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Perceiving Freedom Givers:

Effects of Granting Decision Latitude on Personality and Leadership Perceptions

ABSTRACT

A perennial question facing managers is how much decision latitude to give their employees at work. The current research investigates how decision latitude affects employees' perceptions of managers' personalities and, in turn, their leadership effectiveness. Results from three studies using different methods (two experiments and a survey) indicate an inverted-U shaped relationship between degree of decision latitude and leadership effectiveness perceptions. The increase in leadership effectiveness perception between low and moderate decision latitude was explained by increase in perceived agreeableness; the decrease in leadership effectiveness perception between moderate and high decision latitude was explained by decrease in perceived conscientiousness. Theoretical and practical implications of these findings are discussed.

Key Words: Leadership perception, personality, autonomy, decision latitude.

A recurring theme in management research concerns the question of how much decision latitude managers should give their employees at work. To what extent should managers give employees freedom and discretion, as opposed to directing their work? Over the past decades, a large body of research by management scholars and social psychologists has frequently linked higher degrees of decision latitude and job autonomy to better work performance, satisfaction, well-being, and motivation (e.g., Deci & Ryan, 1985; Hackman & Oldham, 1980; Karasek, 1979; Schriesheim, Neider, & Scandura, 1998; Thomas & Velthouse, 1990). Other research has modified this view by delineating the boundary conditions under which autonomy or decision latitude may be effective (Bowen & Lawler, 1992; Chua & Iyengar, 2006; Ford & Fottler, 1995; Hunton, Hall, & Price, 1998; Lewin, Lippit, & White, 1939; Locke & Schweiger, 1979).

However, research on job autonomy and decision latitude thus far has focused on the motivational states and work performance of the persons who were given increased freedom at work, ignoring how individuals who give others freedom are perceived. Put differently, extant research on autonomy and decision latitude focuses primarily on the *intrapersonal* experience of having freedom and discretion (e.g., performance, motivation, and satisfaction); less examined is the *interpersonal* experience of receiving freedom at work. In this research, we ask the question: “*How do employees perceive managers who grant them decision latitude?*” We examine how granting different degrees of decision latitude at work influences employees’ perceptions of the manager’s personality and leadership effectiveness.

Building on the trait perspective of leadership, which argues that effective leadership is a function of stable personal attributes (Judge, Bono, Illies, & Gerhardt, 2002), we propose that giving others varying degrees of decision latitude invokes differential effects on basic personality

perceptions of agreeableness and conscientiousness. These personality perceptions, in turn, shape leadership effectiveness perceptions.

We make two key contributions with the present research. First we offer a new perspective to look at the consequences of giving others decision latitude at work—employees form impressions of managers’ leadership effectiveness through the process of personality judgments. This approach differs from earlier research on autonomy and leadership that focuses on whether more autonomy and freedom leads to better job performance. Our approach also highlights to leadership scholars the interpersonal dynamics of granting decision latitude and autonomy. Second, we explicate the mechanisms by which giving employees a high degree of decision latitude at work can cause managers to be negatively evaluated. Specifically, giving high decision latitude decreases conscientiousness perceptions, leading to unfavorable leadership perceptions.

Following Karasek (1979), we define decision latitude as the degree of control a person has over his or her work. In our theory development, we first describe how managers who grant others decision latitude are perceived in terms of agreeableness and conscientiousness. We then use these predictions as building blocks to hypothesize how decision latitude affects employees’ assessments of their manager’s leadership effectiveness. Three studies—two laboratory experiments and a survey—provide evidence for our hypotheses.

THEORY DEVELOPMENT AND HYPOTHESES

Research has clearly established that leader behavior influences subordinates’ perceptions of the leader (Ames & Flynn, 2007; Hollander & Julian, 1969; House, Filley, & Gujarati, 1971; Lord, 1977; Phillips, 1984; Stogdill, 1950; Stogdill, Goode, & Day, 1964). People observe leaders’ behaviors to make inferences about leaders’ effectiveness. Specifically, when people

observe a leader, they use their implicit theories of leadership—the assumptions they hold about the traits, abilities, and behaviors that characterize “good” leaders—to assess the leader’s personality and, based on this assessment, draw conclusions about how well the leader stacks up as a leader (Eden & Leviatan, 1975; Lord, Foti, & DeVader, 1984; Lord & Maher, 1993). Our question is: how does a leader’s giving subordinates decision latitude influence their attributions about the leader’s personality, and how do these attributions, in turn, influence their assessments of the leader’s effectiveness?

In the present research, we focus our investigation on how granting decision latitude influences perceptions of *agreeableness* and *conscientiousness*. Our focus on *agreeableness* and *conscientiousness* is informed by classic leadership research, which suggests that leader behaviors can be decomposed into two broad categories—*consideration* and *initiating structure* (or *structure* for short) (Fleishman, 1973; Korman, 1966; Stogdill, 1950). Both are important for effective leadership. *Consideration* refers to the extent to which a leader conveys concern, respect, and care for followers, looks out for their interests and welfare, and expresses appreciation and support when necessary (Bass, 1990). Leaders who exhibit high consideration are likely to be perceived as agreeable. Conversely, *structure* refers to the extent to which a leader defines, organizes, and provides clear directions for his or her followers. The focus is on goal attainment and involves the establishment of well-defined patterns of work processes and communication (Fleishman, 1973; Stogdill & Coons, 1957). Leaders who exhibit high *structure* are therefore likely to be perceived as conscientious. Additionally, our focus on *agreeableness* and *conscientiousness* is consistent with established findings in social psychology that warmth and competence are key dimensions of social perception (Fiske, Cuddy, & Glick, 2007). *Agreeableness* and *conscientiousness* map onto warmth and competence respectively.

We propose that there is a nonlinear positive relationship between the degree of decision latitude a manager gives to employees at work and the extent to which he or she will be perceived as agreeable. Giving others a certain level of decision latitude can be construed as social consideration, interpersonal sensitivity, and an expression of respect. Giving some decision latitude at work can also be interpreted as sharing control and power and hence as an expression of trust. In contrast, managers who do not give any decision latitude or who impose high levels of constraints upon how work should be done might be perceived as authoritarian, micro-managing, or pushy. Thus, a manager who gives others some decision latitude should be perceived as more agreeable than one who gives little or no decision latitude. However, beyond a certain level of decision latitude, giving more freedom at work is likely to generate only a limited increase in assessment of agreeableness. This is because perception of the manager's agreeableness is not solely driven by the amount of freedom and autonomy that he or she gives to oneself. Hence, once a certain level of perceived agreeableness is achieved through the granting of decision latitude, it is not likely to be increased substantively by more of the same action. Moreover, it is possible that a very high level of decision latitude could elicit the additional negative attribution that the manager does not care about oneself. This perceived lack of care and concern could potentially dampen otherwise positive perceptions of agreeableness.

Hypothesis 1 (H1): There is a nonlinear positive relationship between the degree of decision latitude that managers give to employees and the degree to which these managers are perceived as agreeable such that the positive effect of decision latitude on perceived agreeableness is stronger between low and moderate decision latitude than between moderate and high decision latitude.

Giving employees a high level of decision latitude at work can also cause a manager to be perceived as less conscientious because it renders the task at hand, or one's job in general, to become more unstructured and ambiguous than it would be otherwise. The higher the degree of freedom and discretion, the more paths there are toward attaining the desired goal, decreasing task and role clarity (Evans, 1970; House, 1971). A high degree of decision latitude also induces attributions that a manager was lazy or not well-organized in providing more specific directions to employees. Thus, a manager who gives employees a high degree of decision latitude is likely to be perceived as less conscientious than one who gives only a moderate degree of decision latitude. However, the impact of decision latitude on conscientiousness perception should be relatively less pronounced between low and moderate decision latitude. This is because at a moderate degree of decision latitude, while the manager gives employees some freedom, he or she still provides considerable directions and maintains boundaries for decision making; hence, it is unlikely for attributions of low conscientiousness to kick in. In other words, perception of low conscientiousness kicks in only at high levels of decision latitude.

Hypothesis 2 (H2): There is a nonlinear negative relationship between the degree of decision latitude that managers give to employees and the extent to which they are perceived as conscientious such that the negative effect of decision latitude on perceived conscientiousness is stronger between moderate and high decision latitude than between low and moderate decision latitude.

Effects of Decision Latitude on Leadership Perceptions

We next discuss how the differential effects of decision latitude on *agreeableness* and *conscientiousness* perceptions influence leadership evaluations. We propose that the degree of decision latitude managers give employees influences how they are perceived as leaders. Those

who give employees moderate decision latitude are likely to be perceived as more effective leaders than those who give either a low or a high degree of decision latitude. We derive this inverted-U-shaped relationship between decision latitude and leadership effectiveness perceptions via a *person perception* approach. Giving others some degree of decision latitude in their work could render one to be perceived as likeable and agreeable, a positive leadership quality (Bass, 1990; Epitropaki & Martin, 2004; Fleishman, 1973; Lord et al., 1984). Conversely, to the extent that leadership is associated with the provisions of direction, structure, and organization for followers (Fleishman, 1973; House et al, 1971), giving others a high degree of decision latitude could render one to be perceived as disorganized and un-conscientious.

