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THE EFFECTS OF LEADERSHIP STYLE AND EMPLOYEE PARTICIPATION ON PERCEIVED JUSTICE

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ABSTRACT

The present study proposes and tests a model that examines the relationship between leadership style, employee's participation, and justice perceptions. Results indicate that transactional, transformational, and dynamic leadership have positive impact on distributive, procedural, and interactional justice. Moreover, the effect of leadership style on organizational justice was indirect through employee's participation. There are also some interesting differences across different types of leadership style and justice.

 Keywords: Leadership style; Employee's participation; Organizational justice

1. INTRODUCTION

The purpose of this paper is to examine the relationship between leadership styles and perceived justice based on the existing literature. Different from previous studies, this paper extends the literature of the justice by connecting three major research areas (leadership style, employee's participation, and organizational justice), and examines the influences of leadership style and employee's participation in shaping employee's perception of justice. In addition, this study synthesizes previous leadership studies and argues that leadership style can be categorized into four paradigms: classical leadership, transactional leadership, transformational leadership, and dynamic leadership. This typology provides a broad basis allowing for different forms of leadership to be evolved at different times and in different places. Below I review literature relevant to each element of the model and discuss the results of an empirical study designed to test the hypotheses.

2. THEORETICAL BACKGROUND AND HYPOTHESES

2.1 Leadership Style and Employee's Participation
During the past decades, the impact of leadership style on organizational performance has been a topic of interest among academics and practitioners working in the areas of leadership (Cannella & Rowe, 1995; Giambatista, 2004; Bobocel & Zdaniuk 2005). Several different typologies of leadership paradigms have been suggested by various researchers. Build on previous studies, this paper states four types of leadership style: classical, transactional, transformational, and dynamic leadership. This typology provides a broad basis allowing for different forms of leadership to respond to organizational needs and preferences depend on the context, and involve many interdependent factors that can be manipulated.

Organizations using classical leadership usually are dominant by a pre-eminent person or an elite group of people. Employees under classical leadership style do not have much power and make relatively little contribution to the organization, which leaves the leader accountable for organizational outcomes. Transactional leadership involves a negotiated exchange relationship between a leader and a subordinate (Jung & Avolio, 2000). According to Judge and Piccolo (2004), transactional leaders adopt a consultative style for making decision. Although under transactional leadership style, leaders remain the final decision-maker and employees are not very often empowered, employees are motivated to participate because of the rewards, agreements, and expectations negotiated with the leader.

Transformational leadership, on the other hand, involves a process to increase subordinates' understanding of the importance of organizational outcomes and help transform followers' personal values to be congruent with the collective goals or mission of their organization (Bass, 1985). Under transformational leadership, leaders employ a collaborative style for making decisions. They share problems with their followers and seek consensus before the leaders make the final decision (Bass, 1985). Dynamic leadership is relatively new to organizational studies. Dynamic leadership is likely to

blur the formal distinction between leaders and followers. This type of leadership relies on reciprocal actions where team members work together in whatever roles of authority and power they may have, not based on the position power (Raelin, 2003; Rothschild & Whitt, 1986). Under dynamic leadership style, employees are highly participative to realize self-control and self-organization. Employees have a clear sense of purpose and autonomy within a particular context (Manz et al., 1987). Taken together, I propose that:

H1a: Classical leadership will display negative relationship with employee's participation.
H1b: Transactional leadership, transformational leadership, and dynamic leadership all will display positive relationships with employee's participation. Moreover, I expect that transformational and dynamic leadership will have a stronger effect on employee's participation compared with other two styles.

2.2 Employee's Paticipation and Perceived Justice
Employee's participation is found important for the success of any kind of organizational change as it involves experiences of fair treatment (Heller, Strauss, & Wilpert (1998). More employees' participation in decision-making results stronger perceptions of justice and less negative views on the change process (Brockner, 1990; Heller et al., 1998 Mikkelsen, Saksvik, and Landsbergis (2000) found that participatory interventions were associated with positive attitudes on work-related stress, job characteristics, and learning climate. These positive work attitudes appear to be more likely connected with perception of fair treatment (Brockner, 1990). Dachler and Wilpert (1978) also found that participation in the decision making process in turn results in greater acceptance of the decisions and more acceptance of the change outcomes. Management representatives generally perceived participative workplace evaluation to be effectively facilitated, employee's participation to be fostered and displayed an overall sense that the decision was fair. Consistent with extant research and theory, I propose the following:

H2: There will be a positive relationship between employee's participation and their perceptions of justice (distributive, procedure, and interactional). However, with the same level of participation, it will have greater impact on distributive and procedural justice than on interactional justice.

