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Making a difference

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Chapter 1
GENERAL INTRODUCTION

"That which is static and repetitive is boring. That which is dynamic and random is confusing. In between lies art."
                                                                    John A. Locke

Change is an important driving factor in the development of today's organizations. The economic and societal context is rapidly changing and challenges organizations to be innovative and flexible in order to maintain a high level of organizational performance (Jung, Chow, & Wu, 2003; Kruglanski, Pierro, Higgins & Capozza, 2007a; Utsch & Rauch, 2000). An organizational work environment in which employees are flexible and open to organizational change may help to attain this goal. However, since employees may at the same time also perceive a change-oriented context as a threat to the stability and safety within the work environment (Kruglanski et al., 2007a), there may be more to attaining this goal. Two opposite mechanisms of dealing with change seem to come into play when working in a change-oriented context (Kruglanski et al., 2000). As a way of coping in a change-oriented context, employees may feel the need to focus their attention on the mutual relationships with their colleagues and overall *cohesion* within the organization (Staw, Sandelands & Dutton, 1981). At the same time, employees may feel the need to take action and focus their attention on these changes, described as *locomotion* (Higgins, Kruglanski, & Pierro, 2003; Kruglanski Pierro, Higgins, 2007b). Therefore, a work environment that provides stability and safety (i.e. cohesion) and at the same time also stimulates employees to be flexible and open to change (i.e. locomotion) may help to maintain a high level of performance in a change-oriented context (Van der Zee & Van Oudenhoven, 2006).

One possibility for positively enhancing the employees' attitudes towards change is through the influence of their leader (e.g. Battilana et al., 2010; Herold, Fedor, Caldwell & Liu, 2008). Leaders influence others to create greater consensus about common goals and to facilitate individual and team efforts to accomplish shared objectives (Kozlowski & Doherty, 1989; Yukl, 2010). Moreover, through their behavior leaders are able to induce more positive perceptions of the change-oriented work environment among employees (Kozlowski & Doherty, 1989). Despite the large body of literature on leadership research that exists, only a small amount of empirical research has focused on the effects of leadership in a change-oriented organizational context (see for instance Battilana et al., 2010), and has only recently started to focus on the underlying mechanisms of leadership that may increase work outcomes in a change-oriented work environment. At the same time, since

leadership may facilitate individual as well as team efforts it is important to take the multi-level nature of leadership into consideration and examine at which specific level the impact of leadership situates.

Additionally, one of the evident consequences of the changing economic and societal context is that leaders are increasingly faced with the diversification of the work environment (Cox, 1991; Cox & Blake, 1991). Diversity in teams may actually increase innovativeness and flexibility of employees that is essential for working in a change-oriented context (e.g. Leung & Chiu, 2010; Lovelace, Shapiro & Weingart, 2001). However, research has also shown that diversity in teams may lead to undesired outcomes, such as conflict (Bodenhausen, 2010; Williams & O'Reilly, 1998). Consequently the same leadership styles that are effective in a change-oriented context may not necessarily also be effective under the condition of diversity in teams. Hence, it is important for leaders to know which leadership behaviors to display in order to overcome the negative outcomes of diversity.

In the remainder of this chapter, I will first discuss what is known about leadership in relation to a change-oriented context. Then I discuss the underlying processes of change-oriented leadership and the importance of including a multi-level perspective herein. Next, I will address the question whether change-oriented leadership styles may be effective under the condition of diversity in teams. Finally, I will give an overview of the empirical studies that will be presented in the subsequent chapters of this dissertation.

Change-oriented Leadership

Not every leadership style may be effective in an organizational context that is subject to change. It has been suggested that leadership styles that are deemed effective in a change-oriented context are mainly aimed at establishing a sense of urgency, developing a vision or strategy for the future, and empowering employees to lead the change process (Geller, 2002; Yukl, 2010). Consistent with the two main mechanisms in dealing with a change-oriented context as discussed earlier, it seems that the task of the leader in a change-oriented context is also twofold: on the one hand creating a sense of unity (cohesion) and on the other hand stimulating employees to be flexible and open to change (locomotion) (Kruglanski et al., 2007a; 2007b). In this regard, there are two leadership styles that clearly and explicitly relate to these two elements, namely transformational leadership and participative leadership.