If decision latitude has opposite effects on perceived agreeableness and conscientiousness as discussed, could they offset each other such that the degree of decision latitude has little effect on leadership perceptions? We argue that this is unlikely because of the nonlinear relationships between decision latitude and personality perceptions of agreeableness and conscientiousness. Between low and moderate degrees of decision latitude, we expect a significant increase in perceived agreeableness but a less pronounced decrease in perceived conscientiousness. Thus, increase in agreeableness perception would be the key driver of leadership perceptions. Conversely, between moderate and high degrees of decision latitude, we expect a significant decrease in perceived conscientiousness but a less pronounced increase in perceived agreeableness. Between this interval of decision latitude, decrease in perceived conscientiousness would be the key driver of leadership perception. In sum, it is at a moderate degree of decision latitude that leadership perceptions should be the most favorable, giving rise to an inverted-U-shape relationship as depicted graphically in Figure 1.

Hypothesis 3 (H3): There is an inverted-U-shaped relationship between decision latitude and leadership perceptions such that (a) managers who give employees moderate decision latitude are perceived as more effective leaders than those who give little or no decision latitude, and (b) managers who give employees high decision latitude are perceived as less effective leaders than those who give moderate decision latitude.

Hypothesis 3a (H3a): The increase in leadership effectiveness perception between low and moderate decision latitude is mediated by an increase in agreeableness perception.

Hypothesis 3b (H3b): The decrease in leadership effectiveness perception between moderate and high decision latitude is mediated by a decrease in conscientiousness perception.

Insert Figure 1 about here

We do not make a specific hypothesis comparing leadership effectiveness perceptions of managers who give low versus high decision latitude. This is because it is theoretically unclear how two sets of unfavorable personality perceptions (low perceived agreeableness at low decision latitude versus low perceived conscientiousness at high decision latitude) compare with each other in shaping leadership evaluations.

We tested our hypotheses in three studies. Studies 1 and 2 used experimental approaches to investigate the effects of decision latitude on personality and leadership effectiveness perceptions, allowing for clear demonstration of causal relationships. Study 1 operationalized decision latitude as the number of choices given during decision making whereas study 2 operationalized decision latitude as the degree of decision-making constraint. The more constraints there are involved in a decision, the lower the decision latitude. For greater external

validity, study 3 used a cross-sectional survey of practicing managers to test for replication of the hypothesized effects.

METHOD

STUDY 1

In study 1, we conducted a vignette-based experiment to demonstrate that people's leadership perceptions of their managers (i.e., supervisors) could be influenced by the number of choices given to them during joint problem solving. We chose a between-subject experimental approach in order to manipulate the choice variable so as to draw conclusions about the causality between the number of choices given and leadership perceptions.

Participants

Eighty-three students (46% male) from a large East Coast university participated in this study. Students (including both undergraduate and graduate) were recruited through flyers posted on campus. They were compensated \$4 for completing this study. Of the total participants, 71% identified themselves as White; 18% as Asian (Indian, Chinese, and Korean); 2% as African American; and 4% as Hispanic. The average age was 26 (min = 18, max = 58, SD = 7.94).

Task and Manipulations

Participants read a scenario in which they were asked to imagine themselves as software engineers assigned to work on a new software project with a male senior project manager. The exact wording was:

“Imagine that you are a software engineer and you have been assigned to work on a new software project with Mr. M., a senior manager in your company. You have never worked with Mr. M. before, and this was the first time that you met with him. During the meeting, Mr. M. gave you a thorough description of what the new project entails, the deadline

involved, and client expectations. He also discussed with you the various programming languages that you could potentially use to complete this project.”

The decision latitude variable was manipulated by telling participants that the manager in question offered them zero, two, or six choices of programming languages from which they were supposed to choose one to complete the software project. Specifically, in the low decision latitude condition, participants were told that the manager thought that a certain programming language was most suitable for the given project and simply asked the participant to use that language. In the moderate degree of decision latitude condition, participants were told that the manager thought that two of the programming languages were more suitable than the others and then went on to offer the participants the flexibility of choice. In the high degree of decision latitude, participants were told that the manager thought six of the languages were more suitable and also offered them a choice. Participants did not get to actually choose among the options. In all three conditions, they were told that they eventually chose and used the “APEX” programming language. After participants read the scenario, they completed a set of questions regarding their perceptions of the target manager.

Pretest

To ensure that our manipulation of decision latitude would result in varying degrees of perceived flexibility, we first conducted a pretest with 76 participants (different from those in this study). Participants read the stimulus materials and reported using a 7-point scale (1 = Not at all, 4 = To some extent, 7 = To a great extent) to indicate the level of flexibility they felt was given to them by the target. Results indicate that the degree of perceived flexibility in the no-choice condition ($M = 3.50$, $SD = 1.32$) is significantly lower than in the two-choice condition

($M = 4.67$, $SD = 1.18$) [$p < .01$]. The degree of perceived flexibility in the two-choice condition is also significantly lower than in the six choice condition ($M = 5.31$, $SD = 1.61$) [$p < .05$].

Dependent Measures

Leadership Perceptions. The key measure in this study is participants' general perceptions of the manager's leadership ability. Leadership perception was measured using three items: (a) "To what extent do you think that Mr. M. possesses leadership qualities?" (b) "To what extent do you think that Mr. M.'s leadership style is highly effective?" and (c) "To what extent do you trust that Mr. M. would be able to lead this project well?" All items were answered on a 7-point scale (1 = Not at all, 4 = To some extent, 7 = To a great extent). The Cronbach's alpha for this scale is 0.90.

Perceived agreeableness and conscientiousness. We measured perceptions of agreeableness and conscientiousness using items from the *Big-Five* personality scale developed by Gosling, Rentfrow, & Swann (2003). Although this short version of the *Big-Five* personality scale uses two items to assess each personality trait, Gosling et al. (2003) found that it reaches adequate levels in terms of convergent and discriminant validity as well as test-retest reliability.

Analyses

We conducted analyses of covariance (ANCOVA) to test the key hypotheses. Demographic variables such as age, gender ("1" = male; "0" = female), and ethnicity (coded as either "1" for White or "0" for non-White) were entered as controls. We separately analyzed the effects of decision latitude on personality perceptions and the effects of personality perceptions on leadership perceptions. We then followed Baron and Kenny's (1986) procedure of mediation analyses to examine the mechanisms underlying the results.

STUDY 1 RESULTS

Table 1 presents descriptive statistics and correlations for key variables in this study.

Agreeableness and Conscientiousness Perceptions

We conducted a series of ANCOVAs with decision latitude (number of choices) as the predictor and agreeableness and conscientiousness measures as the dependent variables. We found that the behavioral change from giving no choice to two choices leads to significantly increased perceptions of *agreeableness* (no choice: $M = 3.89$, $SD = 1.00$; two choices: $M = 4.67$, $SD = .95$; $p < .05$); the change from two choices to six choices, however, did not have any significant impact on agreeableness perceptions. Conversely, conscientiousness perception significantly decreased between two choices and six choices (two choices: $M = 5.60$, $SD = .90$; six choices: $M = 5.04$, $SD = 1.09$; $p < .05$); there was no significant change in conscientiousness perception between no choice and two choices. These findings suggest that the relationship between decision latitude and agreeableness is not linearly increasing—giving others some choice is likely to render one to be perceived as more agreeable, compared to not giving any choice at all; however, giving a high degree of choice has diminishing returns on *agreeableness*. Likewise, the relationship between degree of decision latitude and conscientiousness is not linearly decreasing. There did not seem to be any effect on conscientiousness perception between low and moderate degree of decision latitude. When a high degree of decision latitude was given, however, *conscientiousness* perception dropped significantly. Overall, there is support for hypotheses 1 and 2.

Insert Table 1 and Table 2 about here

Leadership Effectiveness Perceptions

Table 2 presents the ANCOVA results with leadership perceptions as the dependent variable. We found that degree of decision latitude had a significant effect on leadership perceptions [$F(2,77) = 4.84, p < .01, \text{partial } \eta^2 = .112$]. Participants gave higher leadership ratings to targets who gave two choices ($M = 5.82, SD = .82$) than to those who gave no choice ($M = 5.02, SD = 1.18$) [$F(1,52) = 11.21, p < .01$] or to those who gave six choices ($M = 5.23, SD = 1.19$) [$F(1,51) = 4.01, p = .05$]. These effects remained significant when control variables of age, gender, and ethnicity were excluded. Figure 2 depicts these results graphically, supporting hypothesis 3.

Mediation Analyses

We next conducted separate mediation analyses to test the mediation effects between (a) no choice versus two choices and (b) two choices versus six choices. Following Baron and Kenny's (1986) four-step procedure, we first showed that choice significantly predicts leadership perceptions in the absence of any mediator. Second, we showed that choice significantly predicts the appropriate mediators (*agreeableness* or *conscientiousness*). Third, we showed that the mediator has a unique effect on leadership perceptions. Fourth, we showed that the effect of choice on leadership perceptions disappears upon the addition of the appropriate mediator to the model. In addition, we conducted *Sobel's* tests to show that the appropriate personality perception carries the influence of choice to leadership perceptions. The results presented in Figure 3 support our hypotheses that the increase in leadership perceptions between no choice and moderate choice is fully mediated by *agreeableness* (Sobel's test: $z=1.97; p<.05$) whereas the decrease in leadership perceptions between moderate choice and high choice is fully mediated by *conscientiousness* (Sobel's test: $z=1.95, p=.05$) In sum, hypotheses 3a and 3b are supported.

Insert Figure 2 and Figure 3 about here

STUDY 2

In study 1, we examined how giving a different number of choices influences leadership perceptions. However, decision latitude can manifest in other manners. In study 2, we extended our investigation of how the degree of decision latitude influences leadership perceptions by operationalizing decision latitude in terms of the degree of constraint under which the decision must be made. The more constraints there are surrounding a decision, the lower the decision latitude.