2.3 Leadership Style and Perception of Justice
According to Dirks and Ferrin's (2002) systematic-heuristic processing framework, employees who trust their manager will engage in heuristic processing of information, which will lead to greater acceptance of explanations. This favorable perception of explanation leads to favorable justice perceptions. Employees under transactional leadership are more likely to perceive distributive justice as the resource of employees' motivation comes from the rewards and expectations.

Transformational leadership styles motivate followers to focus more on fairness and justice issues, it follows that transformational leaders should increase the influence of procedural justice. Dynamic leadership style relies on attracting and retaining highly trained and knowledgeable stuff with self-controlling capabilities. Employees are less likely to perceive interactional justice since there is no formal leaders in this type of leadership. Employees' commitment is based on the values and visions shared by the organization, their cognition, affect, and behavior are more related to organization, therefore, are more likely to perceive procedure justice. Taken together, I formalize the implicit links in the model with the following prediction:

H3: All four types of leadership (classical, transactional, transformational, and dynamic leadership) are positively related to employee justice perceptions.
H3a: Classical leadership has stronger effect on interactional justice perception than on other two types of justices.
H3b: Transactional leadership has stronger effect on distributive justice perception than on other two types of justices.
H3c: Both transformational and dynamic leadership have stronger effect on interactional justice perception than on other types of justices.

3. METHOD

3.1 Sample and procedure

This research design was a field study using survey methodology. Based on simple random sampling, the sample consisted of 145 working adults in United States. A total of 139 usable responses were obtained. The response rate is 95.8%.   Participation was completely voluntary. Respondents were promised anonymity, and asked to return the questionnaires directly to the researcher via email or mail.

These participants were working mainly in retail (34%) and service industries (40%).   61.1% were Caucasian, and 56.8% were female. The average age of the respondents was 30.47, and their average working experience in the currently company is 4.75 years. The current companies that the participants were working are primarily small size companies (56.5% have less than 20 employees). 64.5% of the respondents were general clerk, and 64.7% hold associate degree or below.

3.2 Measures

All items used in the survey were measured on a 5-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. The pool of items for each dimension was compiled by selecting appropriate items from existing measurement instruments and by developing a few additional items based on relevant literature.

Six items adapted from Bass and Avolio (1995) Multifactor Leadership Questionnaire (MLQ) scale were used to measure classical leadership.   Five items adapted from MLQ were used to measure transactional leadership. To measure transformational leadership, seven items were borrowed from Carless, Wearing and Mann's (2000) scale. The instruments for dynamic leadership which consists of six items were borrowed from Manz and Sims (1987).   Seven items measured employee participation were borrowed from the existing literature (Parnell & Bell, 1994; Margulie & Black, 1987; Dachler and Wilpert, 1978; Black & Gregersen, 1997).   Five items adapted from Cobb, Folger, and Wooten (1995) and Paterson, Green and Carey (2002) were used to measure distributive justice. The instruments for procedural justice consists of six items were adopted from Paterson et al. (2002).   The instruments for interactional justice consists of six items were also adopted from Paterson et al. (2002). Gender, age, education, and race were used as control variables in this study.

4. RESULTS

Means, standard deviations, reliabilities, and correlations of all the variables are displayed in Table 1. To test the hypotheses, several multiple regression analyses were conducted.