Transformational leadership is defined as the extent to which a leader is able to transform the beliefs and attitudes of individual employees in order for them to perform beyond what they are expected to do (based on Bass, 1985; 1998; Podsakoff, MacKenzie, Moorman & Fetter, 1990). From the past decades of leadership research, we have learned that transformational

leadership is an effective leadership style that is often associated with increased work outcomes among employees (Bass & Riggio, 2006; Judge & Piccolo, 2004; Lim & Ployhart, 2004). The concept of transformational leadership is based on several dimensions that describe specific leadership behaviors. Bass (1985; 1998) first described transformational leadership as having a strong focus on the well-being and personal feelings of each individual employee (*individualized consideration*), being an inspiration and a role model to whom each employee can look up to (*inspirational/providing a role model*), and stimulating each individual employee to rethink their assumptions about their work (*intellectual stimulation*). In order to make the concept more exhaustive and comprehensive, Podsakoff and colleagues (1990) extended the concept of transformational leadership based on an overview of research on transformational leadership behaviors. These scholars added two components to the description of transformational leadership, namely fostering acceptance among employees of the goals the leader sets out for the future and having high performance expectations (*foster acceptance goals* & *high performance expectation*). In line with Podsakoff and colleagues (1990), I will follow this broader view on transformational leadership in order to grasp the full concept of this leadership style and its impact on work outcomes.

It has been suggested that transformational leadership can have a strong effect on the self-concept of employees (Shamir, House & Arthur, 1993). Leaders with a transformational leadership style may shift the focus of employees from self-interest to the interests of the organization and stimulate their motivation to work on behalf of the organization. Especially in a change-oriented organizational context where insecurity is high and controllability is low, the inspiring vision of a transformational leader may help to create a sense of direction, which may in turn increase cohesion among employees (Callow et al., 2009; Dionne, Yammarino, Atwater & Spangler, 2004).

Nonetheless, the same reason that causes transformational leadership to be a very effective leadership style also makes that transformational leadership may not be enough in a change-oriented context (Cha & Edmondson, 2006; Conger, 1990). Because transformational leadership creates a strong focus on a common goal thereby increasing cohesion, it may leave little room for unique input from employees and may even lead to dependency among employees (Kark, Shamir & Chen, 2003; Mumford et al., 2002). The visionary and charismatic characteristics of transformational leadership may hinder employees in expressing their own ideas and may therefore hamper locomotion, which is of the utmost importance in a change-oriented organizational context (Ashford, Blatt, & Vanderwalle, 2003; Mumford et al., 2002). Ashford, Blatt, and Vanderwalle (2003) argue that while a leader's vision may be useful in defining and clarifying work goals, participation of employees

in the decision-making process may help in finding innovative work strategies for reaching these goals (see also Mumford et al., 2002; Cox, Marchington & Suter, 2009). By stimulating active participation of employees a leader may stimulate locomotion among employees (Vroom & Jago, 1995). Since leaders with a transformational leadership style are less inclined to consult with their followers (Bass, 1990), this dissertation investigates participative leadership as a second leadership style that may be effective in a change-oriented organizational context.

Participative leadership is defined as the degree to which leaders share the influence in decision making with their team of followers (based on Somech, 2005; Koopman & Wierdsma, 1998). Participative leadership encourages active participation and empowerment of their employees, through the involvement in decision making (Somech, 2005; Vroom & Jago, 1995). By delegating responsibilities, leaders with a participative leadership style enable employees to translate the organizational goals into their own common goals and create a sense of ownership of organizational goals among employees (Stewart, 2006), thereby potentially increasing performance (Srivastava, Bartol & Locke, 2006). Moreover, the purpose of participative leadership is to involve employees to such an extent that they can "lead themselves" (Manz & Sims, 1987). By stimulating employees to take action and voice their ideas to one another, participative leadership may stimulate flexibility and may make room for locomotion. Participative leadership has indeed been found to relate to important processes and outcomes necessary in a change-oriented organizational context, such as the empowerment of employees, increased interaction and knowledge sharing (e.g. Huang, Iun, Liu & Gong, 2010; Kahai, Sosik & Avolio, 1997; Kahai, Sosik & Avolio, 2004; Mulki, Jaramillo & Locander, 2006; Somech, 2003; Somech & Wenderow, 2006; Spreitzer, 2007; for further evidence see also studies on the broader concept of empowering leadership: e.g. Ahearne, Mathieu & Rapp, 2005; Burke et al., 2006; Srivastava, Bartol & Locke, 2006).