Participants

A sample of 134 undergraduate and graduate students (50% male) from a large East Coast university participated in this study. Participants were recruited on campus and compensated \$4 for completing this study. Of the total participants, 39% identified themselves as White; 38% as Asian (Indian, Chinese, and Korean); 9% as African American; and 5% as Hispanic. The average age was 23 (min = 18, max = 57, SD = 5.99).

Task and Manipulations

In a between-subject experiment design, participants read a scenario in which they were asked to imagine themselves as management executives assigned to work on a new corporate development project with a male vice president. The task was to assemble a cross-department task force to look into cost-cutting measures for the company. The exact wording was:

“Imagine that you are a management executive and you have been assigned to work on a new corporate development project with Mr. M., a vice president in your company. You have never worked with Mr. M. before, and this was the first time that you met with him.

The task is to assemble a cross-department task force to look into cost-cutting measures for your company. Currently, the company has a total of eight departments, each led by a different departmental manager. During the meeting, Mr. M. gave you a thorough description of what the project entails and the deadline involved. He also discussed with you the process of assembling the task force. It is important that the members of this task force are carefully chosen to ensure the success of the project.”

Decision latitude was manipulated by telling participants that the vice president gave them different requirements in the member selection process. In the low decision latitude condition, participants were told that the vice president required that they had to incorporate conditions regarding member selection previously stated by six other departmental managers in the company. In the moderate decision latitude, participants had to consider requirements provided by two other departmental managers. In the high decision latitude, participants were told that they could assemble the task force based solely on their own judgment. These manipulations, in effect, create different levels of constraint under which the task of selecting task-force members can be accomplished. The more requirements (constraints) that the target manager asked participants to take into consideration, the lower the level of decision latitude. Participants were randomly assigned to each of these three conditions in a between subject experimental design. After they read the scenario, they completed a set of questions regarding their leadership perceptions of the target manager.

Manipulation Checks

We checked our manipulations by asking participants to report the level of flexibility they perceived in the way that the target manager was managing the project using a 7-point scale (1 = Not at all, 7 = To a great extent). Results indicate decision latitude significantly predicts

perceived flexibility [$F(2, 131) = 18.45, p < .01$]. The degree of perceived flexibility in the high decision latitude condition ($M = 5.13, SD = 1.67$) is significantly higher than that in the moderate decision latitude condition ($M = 4.02, SD = 1.42$) [$p < .01$]. The degree of perceived flexibility in the moderate decision latitude condition is also significantly higher than in the low decision latitude condition ($M = 3.29, SD = 1.22$) [$p < .05$].

Dependent Measures

Leadership effectiveness. This key dependent variable was measured using the same three items as in study 1. The Cronbach's alpha for this scale is 0.84.

Perceived agreeableness and conscientiousness. As in study 1, we measured perceptions of agreeableness and conscientiousness using items from the *Big-Five* personality scale developed by Gosling et al. (2003).

Analyses

We first conducted analyses of covariance to test the key hypotheses. Demographic variables such as age, gender, and ethnicity were entered as controls. As with study 1, we then followed Baron and Kenny's (1986) procedure of mediation analyses to examine the mechanisms underlying the results.

STUDY 2 RESULTS

Table 3 presents descriptive statistics and correlations for key variables in this study.

Agreeableness and Conscientiousness Perceptions

Let us first examine the effects of decision latitude on personality perceptions. We conducted a series of ANCOVAs with decision latitude as the key predictor and agreeableness and conscientiousness personality measures as the dependent variables. We found that increasing decision latitude leads to significantly increased perceptions of agreeableness ($F(2, 128) = 6.24,$

$p < 0.01$, partial $\eta^2 = 0.09$; low decision latitude: $M = 3.40$, $SD = 1.05$; moderate decision latitude: $M = 4.10$, $SD = 1.20$; high decision latitude: $M = 4.24$, $SD = 1.19$). The increase in perceived agreeableness between low and moderate decision latitude is significant ($p < .05$), whereas that between moderate and high decision latitude is not. Conversely, increasing decision latitude leads to significantly decreased perceptions of conscientiousness ($F(2, 128) = 6.65$, $p < .01$, partial $\eta^2 = 0.09$; low decision latitude: $M = 6.07$, $SD = 0.93$; moderate decision latitude: $M = 6.10$, $SD = 0.79$; high decision latitude: $M = 5.48$, $SD = 1.08$). The change in perceived conscientiousness between moderate and high decision latitude is significant ($p < .01$) whereas that between low and moderate decision latitude is not. Overall, there is support for hypotheses 1 and 2.

Leadership Effectiveness Perceptions

Table 4 presents results for leadership effectiveness. Results indicate that decision latitude has a significant effect on leadership effectiveness perceptions [$F(2,127) = 4.26$, $p < .05$, partial $\eta^2 = .062$]. Participants gave higher leadership ratings to targets who gave moderate decision latitude ($M = 5.67$, $SD = .92$) than to those who gave high decision latitude ($M = 5.12$, $SD = 1.08$) [$F(1,84) = 6.12$, $p < .05$] or to those who gave low decision latitude ($M = 5.11$, $SD = .94$) [$F(1,51) = 7.25$, $p < .01$]. These effects remained significant when control variables were excluded. A graphical depiction of this pattern of results is shown in Figure 4, supporting hypothesis 3.

Insert Table 3 and Table 4 about here

Mediation analyses. We next conducted separate mediation analyses to test the mediation effects between decision latitude and leadership effectiveness perceptions. The results presented

in Figure 5 indicate that the increase in leadership effectiveness perceptions between low versus moderate decision latitude is fully mediated by agreeableness (*Sobel test: z = 1.97, p < .05*) but not conscientiousness. Conversely, the decrease in leadership perceptions between moderate versus high decision latitude is fully mediated by conscientiousness (*Sobel test: z = -2.69, p < .01*) but not agreeableness. These results suggest that when managers set up high constraint surrounding a decision (low decision latitude), they tend to be perceived as less agreeable; conversely, presenting no constraint on that decision (high decision latitude) causes them to be perceived as less conscientious. Each of these decreased perceptions of agreeableness and conscientiousness in turn dampen leadership effectiveness perceptions, giving rise to an inverted-U-shaped effect of decision latitude on leadership. Therefore, hypotheses 3a and 3b are supported.

Insert Figure 4 and Figure 5 about here

STUDY 3

Although the prior two studies clearly demonstrated the hypothesized effects and establishes the causal relationships between decision latitude and the key outcome variables, they lacked real-world validity as was often the case with experiments. The target manager was a fictitious character and had no prior relationship with the participants. Also, vignette studies without much contextual details may prompt participants to make dispositional attributions about the target, favoring our hypotheses. Study 3 bridges these gaps by surveying MBA students' actual interactions with real-world managers, providing external validity to our thesis on how different degrees of decision latitude can influence leadership perceptions.

Participants

One hundred and ten full-time MBA students (53% male) at a large East Coast university participated in this study. These participants have an average of 5.68 years of work experience (SD = 2.71) and voluntarily completed a “leadership survey.” Of the total participants, 59% identified themselves as White; 30% as Asian (Indian, Chinese, and Korean); 5.5% as Hispanic; and 2.7% as African American. The average age was 29 years (SD = 2.50).

Survey

In the beginning of the survey, we asked participants to identify two managers (ex-bosses) who had different leadership styles. These managers should be people with whom they had worked closely in the past so that they could provide accurate evaluations of each manager. Participants then answered a series of questions for each manager. The listed managers were largely male (68%) with an average age of 40.5 years. Seventy-six percent of these managers were White and 12% were Asian. Almost all of these managers held senior management positions. Job titles such as “vice president,” “managing director,” “CEO,” and “partner” were very common. These managers also came from a wide range of industries ranging from investment banking and consulting to marketing, information technology, and entertainment.

Dependent Measures

Leadership effectiveness. Participants indicated on a 7-point scale (1 = Not at all, 4 = To some extent, 7 = To a great extent) the extent to which they agreed with each of the following four statements: (a) “*This manager leads a group that is effective,*” (b) “*This manager is effective in meeting organizational requirements,*” (c) “*This manager is effective in representing me to higher authority,*” and (d) “*This manager is effective in meeting my job-related needs.*” These items were adapted from the Multifactor Leadership Questionnaire that measures “outcomes of leadership” (Bass & Avolio, 1997). The Cronbach’s alpha is 0.87.

Perceived agreeableness and conscientiousness. As in earlier studies, we measured perceptions of *conscientiousness* and *agreeableness* using Gosling et al.'s (2003) *Big-Five* personality scale.

Decision latitude. To assess the degree of decision latitude each listed manager gave to the participants at work, we asked the questions: “*How often did each manager give you some form of choice or option (in terms of alternative ways of solving a problem) in your work? (1 = Not at all, 4 = Sometimes, 7 = All the time).*” and “*In general, how much autonomy did each manager give you in your work? (1= No autonomy at all, 4=some autonomy, 7=A lot of autonomy)*” The correlation between these two items is 0.70. These two items are averaged to derive a measure for decision latitude.

Control Variables

We controlled for key variables that could influence our results. In particular, we controlled for race and gender differences between the participant and the target manager because demographic similarity is often associated with increased positive perceptions of others. The quality of the relationship between the participant and the target manager can also greatly influence leadership perceptions. To control for this factor, we measured leader-member exchange quality (LMX) using the 7-item scale from Scandura and Graen (1984), as well as the duration (in months) that participant had known each target manager. Finally, we controlled for participants' work experience (in years).

