This perspective emphasises that leaders develop interpersonal relationships with subordinates using different leadership styles (Graen & Uhl-Bien, 1995), characterised as ranging from low-quality (out-group) to high-quality (in-group) relationships. Associated with this idea, *LMX differentiation* results from leaders in their position having the right and power to distribute organisational resources, work-related benefits, and psychological support to members through different qualities of dyadic relationships (Liden & Maslyn, 1998). Individuals' perceptions of their leader's behaviours and decisions in respect to LMX differentiation have also been shown to affect their personal self-esteem as well as their underlying affect (see Erdogan, 2002; Erdogan & Liden 2002).
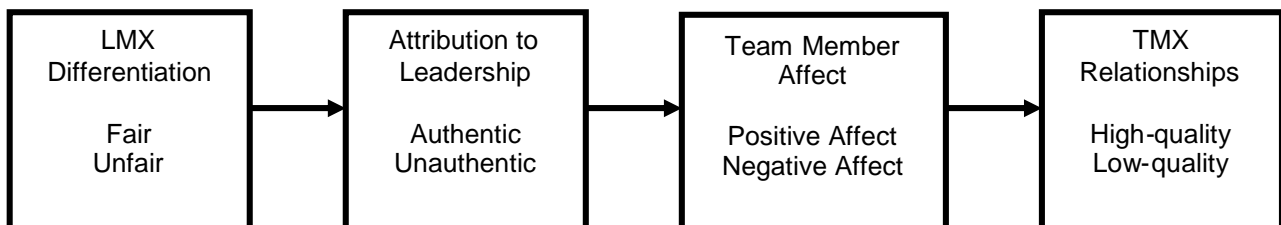
Fairness of LMX differentiation refers to team members' perceptions that the leader has justly differentiated the LMX quality that exists between the leader and different team members (Erdogan, 2001). She posits that LMX differentiation is seen to be fair when members perceive that their leader forms high-quality relationships with members who contribute more to the group, and low-quality relationships with those who contribute less to the group. In effect, members evaluate whether the criteria used by leaders for developing high-quality and low-quality relationships are fair or not

(Erdogan, 2001). We argue therefore that team members will see their leaders as an authentic leader if the LMX differentiation is perceived to be fair. In contrast, when differentiation is perceived to be unfair, members will perceive their leader as an inauthentic leader. Based on this, we suggest that fairness of LMX differentiation should be included in examinations of authentic leadership within teams, and this variable may have strong implications for team member relationship effectiveness.

THEORETICAL MODEL AND PROPOSITION DEVELOPMENT

Figure 1 depicts our theoretical model, where we posit that perceptions of fairness of LMX differentiation (fair vs. unfair) influences team members' perceptions of TMX quality. The intervening variables are the type of attribution team members make about their leader (authentic vs. unauthentic) and their resulting team member affect (positive vs. negative). The justification for these proposed relationships is presented below.

FIGURE 1: Model of authentic leadership in team member relationships

Fairness of LMX Differentiation and Labelling of Leader Authenticity

Fairness of LMX differentiation is theoretically derived from equity theory (Adams, 1965). It is defined as a subordinate's perception that the supervisor forms high-quality relationships with subordinates who contribute more to the group, and form low-quality relationships with those who contribute less to the group (Erdogan, 2002). Unlike traditional relationship differentiation, supervisors often develop high-quality and low-quality relationships with subordinates based on personal preferences, rather than work-related criteria, such as similarity in demographic characteristics, attitudes, and values between supervisors and subordinates (e.g., Allinson, Armstong,

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& Hayes, 2001; Liden, Wayne, & Stilwell, 1993); and the impression management behaviours of subordinates (Deluga & Perry, 1994; Engle & Lord, 1998).

Erdogan (2001) noted that criteria used by supervisors for developing high-quality relationships are important in the eyes of all group members, and may have implications for explaining their work attitudes and behaviours within their differentiated dyadic rrelationships. Like Erdogan (2001, see also 2002), we argue that this is largely determined by whether the differentiation criteria are perceived by the whole group of subordinates to be fair or not. For instance, if team members focus on how the supervisor differentiates between members then, based on the criteria the leader is perceived to be employing, they may view certain types of differentiation in the work group as being acceptable (Erdogan & Liden, 2002).

