

## Marshall University Marshall Digital Scholar

---

Accounting Faculty Research

Accountancy and Legal Environment

---

Fall 11-20-2010

# The Effects of Leadership Style on Employee's Perception of Justice: The Role of Employee's Participation

Wai Kwan (Elaine) Lau  
*Marshall University*, [lauw@marshall.edu](mailto:lauw@marshall.edu)

Follow this and additional works at: [http://mds.marshall.edu/acct\\_faculty](http://mds.marshall.edu/acct_faculty)

 Part of the [Business Administration, Management, and Operations Commons](#), [Management Information Systems Commons](#), and the [Management Sciences and Quantitative Methods Commons](#)

---

### Recommended Citation

Lau, Elaine K. W. (2010). The Effects of Leadership Style on Employee's Perception of Justice: The Role of Employee's Participation. Ed. Sriram Narayanan. Proc. of 41st Decision Sciences Institute Annual Meeting 2010, 20-23 November, San Diego, CA. DSI, Atlanta, GA. 2010. 1251-1256. Print.

This Conference Proceeding is brought to you for free and open access by the Accountancy and Legal Environment at Marshall Digital Scholar. It has been accepted for inclusion in Accounting Faculty Research by an authorized administrator of Marshall Digital Scholar. For more information, please contact [zhangj@marshall.edu](mailto:zhangj@marshall.edu).

# **THE EFFECTS OF LEADERSHIP STYLE ON EMPLOYEE'S PERCEPTION OF JUSTICE: THE ROLE OF EMPLOYEE'S PARTICIPATION**

Wai Kwan Lau  
University of North Texas  
1167 Union Circle, Room 315, Denton, TX 76203  
E-mail: lauw@unt.edu  
Phone: (940)565-3166

## **ABSTRACT**

The present research examines the effect of leadership style (classical, transactional, transformational, and dynamic) and employee's participation on employee's perception of justice (distributive, procedural, and interactional justice). It is proposed that different leadership styles are expected to display different effects on employee's participation and perceptions of justice. Moreover, employee's participation in decision making process is predicated to positively influence his/her perception of justice.

**Keywords:** Leadership, Employee Participation, Organizational justice

## **INTRODUCTION**

Organizational justice perceptions have received great attention from researchers and have been researched frequently in the field of organizational behavior [26]. The previous study on organizational justice perceptions, which focuses on the role of fairness in the workplace, has shown that these perceptions strongly affect the attitude of workers-job satisfaction, turnover intentions, organizational commitment, and workplace behavior such as absenteeism and organizational citizenship behavior [50] [75] [92]. According to Tyler [97], justice is an issue relevant to supervisors and organizational leaders, particularly in what extent of degree they allowed employee to participate in decision making. However, the justice literature has largely neglected to examine how leadership styles and the degree of employee participation affect the perception of justice. The primary objective of the present study is to connect the three major research areas-leadership style, justice, and participation. It examines the influence of leadership style and employee's participation in shaping employee's perception of justice. Further, employee's participation, in this paper, is proposed to mediate the relationship between leadership style and subsequent fairness perceptions.

Different from previous studies, this study extends the literature of the justice by illustrating that leadership behaviors that encourage more employee participation may enhance employees' perception of fairness. 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

The organization of the study is as follows: the next section contains a literature review of the constructs of each different leadership style (classical, transactional, transformational, and dynamic leadership), employee's participation, and each type of justice perceptions (distributive, procedure, and interactional justice). Then, the relationships among the variables are discussed and a conceptual model is proposed based on the discussion. Finally, a conclusion and limitations are included.

## **LITERATURE REVIEW OF THE CONSTRUCTS**

### **Leadership style**

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 [15] [29] [45]. 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. Each type of style is discussed in turn below.

Classical leadership is probably the oldest and traditional style with its origins in antiquity and it can either be coercive or benevolent or a mixture of both. This type of leadership is still used in contemporary organizations [5]. Using classical leadership, the elite individual or group commands employees to act toward a goal, however, this goal may or may not be explicitly stated and employees may not understand and accept it. The employees in such an organization just adhere to the directives of the leader, they do not openly question their directives, and execute orders largely because of fear of the consequences of not doing so, or because of respect for the leader, or both [5].