Analyses

Because each participant listed and evaluated *two* managers (resulting in a total of 220 observations), the observations were not independent; two sets of observations were associated with a given participant. To take into consideration the non-independent nature of the data, we

conducted random effects analysis (also known as random coefficient analysis in multilevel modeling) (Klein, Dansereau, & Hall, 1994). This approach allowed for the analysis of variance in our dependent variables both within and between participants. Thus, we were able to estimate both participant effects (e.g., control variables such as participants' work experience) on the outcome variables as well as within participant effects on the different managers.

STUDY 3 RESULTS

Table 5 presents descriptive statistics and correlations for key variables in study 3.

Agreeableness and Conscientiousness Perceptions

We began by examining the effects of decision latitude on agreeableness and conscientiousness perceptions. Results indicated that decision latitude had a positive relationship with perceived agreeableness ($b = .36$, Standard error = $.07$, $p < .01$). Because earlier studies suggested that this relationship was not linear, we performed a median split on the data and found that at and below the median level of decision latitude (5.5), the effect of decision latitude on perceived agreeableness was significant and positive ($b = .38$, Standard error = $.14$, $p < .01$); above the median level of decision latitude, however, the effect of decision latitude on perceived agreeableness was not significant ($b = -.03$, Standard error = $.22$, *n.s.*), suggesting a nonlinear effect. Thus there is support for hypothesis 1.

In contrast, decision latitude had a negative relationship with perceived conscientiousness ($b = -0.42$, Standard error = $.09$, $p < .01$). We performed a median split on the data and found that at and below the median level of decision latitude (5.5), the effect of decision latitude on perceived conscientiousness was significant and negative ($b = -.40$, Standard error = $.16$, $p < .05$); above the median level of decision latitude, the effect of decision latitude on perceived conscientiousness was also significant and negative ($b = -.69$, Standard error = $.30$, $p < .05$). The

slope for the effect of decision latitude was steeper for data above than below median level of decision latitude; however this difference was not statistically significant. Overall, these results partially supported the hypothesis (H2) that there is a nonlinear negative relationship between decision latitude and perceived conscientiousness.

Leadership Effectiveness Perceptions

Table 6 presents the regression results for leadership effectiveness. Model 1 includes only the control variables. We see that the leader-member exchange quality (LMX) significantly predicts leadership effectiveness perception ($b = .72; p < .01$), suggesting that the better the relationship participants have with their managers, the more likely that these managers are evaluated as effective leaders. Model 2 adds the decision latitude variable and the results indicated that decision latitude had no direct effect on leadership effectiveness perceptions ($b = 0.06, p > .10$). Model 3 adds the squared term for decision latitude to test the proposed curvilinear effect. The results indicated a significant negative coefficient for the squared term ($b = -0.21, p < .01$), providing support for an inverted-U shaped curvilinear effect. A plot of this curvilinear effect is illustrated in Figure 6, supporting hypothesis 3.

Insert Table 4 and Table 5 about here

Mediation analyses. Recall that we hypothesized that perceived agreeableness would mediate the effect of decision latitude on leadership effectiveness perceptions for low to moderate degrees of decision latitude whereas perceived conscientiousness would mediate the effect of decision latitude on leadership effectiveness perceptions for moderate to high degrees of decision latitude. To test these effects, we further pursued separate mediation models for low to moderate and moderate to high levels of decision latitude. We first performed a median split on

the decision latitude variable (at 5.5). Next, we conducted mediation analyses for two subsamples of the data separately—below median and equal or above median. As indicated in Figure 7, for the subset of data below the median for decision latitude, neither perceived agreeableness nor perceived conscientiousness mediated the effect of decision latitude on leadership effectiveness perceptions. Conversely, for the subset of data above the median for decision latitude, perceived conscientiousness partially mediated the effect of decision latitude on leadership effectiveness (*Sobel test: z = -2.14, p < .01*), but perceived agreeableness was not a viable mediator. Overall, these findings provide further evidence to support hypothesis 3b but not 3a. We will explore the lack of support for H3a further in the discussion section.

Insert Figure 6 and Figure 7 about here

DISCUSSION

Organizational scholars have long linked granting autonomy and decision latitude to higher employee performance and motivations (Conger & Kanungo, 1988; Hackman & Oldham, 1980; Srivastava, Bartol, & Locke, 2006) and hence increased managerial effectiveness (Heilman, Homstein, Cage, & Herschlag, 1984; Manz & Sims, 1987), yet seldom have they asked whether giving others decision latitude could also influence how managers themselves are perceived. Given that the provision of decision latitude is an *interpersonal* process involving a manager directly engaging employees, granting decision latitude to others not only influences the internal state of the employees and their work performance but can also reflect back on the manager. In three studies, we found converging evidence that granting different degrees of decision latitude influences how a manager is perceived in terms of personality and leadership effectiveness. Leadership effectiveness perceptions can be explained by basic personality

attributions. Specifically, decision latitude increases perceptions of leader effectiveness because of increased perceived agreeableness. At high decision latitude, leadership effectiveness perceptions suffer because of lower perceived conscientiousness.

Theoretical Contributions

The present research makes several theoretical contributions. First, it calls attention to the link between decision latitude and personality attributions. We demonstrated that employees made personality judgments on managers who gave them decision latitude at work, in turn influencing their perceptions of the leader's effectiveness. These findings stand even when leader-member exchange quality (LMX) was controlled for (study 2). This suggests that regardless of the quality of the existing leader-member relationship, giving employees different degrees of decision latitude at work can still further shape how employees evaluate managers' leadership effectiveness through the process of personality judgments. This finding demonstrates that people are prone to making dispositional attributions based on observed behavior even within long-standing relationships.

Second, our research demonstrates the risks that come with giving employees high decision latitude at work. We found an inverted-U-shaped relationship between decision latitude and leadership effectiveness perceptions, indicating that although giving employees decision latitude can bring positive evaluations of leadership effectiveness, this effect becomes negative when decision latitude is high. These findings highlight specific risks in granting decision latitude—giving employees high degrees of discretion at work in an effort to engage them could render one to be seen as an ineffective leader. These effects come about because managers who give employees high decision latitude tend to be perceived as unconscientious.

Third, the present research elucidates the underlying psychological mechanisms that led to the observed outcomes. Specifically, we found that personality perceptions of agreeableness and conscientiousness appear to play central roles in shaping leadership evaluations. To the extent the agreeableness and conscientiousness map onto warmth and competence respectively, these findings provide further support for the thesis that warmth and competence are basic dimensions of social judgments (Fiske et al., 2007). In organizations, warmth and competence are especially important dimensions of social perception during interpersonal interactions. A warm and friendly boss is more likely to harbor good intention toward oneself, be easier to work with, and more likely to offer a helping hand in times of need. A competent and capable boss can give valuable task-advice and provide critical guidance or support necessary to complete work projects. In other words, whether one's boss is warm and competent can have serious impact on one's "survival" in the organization as well as career success. Hence, it makes sense that the two dimensions of warmth and competence were clearly taken into consideration when evaluating leaders in the work context.

In addition, it is worth noting that the present social perception approach toward understanding the relationship between decision latitude and personality perceptions of managers departs from many existing formulations linking employee empowerment to organizational outcomes. For instance, most prior research on empowerment has relied on *control-mediated* mechanisms (e.g., Arnold, Arad, Rhoades, & Drasgow, 2000; Srivastava et al., 2006). Employees exhibit higher performance and job satisfaction because they feel more in control of their work. Other past research in procedural justice suggests that empowerment (mainly through *voice*) could carry symbolic implications for the empowered individual's status in a given group or society, a theory referred to as the *group-value model* (e.g., Tyler, Rasinski, & Spodick,

1985). In contrast to these theories, the present research imparts a different formulation linking empowerment to evaluations of managers through the lens of social perception judgments.

Finally, the lack of support of H3a in study 3 is intriguing. In an additional analysis, we found that when the leader-member exchange quality (LMX) variable was dropped, agreeableness partially mediated the effect of decision latitude on leadership effectiveness between low and moderate decision latitude (coefficient drops from 0.75 to 0.56; *Sobel test* $z = 2.53$, $p < .01$), supporting H3a. We also found that perceived agreeableness strongly predicted leader-member exchange quality ($b = .48$, $p < .01$). These findings paint a more complex picture on how granting decision latitude influences leadership effectiveness perceptions. When managers begin to give employees some degree of decision latitude at work, they are perceived to be more agreeable, improving their relationship quality with employees. The improved leader-member exchange relationship then enhances leadership perceptions.

Practical Implications

The present research also informs managerial practices. Popular managerial discourse is replete with advice touting the importance of empowerment (e.g., Bowen & Lawler, 1992; Forrester, 2000; Hunton et al., 1998). As managers embrace the importance of empowerment, they need to be mindful that efforts to empower employees by granting them decision latitude can have interpersonal implications. Granting decision latitude beyond a certain level may harm how one is perceived as an effective leader. To the extent that these unfavorable interpersonal evaluations stem from perceptions of low conscientiousness, managers who constantly grant a high degree of decision latitude to others may consider taking additional steps to demonstrate their conscientiousness.

In addition, our research highlights a further reason for managers to give employees discretion at work—giving employees the appropriate degree of decision latitude could be a tactic for *impression management*. New managers are often anxious about how others see them as leaders. One way to increase others' leadership perceptions of oneself is by offering them an appropriate degree of decision latitude at work.