According to Erdogan and Liden (2002), these criteria are important for all group members, and so have implications for explaining the whole group's perception of the motives and behaviours of the leader. This can be explained by the underlying attribution processes, which suggests that members' attributions regarding a leader's intentions for differentiation will determine their perceptions of the leadership behaviours with respect to classification of differentiation types (Ferris, Bhawuk, Fedor, & Judge, 1995; Dasborough & Ashkanasy, 2002). We believe that, once the team members have determined the intention of leader's decision, they will use the attributions to particular motives as a vehicle to construct their interpretation, and then to classify the leader's differentiation criteria (see Ferris et al., 1995). Based on the attribution processes, we argue in particular that team members will label their leader as authentic if LMX differentiation criteria are perceived to be fair. In contrast, when differentiation criteria are perceived to be unfair, team members will label their leader as inauthentic. Thus, we propose that:

Proposition 1a: Team members will label their leader as 'authentic' if his or her LMX differentiation is attributed to developing high-quality and low-quality LMX relationships based on fair criteria (objective performance level).

Proposition 1b: Team members will label their leader as 'unauthentic' if his or her LMX

differentiation is attributed to developing different quality of LMX relationships

based on unfair criteria (subjective personal preferences).

Attribution of Leadership Authenticity and Emotional Consequences

People experience emotional reactions to their leaders in the workplace (see Dasborough &

Ashkanasy, 2002). Based on attribution-emotion theory (Weiner, 1977; 1985), we suggest that team

member attributions for their leader's LMX differentiation and the resulting labelling of the leader as

authentic or inauthentic will impact team member affect. Weiner (1977) asserts that causal attributions

are related to emotional outcomes and can be regarded as affective reactions to interpersonal

assessment (Weiner, Graham, & Chandler, 1982). This is relevant in the team context, where team

members perceive differences in the differentiation of LMX relationship quality that exists between a

leader and his or her team members.

Specifically with regards to perceptions of intentionality, Smith, Haynes, Lazarus and Pope

(1993) also note that attributions of intentionality are associated with positive and negative emotions.

Building on their work, we argue that team members who tend to attribute LMX differentiation criteria

to be fair, are more likely to experience positive affective states, such as excitement, pleasure, and

enthusiasm, because they perceive their supervisors as authentic leaders and enjoy the perceived fair

treatment they received. In contrast, team members who tend to attribute LMX differentiation to be

unfair are more likely to experience negative affective states, such as anger, distress, jealousy and

disappointment, because they perceive their supervisors as unauthentic leaders, and perceive they are

being mistreated (Fisher, 2002). Based on these arguments, we propose:

Proposition 2a: Individual team members who perceive their supervisor as an authentic leader are

more likely to feel positive affect towards their team.

Proposition 3b: Individual team members who perceive their supervisor as an unauthentic leader

are more likely to feel negative affect towards their team.

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Team Member Affect (TMA) and TMX Development

Groups are social settings, where members must communicate, cooperate, and negotiate to achieve outcomes. As a result of constant social exchanges, affect is an inherent part of daily work life for individuals (Ashkanasy, Härtel, & Daus, 2002; Fisher, 2002). Affect is important insofar as it can determine an action tendency of an individual within the team. Specifically, positive affect is associated with attraction, while negative emotions are associated with avoidance tendencies. This is especially important within a team context, because of the process of emotional contagion. Brief and Weiss (2002) and Barsade (2002) have demonstrated that emotional contagion plays a central role in teams. During this process, employees 'catch' emotions consciously or unconsciously through automatic imitation (Ashforth & Humphrey, 1995). Hence, an individual team member's emotions may impact the whole team.

Since emotions determine a team member's action tendencies, the affect of individual team members may impact how they interact with their group members; if they cooperate or not, and their willingness to engage in social and economic exchanges with other team members. Lawler, Thye, and Yoon (2000) also proposed that individually felt emotion is attributed in part to the groups that constitute the context for social exchange. In groups of individuals, the potential for discrimination is always present, and this will have an impact on team member affect, which we characterise as team member affect (TMA), which we propose to be an important element of the team member exchange process. Thus:

Proposition 3a: Individual team members with high positive TMA are more likely to form high-quality relationships with other team members.