Transactional leadership involves a negotiated exchange relationship between a leader and a subordinate [59]. According to Judge and Piccolo [58], transactional leadership consists of three dimensions: 1) contingent reward, the degree to which the leader sets up constructive transactions or exchanges with followers; 2) management by exception-active; and 3) management by exception-passive. Active leaders monitor follower behavior, anticipate problems, and take corrective actions before the behavior creates serious difficulties, while passive leaders wait until the behavior has created problems before taking action [58].

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 [9]. It adds the visionary aspect of leadership and the emotional involvement of employees within an organization. According to Bass and Avolio [10], transformational leadership behaviors include idealized influence, individual consideration, intellectual stimulation, and inspirational motivation.

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 [90] [91]. This type of leadership is treated as the most effective behavior that supports self-managing work team success [40] [68] [76]. Dynamic leadership allows for people with different degrees of expertise on current issues to emerge and be accepted by the group as leaders [5] [55]. Dynamic leadership seems particularly appropriate for professional and knowledge workers in dynamic, chaotic situations.

### **Employee's participation**

According to Federal Department of Employment and Industrial Relations [33] report, employee participation describes the processes and practices for achieving a greater degree of employee influence in individual enterprises and workplaces. Employee's participation links employee's productivity to communication between employees and their employers [72]. More recently employee's participation has been revived with a greater emphasis on teamwork accompanied by evidence that greater cooperation of employees leads to greater productivity benefits [37].

Employee's participation has also been described as encompassing a spectrum ranging from minimal to complete employee involvement [82]. Minimal participation is described as employees playing a very limited role in the workplace whereas complete participation involving employees operating as partners in workplace processes [82].

There is a perception that participation creates a greater sense of engagement of employees in organizations which in turn leads to an increased capacity to facilitate organizational outcomes [22]. Davis and Lansbury [32] explained that the importance of management-employee consultation at the workplace lies in the opportunity for employees to discover more about workplace issues and to influence their determination. This suggests that we should foster employee participation as an organizational approach since this approach supports management by creating a more participative and empowered workforce [39].

### **Perceived justice**

Organizational justice is the study of people's perception of fairness in organizations and features three specific forms of perceptions towards justice: distributive justice, procedural justice, and interactional justice [50] [75]. These three elements of justice are detailed below:

Distributive justice refers to the employee's perceived fairness of the amount and allocation of rewards among individuals [26]. There are three key aspects to measuring the fairness of an outcome: equity, equality and need [34]. In essence, it means that rewards are distributed proportionally based on the input of each participant. The role of participants in an organization is related to the outcome of a process, the experiences of the outcome, the basis of determining the outcome and the assessment in which it was considered fair or otherwise.

Procedural justice is defined as the perceived fairness of the process used to determine the distribution of rewards [95]. The essence of procedural justice is the scope afforded to participants to be involved with and participate in the process of decision making. Luo [102] identified procedural justice as individual's perceptions about the fairness of formal procedures

governing decisions involving their treatment and benefits. Leventhal [64] proposed that there are six criteria a procedure should meet if it is to be perceived as fair.

Interactional justice is introduced by Bies and Moag [13] focusing on the importance of the quality of the interpersonal treatment people receive when procedures are implemented. It reflects the individual's perception of the degree to which he or she is treated with dignity, concern, and respect. It highlights the importance of the social or behavioral context to the decision beyond a purely outcome or process context. Masterson, Lewis, Goldman, and Taylor [71] found that employees are more supportive of decisions and decision makers when they experience interactions that are perceived to be fair.

## **RESEARCH MODEL AND RESEARCH PROPOSITIONS**

In this study, leadership style is proposed to have direct positive impacts on employee's participation in decision making process, and have both direct and indirect positive impacts on employee's perception of justice. The degree of employee's participation is expected to positively associate with justice perception. It is also suggested that the different leadership style affects each type of justice (distributive, procedure, and interactional) at a different level.