Limitations and Future Research

The present research has certain limitations. First, we did not explore gender differences in leader perceptions. Recent research by Scott and Brown (2006) found that perceivers had difficulty encoding leadership behaviors into their underlying prototypical leadership traits when the behavior implied an agentic trait but was enacted by a female. According to these researchers, this is because agentic traits are more closely associated with males than females; perceivers had greater difficulty encoding leadership behaviors when the behaviors were incongruent with the gender of the leader. To the extent that giving others decision latitude reflects social consideration and sensitivity, male managers who offer others high decision latitude might therefore be perceived as acting incongruently with their gender stereotype (e.g., Eagly & Johnson, 1990; Eagly & Karau, 1991). In study 3, we did not find effects regarding the gender of the target managers. This could be because most of the identified managers were males. Future research should attempt to replicate our studies specifically with female targets. It would be both interesting and important to see if the effects we found in the present series of studies extend to female managers.

Future research can also examine other factors that might potentially moderate the present set of findings. One important factor is culture. Various researchers have argued that culture plays an important role in leadership (Bass, 1990; Ensari & Murphy, 2003; Gerstner &

Day, 1994). Our present studies were not designed to test cultural differences, and many of the non-White participants in our studies have lived in the U.S. all their lives. Thus, their conception of decision latitude may closely mirror that of European Americans. A more appropriate test of cultural differences would be to employ participants residing in different countries. One speculation is that individuals from relatively more interdependent cultures may prefer decisions to be made for them by well-liked superiors (Iyengar & Lepper, 1999) and hence may give higher leadership ratings to managers who do not give them decision latitude.

Conclusion

In closing, the present research shows that when managers give employees decision latitude at work, they are not only influencing the intrapersonal experience of the employees (motivation and satisfaction), but also influencing how they themselves are perceived as effective leaders. These effects can be traced to personality attributions that employees make of managers who grant them decision latitude. Our research explicitly recognizes that the granting of decision latitude is an *interpersonal* act and fleshes out the social perception dynamics underlying giving different degrees of decision latitude to others. This enriches our existing understanding of the effects of decision latitude at the workplace. The perennial question of how much power and control a manager should share at work has always been a difficult one. Our research reveals an additional dimension—interpersonal perception—worth considering when managers grant decision latitude to employees at work.

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TABLE 1

STUDY 1: Descriptive Statistics, Cronbach's Alpha, and Correlations

Variable	Mean	S.D.	1	2	3	4	5	6
1. Leadership Perceptions ^a	5.38	1.11	0.90					
2. Decision Latitude ^b	0.98	0.80	0.08	--				
3. Agreeableness	4.45	1.06	0.29**	0.34**	--			
4. Conscientiousness	5.34	1.02	0.60**	-0.11	0.04	--		
5. Gender ^c	0.46	0.50	-0.04	0.11	-0.03	0.03	--	
6. Ethnicity ^d	0.71	0.46	-0.05	0.12	0.03	-0.21 [†]	-0.11	
7. Age	26.37	7.94	-0.14	0.13	-0.12	-0.04	0.06	0.23*

** $p < 0.01$ * $p < 0.05$ [†] $p < 0.10$

^a $n = 83$

^b 0 = No Choice; 1 = Two Choices; 2 = Six Choices

^c 0 = Female; 1 = Male

^d 0 = Non-white (Asian, African American, Hispanic, etc); 1 = White (Caucasian)

TABLE 2

**STUDY 1: ANCOVA Results for Effects of Decision Latitude on
Leadership Effectiveness Perceptions (n=83)**

Variable and Source	df	MS	F	Partial η^2
<u>Predictor</u>				
Decision Latitude ^a	2	5.505	4.840**	0.112
<u>Controls</u>				
Age	1	2.919	2.566	0.032
Gender ^b	1	0.045	0.843	0.001
Ethnicity ^c	1	0.504	0.443	0.006
Error	77	1.137		

R Squared = 0.13 (Adjusted R Squared = 0.07)

** $p < 0.01$

^a 0 = No Choice; 1 = Low Choice; 2 = High Choice

^b 1 = Male, 0 = Female

^c 0 = Non-white (Asian, African American, Hispanic, etc); 1 = White (Caucasian)

TABLE 3

STUDY 2: Descriptive Statistics, Cronbach's Alpha, and Correlations

Variable	Mean	S.D.	1	2	3	4	5	6
1. Leadership Perceptions ^a	5.29	1.01	0.84					
2. Decision Latitude ^b	1.00	0.82	0.00	--				
3. Conscientiousness	5.88	0.98	0.43*	-0.25*	--			
4. Agreeableness	3.91	1.20	0.31*	0.29*	-0.01	--		
5. Gender ^c	0.50	0.50	-0.14	-0.02	-0.15	-0.03	--	
6. Ethnicity ^d	0.39	0.49	-0.17	-0.06	-0.01	-0.12	-0.03	--
7. Age	23.06	5.99	-0.06	-0.02	-0.04	-0.17	0.21*	0.08

* $p < 0.05$

^a $n = 134$

^b 0 = low degree of decision latitude; 1 = moderate degree of decision latitude; 2 = high degree of decision latitude

^c 0 = Female; 1 = Male

^d 0 = Non-white (Asian, African-American, Hispanic, etc); 1 = White (Caucasian)

TABLE 4

**STUDY 2: ANCOVA Results for Effects of Decision Latitude on
Leadership Effectiveness Perceptions (n = 134)**

Variable and Source	df	MS	F	Partial η^2
<u>Predictor</u>				
Decision Latitude ^a	2	4.001	4.26*	0.062
<u>Controls</u>				
Age	1	0.022	0.023	0.000
Gender ^b	1	3.551	3.771 [†]	0.029
Ethnicity ^c	1	2.591	2.751 [†]	0.021
Error	127	0.942		

R Squared =.11 (Adjusted R Squared =.08)

* $p < .05$ [†] $p < .10$ ** $p < .01$

^a 0 = high decision constraint (low degree of latitude); 1 = moderate decision constraint (moderate degree of latitude); 2 = low decision constraint (high degree of latitude).

^b 0 = Female; 1 = Male

^c 0 = Non-White (Asian, African American, Hispanic, etc.); 1 = White (Caucasian)

TABLE 5**STUDY 3: Descriptive Statistics, Cronbach's Alpha, and Correlations**

Variable	Mean	S.D.	1	2	3	4	5	6	7	8
1. Leadership Effectiveness ^a	4.62	1.77	0.87							
2. Decision Latitude ^b	5.05	1.59	0.28*	--						
3. Conscientiousness	5.19	1.86	0.48*	-0.14*	--					
4. Agreeableness	4.75	1.81	0.45*	0.53*	0.06	--				
5. Gender difference	0.34	0.48	-0.05	-0.07	-0.01	-0.01	--			
6. Race difference	0.37	0.48	-0.07	-0.07	-0.01	0.04	0.07	--		
7. Duration known	21.10	14.40	0.07	0.13	-0.09	0.03	0.00	-0.11	--	
8. Work experience	5.68	2.71	-0.05	0.00	-0.03	-0.01	0.02	-0.06	0.33*	--
9. LMX	4.84	1.70	0.69*	0.47*	0.29*	0.62*	0.00	-0.09	0.10	-0.09

* $p < 0.05$

^a $n = 110$ (220 observations)

^b 1 = not at all, 4 = sometimes, 7 = all the time

TABLE 6**STUDY 3: Random Effects Regressions Results for Leadership Effectiveness Perceptions**

Dependent variable:	Leadership Effectiveness Perceptions		
	Model 1	Model 2	Model 3
<u>Key predictors</u>			
Decision Latitude	-	-0.06 (0.07)	1.93** (0.34)
Decision Latitude (Squared)	-	-	-0.21** (0.04)
<u>Control variables</u>			
Gender difference	-0.19 (0.19)	-0.20 (0.19)	-0.17 (0.17)
Race difference	0.02 (0.19)	0.02 (0.19)	0.02 (0.17)
Duration known	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
Participant's work experience	0.01 (0.03)	0.01 (0.03)	0.02 (0.03)
Leader-member exchange (LMX)	0.72** (0.05)	0.75** (0.06)	0.72** (0.06)
Intercept	1.18** (0.36)	1.37** (0.42)	-2.67** (0.78)
Overall model R-squared	0.48	0.48	0.56
Chi-square change	192.50**	193.32**	262.48**

Note: Chi-square changes are with respect to a constant only model.