Table 1 Means, Standard Deviations, and Intercorrelations of the Variables

	M	SD	1	2	3	4	5	6	7	8
1. Classical Leadership	4.70	0.97	(.67)							
2. Transactional Leadership	4.51	1.24	0.362	(.78)						
3. Transformational Leadership	5.03	1.37	0.207	0.532	(.92)					
4. Dynamic Leadership	4.92	1.25	0.326	0.559	0.746	(.87)				
5. Employee's Participation	4.37	1.28	0.105	0.239*	0.571**	0.450**	(.82)			
6. Distributive Justice	4.85	1.11	0.200	0.459**	0.649**	0.628**	0.577**	(.78)		
7. Procedural Justice	4.86	1.07	0.247*	0.443**	0.659**	0.656**	0.549**	0.711	(.83)	
8. Interactional Justice	5.39	1.59	0.206	0.428*	0.701**	0.667**	0.530**	0.652	0.804	(.83)

N = 139

*p<,05, **p<.001. Cornbach's alphas are on the diagonal.

Hypothesis 1a and 1b examine the relationship between leadership style and participation. Regression analysis results show that the effect of classical leadership on employee's participation is insignificant. Thus there is no empirical support for H1a. Transformational leadership ($F=66.258$, $R^2=.303$, $p < .001$), dynamic leadership ($F=38.353$, $R^2=.219$, $p < .001$), and transactional leadership ($F=5.458$, $R^2=.038$, $p < .05$) are found positively related to employee's participation. In addition, Bivariate correlations show that the correlation between transformational leadership and participation ($r=.571$), and between dynamic leadership and participation ($r=.450$) are higher than the others ($r=.105$ for classical leadership and $r=.239$ for transactional leadership) Therefore, H1b is supported.

Hypothesis 2 examines the relationship between employee's participation and perceived justice. Regression analysis results indicate that the effects on distributive justice ($F=60.9$, $R^2=.303$, $p < .001$), procedural justice ($F=56.978$, $R^2=.294$, $p < .001$), and interactional justice ($F=38.104$, $R^2=.218$, $p < .001$) are all significant. Moreover, employee's participation is found more correlated with distributive justice ($r=.577$) and procedural justice ($r=.549$) than with interactional justice ($r=.530$). Therefore, H2 is supported.

Hypothesis 3 examines the relationship between leadership style and justice. Regression analysis results show that the overall model is acceptable. Leadership style has positive effect on distributive justice ($F=31.177$, $R^2=.482$, $p < .001$), procedural justice ($F=32.916$, $R^2=.496$, $p < .001$), and interactional justice ($F=16.98$, $R^2=.336$, $p < .001$). In addition, the correlations results indicate that classical leadership has more impact on procedural justice. This is not consistent with the prediction. However, in line with the hypotheses, transactional leadership is found has more impact on distributive justice and both transformational and dynamic leadership have more impact on interactional justice. Thus, H3, H3b, and H3c are supported while H3a is not supported.

5. DISCUSSION

Generally, the findings of the study deepen our understanding of organizational justice. The study contributes to the literature by synthesizing three major theories: leadership style, employee's participation, and organizational justice. Perceptions of justice and fairness are critical when employees assess their work environment. Good leadership can improve this through allowing more employee participation to create perceptions of justice. Proper leadership style creates the correct atmosphere in the organization. Managers play a key role in determining who is involved in the decision-making process and to what degree the subordinates are able to be involved. Another useful contribution of this work perhaps is the category of leadership style. Existing literature has too focused on transformational and transactional leadership. The present study proposes four types of leadership style: classical, transactional, transformational, and dynamic leadership. This typology provides a broad basis for researches of different forms of leadership.

The study is not without limitation. A first potential limitation is that self-report measures are used to collect data. Research designs that rely on self-report measures are susceptible to common-method variance (Campbell & Fiske, 1959). A second potential limitation is that I did not measure the supposed underlying moderate effects. That is, whether the relationship between leadership style and organizational justice could be influenced by some moderate factors such as personality and leader's capability. A third potential limitation is that the focus of this research was on the mediating role of employee's participation. It should not be ignored that leadership style and justice can be linked via subordinate's emotional reactions.

6. CONCLUSION

Taken together, the current investigation puts forward the important scientific task to examine how leadership styles and employee's participation interact in affecting organizational justice. It is hoped that the present investigation will spark additional forays into the relation between leadership styles and organizational justice.

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Wai Kwan Lau is currently a doctoral student at University of North Texas. Her areas of research include leadership, organizational learning, knowledge management, and manufacturing strategy.