The first aim of this dissertation is to investigate the effectiveness of both transformational leadership and participative leadership in a change-oriented context. Throughout this dissertation I will argue that in this context both transformational leadership and participative leadership exert their influence through different mechanisms and with different outcomes. Next, I will explore the possible underlying processes for the relationship of each leadership style with work outcomes.

Underlying Mechanisms of Change-oriented Leadership
Related to the fact that transformational leadership may have a strong effect on the self-concept of employees (Shamir, House & Arthur, 1993),

transformational leadership is also said to influence the tendency of employees to feel representative of a particular work-related group and create a shared identity (Ashforth & Mael, 1989; Ellemers, De Gilder & Haslam, 2004). By radiating a strong vision for the future of the organization, transformational leadership may stimulate employees to focus on the organization's interest instead of their own and consequently enhance the employees' identification with the organization. By increasing their identification with the organization, the willingness of employees to work hard for the organization may be increased (Ellemers, De Gilder & Haslam, 2004). Moreover, in a change-oriented organizational context organizational identification may serve to increase cohesion among employees (Ashforth & Meal, 1989). In all, we argue that organizational identification may be one of the mechanisms that underlie the relationship between transformational leadership and work outcomes in a change-oriented context.

With regard to participative leadership the underlying mechanism will be different. When employees are stimulated to participate in the decision making process, they may become more likely to express their ideas and perspectives (Locke, Alavi & Wagner, 1997; Srivastava, Bartol & Locke, 2006), and subsequently become more accustomed to dealing with new input and become open to change. Rafferty and Jimmieson (2010) showed that the extent to which a team is invited to participate in decision making is positively related to the extent to which employees experience a climate for change. Hence, the team's active involvement in the change process may facilitate the emergence of a climate for change. Patterson and colleagues (2005) describe a climate for change as the extent to which there is openness to and an orientation toward change among employees within the work environment. A climate for change may be an important underlying mechanism responsible for the impact of participative leadership on work outcomes.

Change-oriented Leadership from a Multi-level Perspective

Leadership not only facilitates the efforts of individual employees but also the efforts of the team (Yukl, 2010). Teams are described as collectives within an organizational context that consist of interdependent employees who perform organizationally relevant tasks, interact socially, and share common goals and responsibilities (Ilgen, 1999; Kozlowski & Bell, 2003). Making use of teams is based on the idea that the effectiveness of a team of employees is greater than the sum of the effectiveness of separate individual employees. Since present-day organizations increasingly arrange work around team-based structures instead of individual-based jobs (Ilgen, 1999; LePine, 2003), it is very important not to restrict leadership research solely to the impact on individual employees in the context of organizations.

In recent decades, research has made great advancements in the methods for statistically controlling for the effect of the individual and team level (Cohen & Bailey, 1997; Mathieu, Maynard, Rapp & Gilson, 2008). A method that is increasingly used to investigate the impact of work-related concepts at different levels of the organization is multi-level analysis (Yammarino & Dansereau, 2008). However, this method has not been used extensively and we still do not have a distinct understanding of the different levels at which the impact of specific leadership styles may situate. In 2005, a review by Yammarino, Dionne, Chun and Dansereau assessed the state-of-the-science on leadership literature with an explicit focus on levels of analysis. They found that less than 20 percent of the research used proper multi-level approaches. In recent years, the attention for multi-level issues has increased in leadership research, yet many studies still tend to rely only on single level analyses (Yammarino & Dansereau, 2008). In order to properly investigate the processes and outcomes of transformational leadership and participative leadership, in the present dissertation I will take a multi-level approach in studying the impact of these leadership styles.