** $p < .01$ † $p < 0.10$

FIGURE 1

Relationship between Decision Latitude and Leadership Effectiveness Perceptions

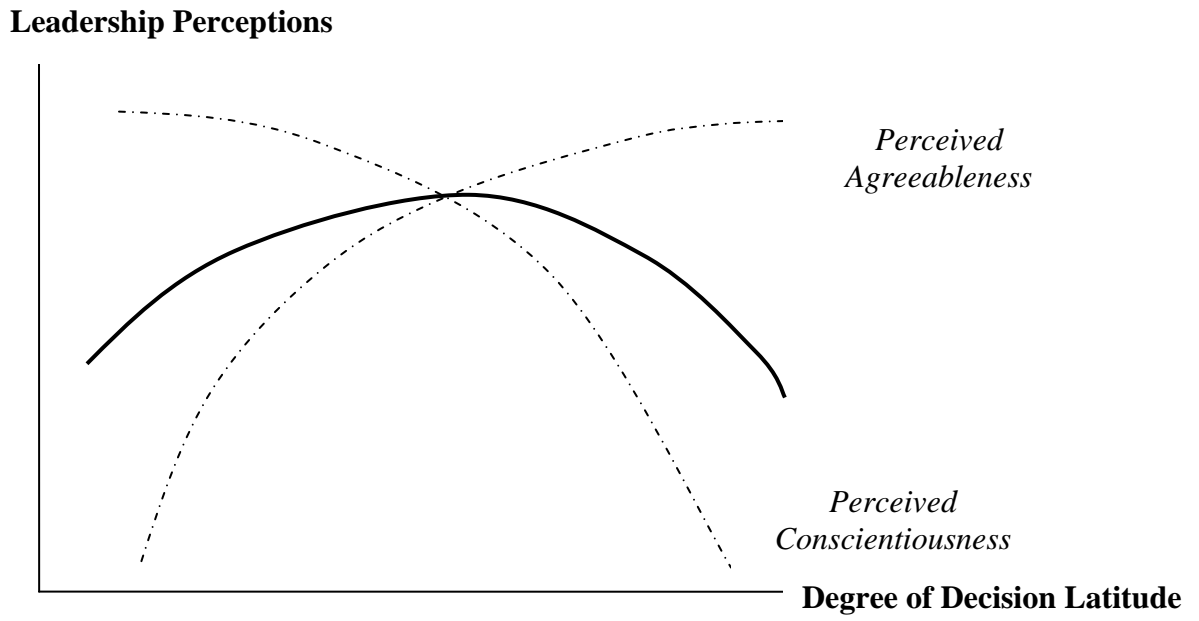


FIGURE 2

**STUDY 1: Graphical Depiction of Effects of Choice on
Leadership Effectiveness Perceptions**

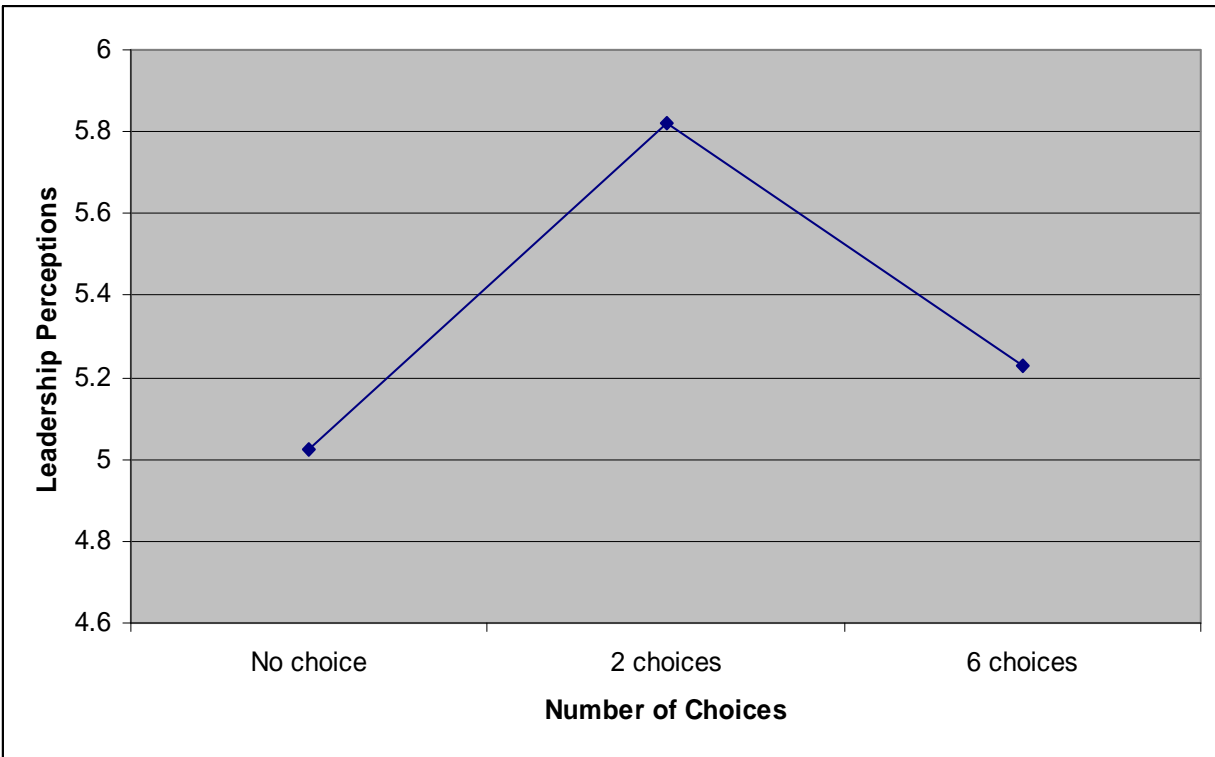
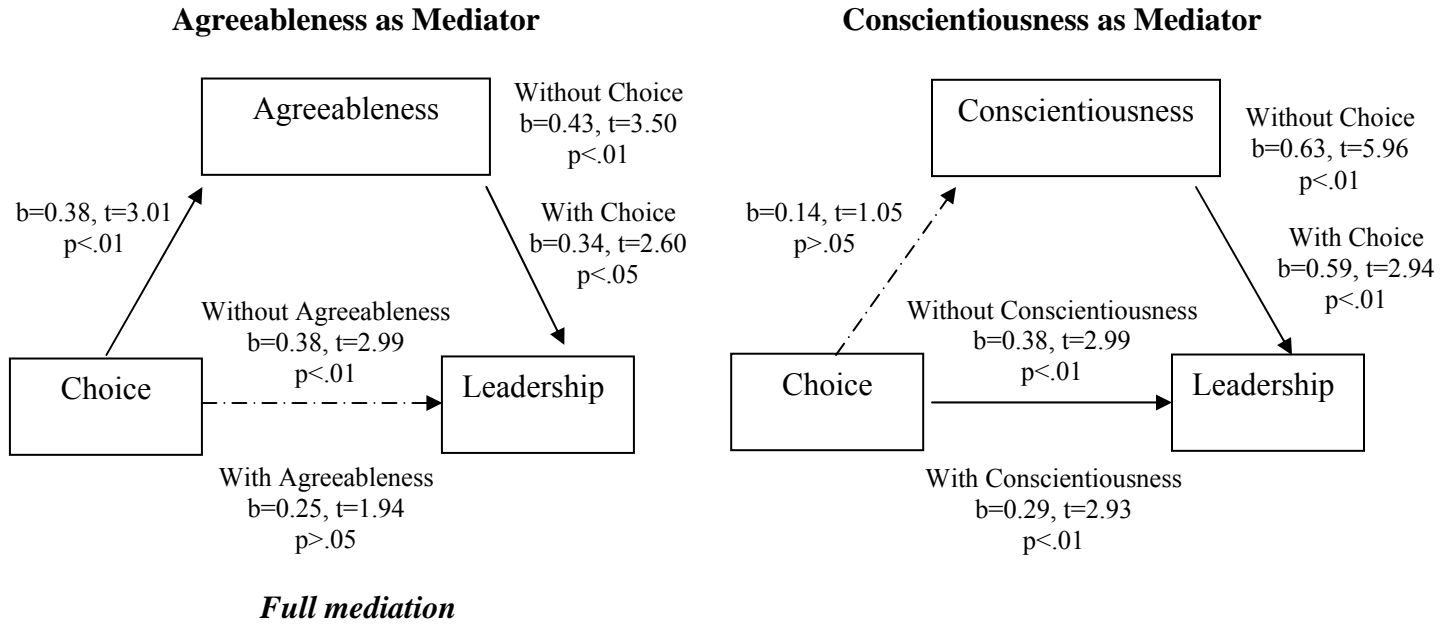