### **Impacts of leadership style on employee's participation**

Researchers believe that the effects of leadership are more likely on the felt, and therefore observed, on the perceptions and beliefs that lead to member commitment and participation [53]. Leaders who are high on consideration have relationships with their subordinates that are characterized by high levels of mutual trust and respect and include good rapport and two-way communication [80]. Employee participation is found more limited and generally occurs more in situations where managers provide information or identify clearly defined opportunities for employees to participate in organizational decision making [46] [81]. Under classical leadership style, organization is normally controlled and dominated by leaders. Employees passively follow the instructions and conduct the orders. Besides, classical leadership style often relies on the idea of a great person, implying that only a select few are good enough to exercise initiative. This point of view discourages the employees and they are less likely to develop the skills and knowledge to idealize the leaders. 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. Therefore, I propose that:

*Proposition 1a: Classical leadership style will display negative relationship with employee's participation.*

According to Judge and Piccolo [58], transactional leaders adopt a consultative style for making decision. By clarifying what is required of subordinates and the consequences of their behaviors, transactional leaders are able to build confidence in subordinates to exert the necessary effort to achieve expected levels of performance. The leader's better understanding of the employees' needs and clearer explanation of the exchange process leads to higher level of employee participation. Leadership research has consistently found a strong positive relationship between transformational leadership and employee [9] [56]. 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 [9]. Moreover, employees under this leadership style have a higher level of power in organization compared with classical and transactional leadership. This is because the leader needs the followers' input and participation to realize his or her goals. Different from the three styles, dynamic leadership may not have formal leaders and interaction of all organizational members can act as a form of leadership. Employees become interacting partners in determining what makes sense, how to adapt to changes, and what is a useful direction. 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 [68]. Taken together, I propose that:

*Proposition 1b: Transactional leadership, transformational leadership, and dynamic leadership style all will display positive relationships with employee's participation. Moreover, I expect that dynamic leadership will have a stronger effect on employee's participation compared with other three styles.*

### **Impacts of employee participation on perceptions of justice**

The interaction of employee participation and fairness in workplace was articulated well in the theory of organizational justice by Greenberg [48] [49] [50]. Employee participation is found important for the success of any kind of organizational change as it involves experiences of fair treatment [54]. More employees' participation in decision-making results stronger perceptions of justice and less negative views on the change process among the survivors [17] [54]. Literature reviews suggest that participation has beneficial consequences for employee attitudes and well-being [54]. Management representatives generally perceived participative workplace change to be effectively facilitated, employee participation to be fostered and displayed an overall sense that change was fair [31].

Walker, Lind, and Thibaut [100] distinguish distributive and procedural justice and argue that the two forms of organizational justice are unrelated in terms of the perceptions of participants to a decision making process and operated distinct of each other in the perceptions of employees. Overall, I expect that employee participation is a key variable that impact the perception of organizational justice. Participation helps employees to perceive that a comparatively fair procedure was employed. At the same time, it also enhances the perception that distributive justice was obtained, regardless of the outcome. In addition, participation can strengthen the understanding and communication between the employees and employer, hence, the employees will experience a positive interpersonal treatment and perceive the interaction to be fair. Therefore, consistent with extant research and theory, I propose the following:

*Proposition 2: 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 procedure justice than on distributive and interactional justice.*

### **Impacts of leadership style on perception of justice**

Previous researchers found that procedural justice is an issue relevant to supervisors and organizational leaders, particularly in how they consult with and treat employee [98]. This study expect all the four types of leadership impact the perception of justice, however, each focus on different dimension of justice. Classical leadership emphasizes the dominant role of leaders. Employees who perceive an effective classical leadership are more likely to express cognitive, affective, and behavioral reaction-the interactional justice toward the leaders.

According to Dirks and Ferrin's [36] 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 staff 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:

*Proposition 3: All four types of leadership are expected to have direct effect on employee justice perceptions. Specifically, classical leadership style will have stronger effect on interactional justice perception; transactional leadership style will have stronger effect on distributive justice perception; both transformational and dynamic leadership style will have stronger effect on procedure justice perception.*

## **CONCLUSION**

This study investigates the psychological mechanisms through which managers' behavior can influence employees' evaluation of managerial decisions. Leadership style is expected to impact employees' perception of justice directly or indirectly through the employees' participation in decision making process. When employees are allowed to participate in decision making process, they are more likely to feel their manager treated them politely and respectfully, and they are more likely to believe the procedures used to arrive at the decisions to reject their request are fair and the reasons provided for the denied request are candid and reasonable. Moreover, classical leadership style is expected to have stronger effect on interactional justice perception, transactional leadership style is expected to have stronger effect on distributive justice perception, and procedure justice perception is expected to be effected easily by transformational and dynamic leadership style.

(References available upon request from Wai Kwan Lau at 940-565-3166)