What can we predict concerning the level at which the impact of both leadership styles may situate? With respect to transformational leadership, the results seem rather unclear. A large amount of work on transformational leadership has been conducted outside of team contexts (Burke et al., 2006) and has mostly neglected issues of multiple levels. Instead, research has mainly used single level models to investigate the impact of transformational leadership. On the one hand, there is research that has focused on the individual level impact of transformational leadership. In this research, transformational leadership is said to predominantly spur individual employees to work harder than what is expected of them, which mainly results in individual level outcomes, such as employee creativity, employee proactivity and individual job performance (Hirst, Van Dick & Van Knippenberg, 2009; Strauss, Griffin & Rafferty, 2009; Walumbwa, Avolio & Zhu, 2008). On the other hand, there is research that has focused on the team level impact of transformational leadership, which has shown that at the team level transformational leadership relates to for example team reflexivity and team performance (Schippers, Den Hartog, Koopman & Van Knippenberg, 2008; Wu, Tsui & Kinicki, 2010). The few notable studies that did incorporate a multi-level structure to investigate the impact of transformational leadership (e.g. Berson & Avolio, 2004; Sosik, Godshalk & Yammarino, 2004; Cho & Dansereau, 2010) unfortunately do not derive at a consistent picture of the multi-level character of transformational leadership. Berson and Avolio (2004) linked transformational leadership mainly to the group level, whereas Sosik, Godshalk

and Yammarino (2004) linked transformational leadership to individual differences. These studies have therefore mostly added to the ambiguity.

Similarly, results on the level of impact of participative leadership are also ambiguous. Research on the effectiveness of participative leadership has primarily investigated single level designs of the impact of participative leadership focusing on either the individual level or the team level. Participative leadership has, for instance, been found to increase trust, empowerment and performance at the individual level (Huang, Iun, Liu & Gong, 2010; Somech & Wenderow, 2006; Zhang & Bartol, 2010), but has also been found to increase participation and empowerment at the team level (Kahai, Sosik & Avolio, 2004; Somech, 2005). In an attempt to disentangle the levels of analysis at which participative leadership may operate, Somech (2003) conducted a multi-level study and found that this leadership style mainly had an individual level impact on work outcomes. However, Yammarino and colleagues (2005) concluded that this particular study did not sufficiently adhere to the regulations of properly conducting multi-level research. Moreover, Dionne and Dionne (2008) recently used a multi-level approach in a simulation study on leadership and found that group-based participative leadership is the most effective for promoting decision optimization, which contradicts the study by Somech (2003).

In sum, despite the promising efforts to advance the field of multi-level research in the leadership literature, the results with respect to the level at which transformational leadership and participative leadership have an impact on work outcomes remain ambiguous. To get further insight into the level of outcomes and the exact mechanisms underlying the impact of transformational leadership and participative leadership, a third aim of this dissertation is to examine the multi-level character of both leadership styles in an exploratory way by means of multi-level analysis.

Change-oriented Leadership and Diversity
Whether or not a leader is successful in a team may not only depend on the leadership style of the leader, but also on the interaction between the leader and characteristics of the team. Literature has suggested that the effectiveness of transformational leadership and participative leadership may vary depending on the composition of the team (Vroom & Jago, 2007; Stewart, 2006). Societal and economic changes, such as migration and globalization, cause the composition of the workforce to change. As a logical consequence, the composition of teams in these organizations also becomes more diverse than before. Diversification of the workforce may not only naturally occur in organizations, but diversity is also becoming an actively sought after target of

organizations to achieve. For that purpose, organizations for instance make use of multidisciplinary project teams that are designed to be able to handle unique and complex tasks, because of their functional diversity (Ancona & Caldwell, 1992). Since diversity in teams is often associated with opportunities for creativity and innovation (e.g. Leung, Maddux, Galinsky & Chiu, 2008; Nakui, Paulus & Van der Zee, in press; Page, 2007; Van Knippenberg, De Dreu & Homan, 2004) and may create a more flexible workforce, organizations are increasingly acknowledging diversity as a strategic resource.