FIGURE 3

STUDY 1: Mediation Analyses

No Choice versus Moderate Choice



Moderate Choice versus High Choice

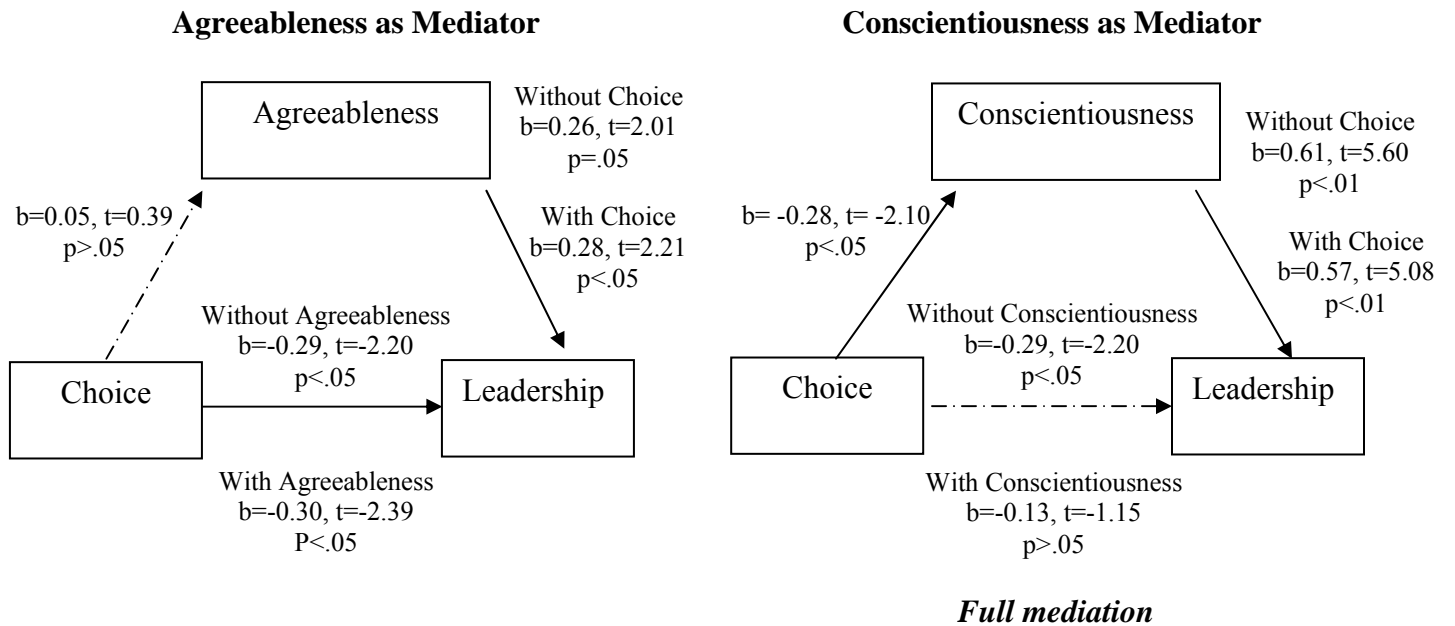


FIGURE 4

**STUDY 2: Graphical Depiction of Effects of Decision Latitude on
Leadership Effectiveness Perceptions**

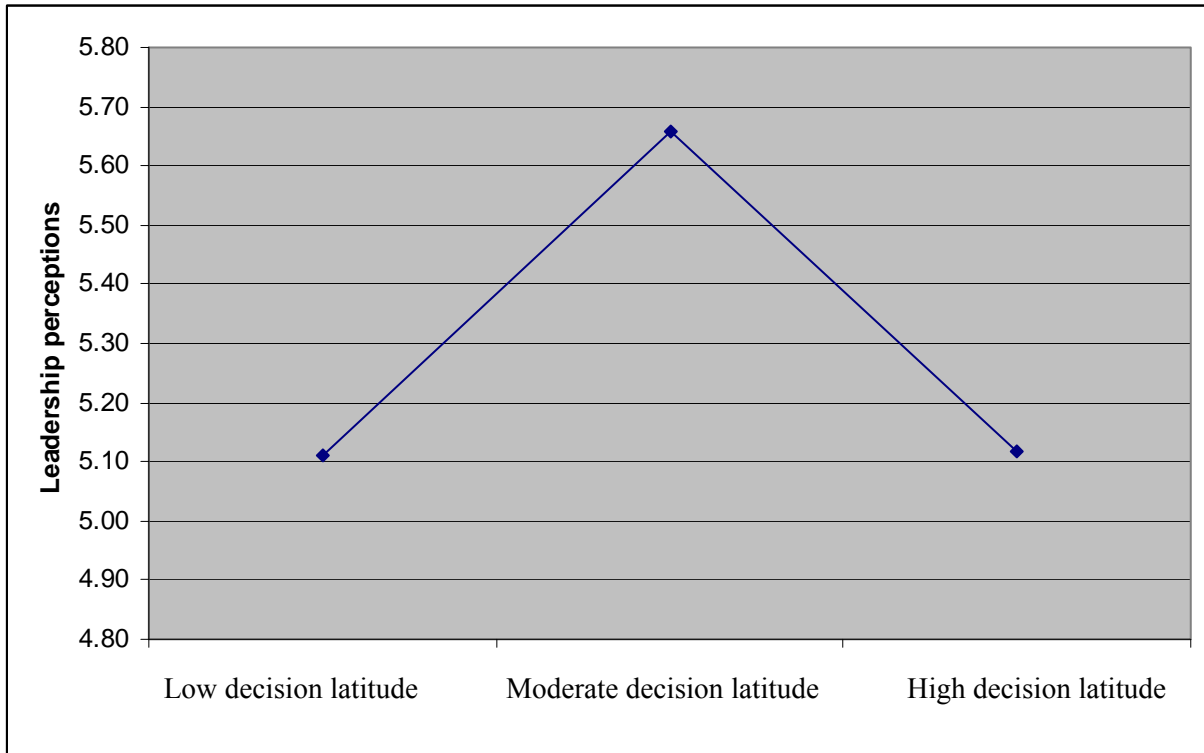
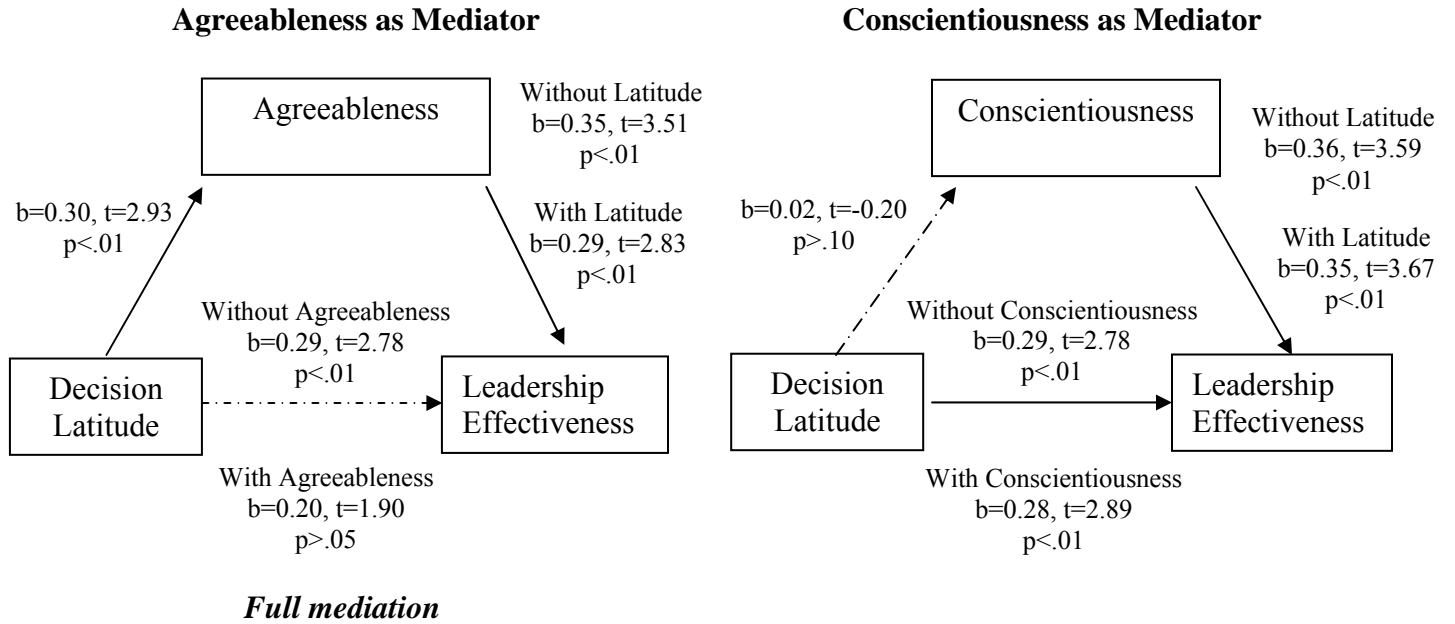