Proposition 3b: Individual team members with high negative TMA are more likely to form low-quality relationships with other team members.

Scope of the Model

It needs to be acknowledged that team member attributions and affect within the team could be affected by numerous contextual variables which have not been explicitly included within this

model. Other variables which may impact team member perceptions of fairness, attributions of leader authenticity and emotions include, for example, task interdependency, team and task structure, and team size (e.g., Randel & Jaussi, 2003; Choi, Price, & Vinokur, 2003; Van Der Vegt, Van De Vilert, & Oosterhof, 2003). Further, in regards to team members emotional responses to leaders, variables such as team member trait affect, mood, and emotional intelligence should also be considered (Dasborough & Ashkanasy, 2002). In the case of future empirical examinations of this model, these variables could also be included as controls. Although the model presented here is not all-encompassing, it does attempt to explore further the nature of team member attributions of authentic leadership and emotions within teams.

DISCUSSION

Implications for Theory and Research

We attempt to make three contributions to the literature on leadership and team effectiveness. First, we develop a model that explores how fairness of LMX differentiation influences team members' perceptions of leader authenticity. We have taken an initiative to identify the role that fairness of LMX differentiation plays within team social exchange processes, and to understand the underlying attribution and emotional processes of how team members perceive authentic leadership. Existing theories and current research have focused on examining the authentic leadership in charismatic and transformational leadership contexts. (e.g., Bass & Steidlmeier, 1999; Dasborough & Ashkanasy, 2002; Sparrowe, 2005). The exact nature, however, of how team members attribute and perceive authentic leadership in LMX processes is largely unknown. By examining the model and its variables, we believe that the theory will enable researchers to shed new light on this issue.

Second, the proposed model contributes to LMX and attribution theories by integrating concepts from the two literatures. Fairness of LMX differentiation is a new construct, which explicates the implications of relationship differentiation criteria on which a leaders embraces to form relationships with an individual. Attribution theory explains how individuals attribute causes of other people attitudes and behaviours. In this respect, researchers to date have seldom considered the link

between perceived fairness of LMX differentiation and attribution theory. Dasborough and Ashkanasy (2002) were among the first to address this issue. They developed a model to explain the potential relationships between authentic vs. pseudo transformational leadership and leader-member relationship quality. The current model differs from their model however, by specifically attempting to understand the relationship between fairness of LMX of differentiation and authentic leadership within the team member exchange context.

Finally, this study contributes to the literature by incorporating team member affect in the model. Researchers, such as Barsade, (2002), Lawler et al., (2000); and Mason and Griffin (2003) have studied individual affect and emotional contagion in the team context and their findings were encouraging and inspiring. Little research attention, however, has been directed towards how individual affective reactions relate to team member exchange development (Ashkanasy & Tse, 2000; Humphrey, 2002). For example, if an individual team member experiences positive or negative emotions in response to their attribution for LMX differentiation criteria used by their leaders, this may strongly influence his/her willingness to develop relationships with other teams for mutual benefits in workplaces. This is a promising area for future empirical research.

Implications for Practice

Besides the theoretical contributions, we believe that the proposed model of team member perceptions of authentic leadership has practical implications. The model builds upon the premise that LMX differentiation criteria can have a profound impact on team member perceptions of leadership authenticity through team member affect, aroused in the attribution processes (Dasborough & Ashkanasy, 2002). We suggest that managers should pay attention to understanding how an individual team member perceives and feels about the ways s/he forms relationships with other team members by engaging in frequent communication for feedback.

Another practical implication is related to the idea of team members' perceptions of fairness of LMX differentiation. Erdogan (2001, 2002) has suggested that it is important for all team members to understand what they can do in order to be recognised by leaders as in-group members, and

therefore to enjoy the benefits such membership brings. It appears to be essential that leaders learn to differentiate between team members based on objective criteria, such as their contribution, rather than subjective criteria (Allinson, Armstrong, & Hayes. 2001; Liden, Wayne, & Stilwell, 1993; Strauss, Barrick, & Connerley, 2001). This will ensure positive team member attributions of leader authenticity, promoting positive team member affect, which will lead in turn to forming high-quality relationships with other team members.

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