Although diversity within teams may increase the teams' innovativeness and flexibility through sharing perspectives and information, diversity in teams may also lead to higher levels of interpersonal conflict, lower job satisfaction and decreased cohesiveness (e.g. Jackson, Joshi & Erhardt, 2003; Jehn, Northcraft & Neale, 1999; Williams & O'Reilly, 1998; Milliken & Martins, 1996). Therefore, creating and sustaining a well-functioning diverse team has proven to be a difficult goal to attain (Knippenberg & Schippers, 2007). This double-edged sword of outcomes of diversity in teams seems to relate to the two coping mechanisms based on working in a change-oriented context: cohesion and locomotion. Apparently, while there is a great potential for locomotion in diverse teams, the cohesion among employees in diverse teams may be at risk and may to a large extent influence the effectiveness of diverse teams (Milliken & Martins, 1996).

Since transformational leadership and participative leadership seem to have a distinct impact in a change-oriented context, stimulating either cohesion or locomotion, I expect that the effectiveness of transformational leadership and participative leadership will vary depending on the level of diversity within the team (Vroom & Jago, 2007; Stewart, 2006). Earlier I argued that transformational leadership may individually stimulate each employee to work hard and identify with the organization by creating a common goal, thereby potentially increasing cohesion among employees (Ashforth & Mael, 1989; Bass, 1985; 1998; Podsakoff et al., 1990). Hence, transformational leadership may be an effective in establishing cohesion in diverse teams. Homogeneous teams do not need a cohesive force as much and therefore transformational leadership will have less of an impact in these teams. Kearney and Gebert (2009) have investigated the role of transformational leadership in diverse teams and indeed found transformational leadership to be more positively related to performance in functionally diverse teams than in homogeneous teams. Consistently, Shin and Zhou (2007) only found a positive relationship between transformational leadership and the level of creativity in diverse teams.

In contrast, diverse teams may not be ready for a leader that focuses on active participation of the team and sharing responsibility for decision

making (i.e. a leader with a participative leadership style); stimulating an orientation towards change may be too much for teams that are already dealing with diversity. Somech (2006) indeed found that participative leadership was not effective in managing the team performance of functionally diverse teams, even though team reflection was increased. Increasing locomotion may be more effective in homogeneous teams that experience fewer problems in terms of lowered cohesion as compared to diverse teams (Ely, 2004).

The issue of what constitutes effective leadership in diverse teams has received some attention in literature (e.g., Cox & Blake, 1991; Elsass & Graves, 1997; Schneider, 2002; Wentling, 2004). Recently, a special issue of the American Psychologist (2010) was devoted to the topic of leadership and diversity. However, there is little empirical evidence supporting the different roles of transformational leadership and participative leadership in diverse teams (Nishii & Mayer, 2009). Therefore, a third aim of this dissertation is to examine the effectiveness of transformational and participative leadership in diverse teams. By means of multi-level analyses, the moderating effect of team diversity on the relationship between leadership and work outcomes will be examined.

Overview of the Chapters

In sum, the present dissertation will examine the role of transformational leadership and participative leadership in a change-oriented context, by addressing three key topics: First, research will be presented studying the underlying mechanisms that may explain the effectiveness of these two change-oriented leadership styles; Second, the different levels at which change-oriented leadership may be effective will be examined; and, finally, I will try to gain insight in the influence of team composition. These topics will be investigated in three studies using mediational, moderational and multi-level research designs. Each chapter will report on a separate study and is written such that it can be read independently from the other chapters. Consequently, some overlap will exist across the chapters in the theory and method descriptions. Below, I will give an overview of each of the chapters, which is illustrated in Figure 1.1.

In Chapter 2, I will consider the impact of leadership in the context of an employment agency in relation to certain work outcomes. Based on the characteristics of transformational leadership and the complementing characteristics of participative leadership, I will argue that both leadership styles may independently relate to the work outcomes of employees. Moreover, I will test whether the impact of each of these leadership styles is mediated by the emergence of a climate for change.

Based on the findings in Chapter 2, in Chapter 3 I will extend the research on the impact of transformational leadership and participative leadership related to work effectiveness by examining different mechanisms for each leadership style and different levels at which these mechanisms may reside. I will argue that the impact of transformational leadership on work outcomes is mediated by the extent to which employees identify with the organization, while the impact of participative leadership on work outcomes is mediated by a climate for change. Moreover, I aim to examine the level (individual or team) at which transformational leadership and participative leadership relate to either individual employee effectiveness or team effectiveness.