FIGURE 5

STUDY 2: Mediation Analyses for Leadership Effectiveness Perceptions

Low to Moderate Degree of Decision Latitude



Moderate to High Degree of Decision Latitude

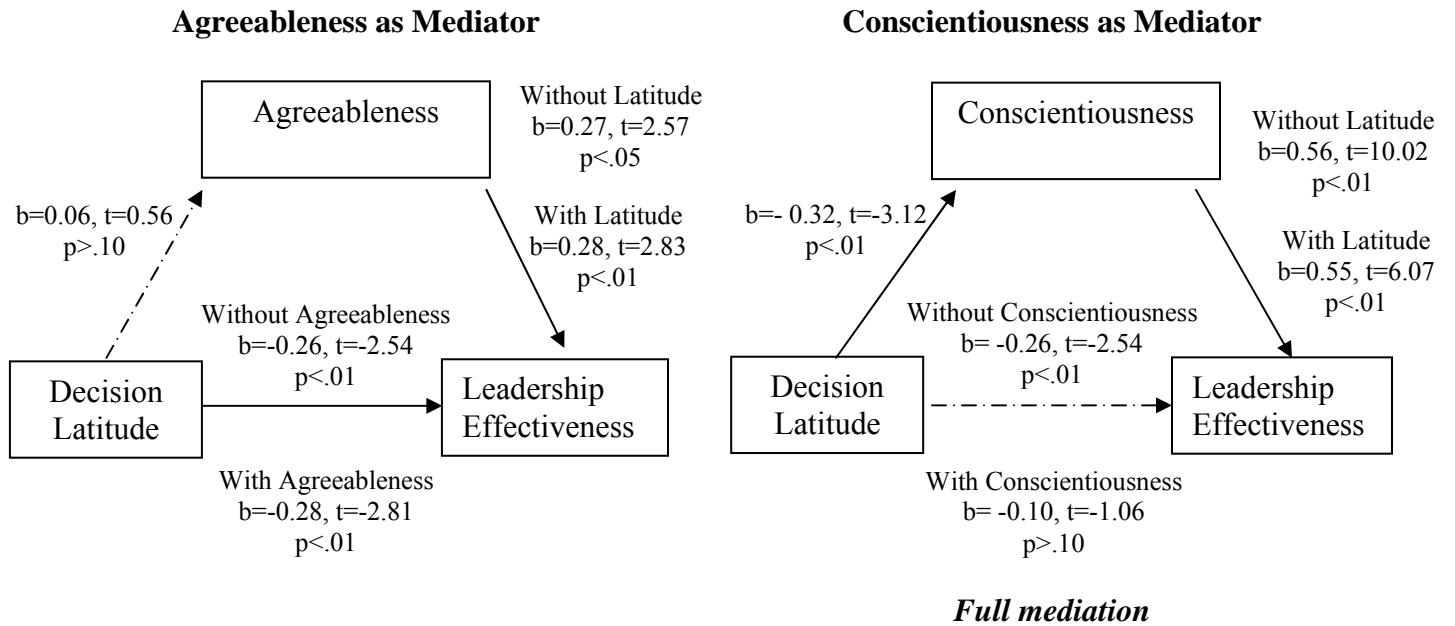
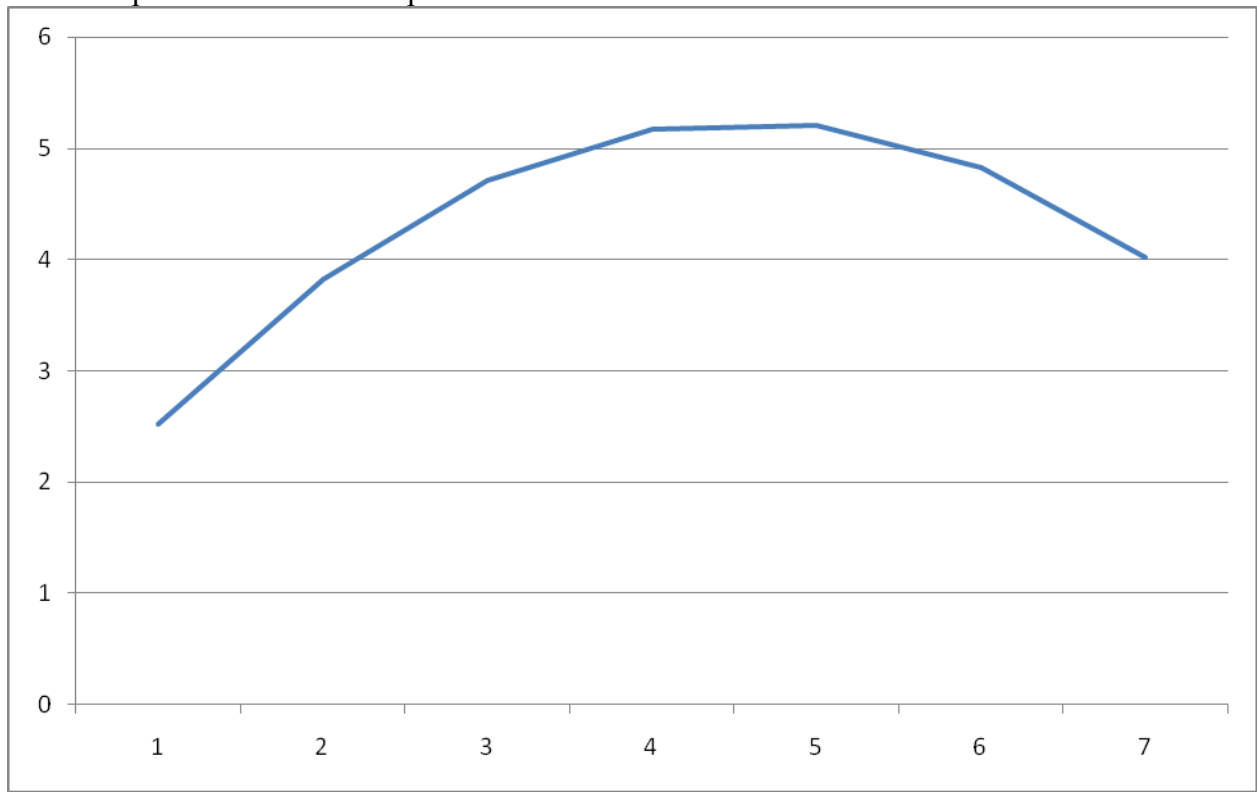


FIGURE 6

STUDY 3: Plot of Decision Latitude and Leadership Effectiveness Perceptions

Leadership Effectiveness Perceptions

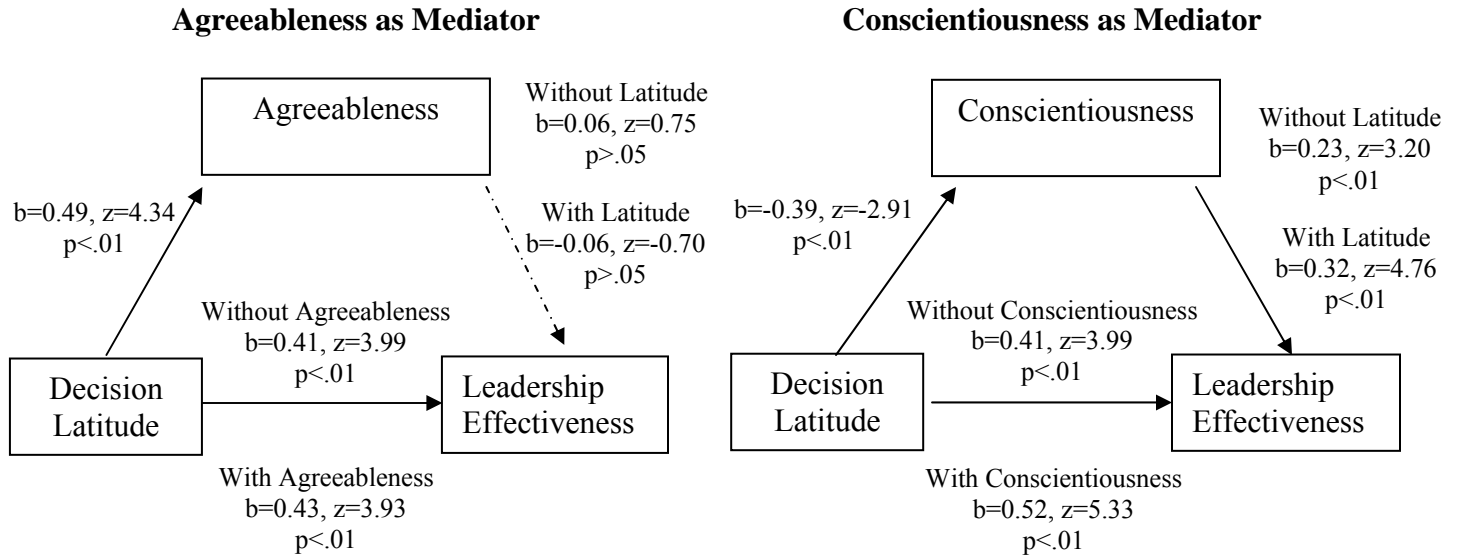


Decision Latitude

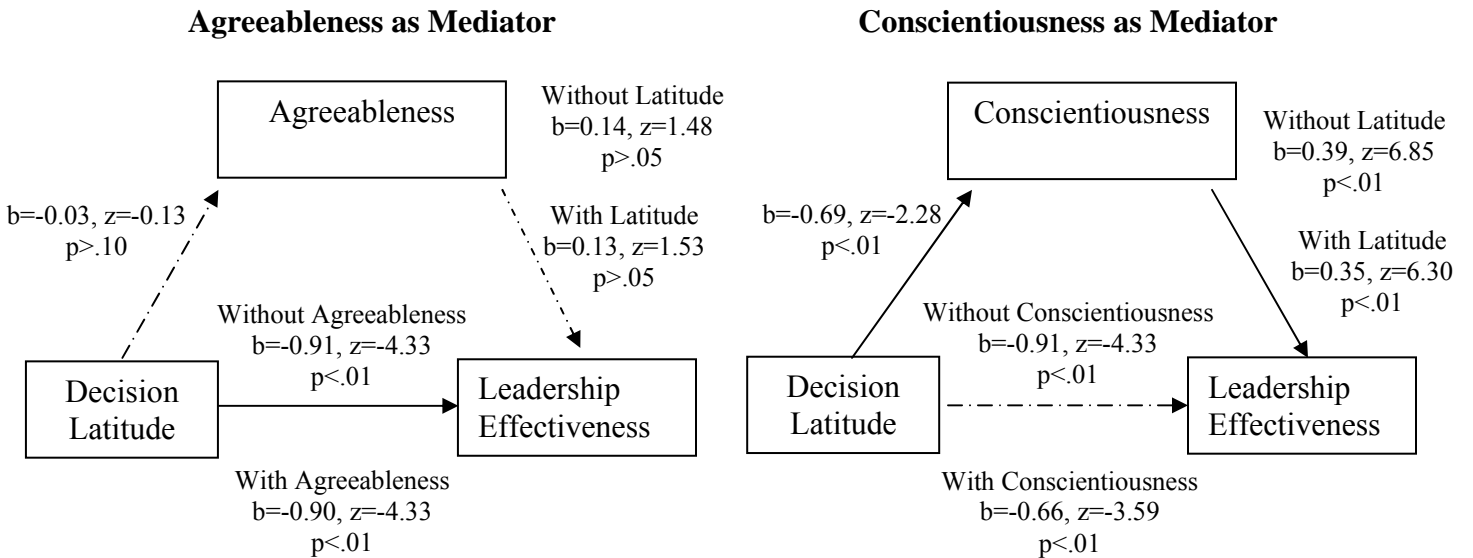
FIGURE 7

STUDY 3: Mediation Analyses for Leadership Effectiveness Perceptions

Below Median Decision Latitude



Above Median Decision Latitude



Partial mediation