Whereas in Chapter 2 and 3 I will focus on the underlying mechanisms of both leadership styles, in Chapter 4 I will examine whether the effectiveness of transformational leadership and participative leadership may vary depending on the composition of teams. I am interested in the extent to which the unique input of different individual employees may influence the effectiveness of transformational leadership and participative leadership and, to that end, I will examine the moderating effect of diversity in teams. I expect that in teams that are highly diverse, transformational leadership will be an effective leadership style, whereas participative leadership will be a more effective leadership style in more homogeneous teams.

Finally, in Chapter 5 I will give an overview of the main findings of this dissertation and discuss the theoretical and methodological implications of the findings. Additionally, I will give some suggestions for future research and conclude with some practical implications of the findings.
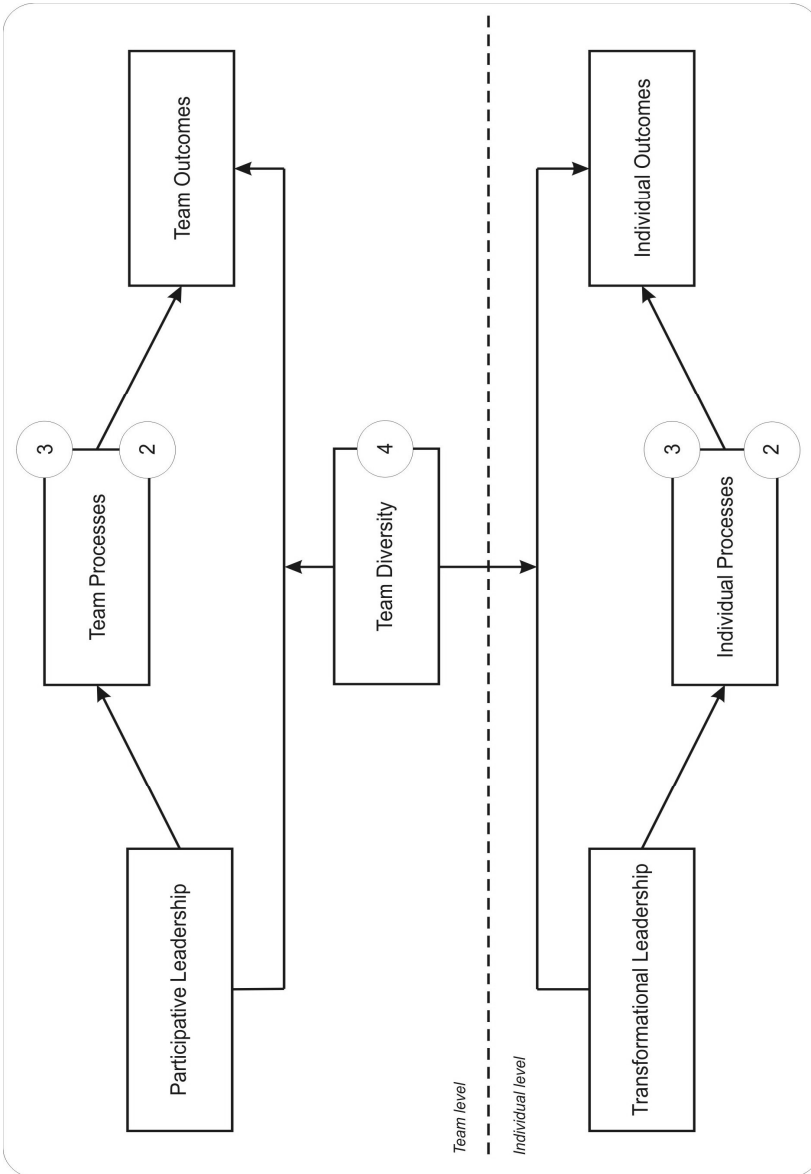
Figure 1.1: Graphical overview of investigated relationships in this dissertation[1]

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[1] Note. The numbers correspond with the related chapters in which these relationships are investigated.