

Leader-member exchange relationship and organizational justice: Moderating role of organizational change

Muzammal Ilyas Sindhu¹, Hafiz Mushtaq Ahmad², Shujahat Haider Hashmi^{3*}

¹PhD Scholar, Bahria University, Islamabad

²Professor, Bahria University, Islamabad

³Lecturer, CUST Islamabad

ABSTRACT

Keywords:

Organizational Justice, LMX, Organizational Change, Moderation Effect

Received

09 September 2016

Received in revised form

22 February 2017

Accepted

24 February 2017

Correspondence:

shujahat_hashmi@hotmail.com

In modern world, there exists direct relation between leader-member exchange and organizational justice because if subordinates feel satisfied in availing benefits, they will improve organizational performance. Organizational change and modifications are necessary for availing competitive advantage and for survival. This study examined the impact of leader-member exchange relationship on organizational justice with moderating role of organizational change. Supervisors contribute to implement the changes as organization provides justice. Simple and multiple regression analysis were used as statistical technique. Top level managerial personnel have more authority to regulate positive changes for better performance. The findings revealed that there existed significant and positive relationship between LMX and organizational justice. Furthermore, organizational change showed negative moderating effect between LMX and organizational justice. The managerial implications we present may help to address how organizational contexts might be manipulated in an attempt to understand, reduce, and avoid the development of organizational change to produce more effective and successful change.

©AIMI Journals

Leadership is personal ability to influence and motivate members of an organization. It enables the participants to contribute in creation of effectiveness and builds organizational success (Ashkanasy, Gupta, Mayfield, & Trevor-Roberts, 2004). Leader member exchange theory proposed the influence of leaders on members' behaviors. Leaders formulate high quality social exchanges based on liking and trust whereas low quality exchanges in case of least time contractual relations (Sparrowe & Liden, 1997). Furthermore, this relation establishes a social

capital for corporations which influence the organizational performance (Gerstner & Day, 1997).

Esteem quality LMX relationships could offer a competitive edge to organizations in holding and inspiring aptitude; so, it is too much necessary for determinants of high quality LMX in corporations. Thus, leader's prerequisite is to assess which factor influences LMX more and that is indifferent in maximizing value of each interaction. Therefore, it is necessary to understand that this relationship between fairness and LMX holds uniformly across organizations.

Today's burning dilemma of modern organizations is successfully implementation of change management (Salminen, 2000). Success of all organizations depends upon how they are able to avail benefit from that new successful project. According to French and Bell (1999), change means the new state of things is modern than old state of things. Adler and Shenbar (1990) suggested that every change necessitates modifications and adaptations in human resource, processes and procedures, structure, strategy, and culture. Here change management indicates the management of organizational changes.

This research aimed to understand the relationship between LMX and organizational justice as well as the moderating role of organizational role between organizational justice and LMX. This study contributes in different ways. Firstly, researchers made criticism on LMX to ignore contingency perspective which will be addressed in form of organizational change management. Multiple organizations vary different factors which are associated with organizational change but it depends upon an efficient leader to tackle in a good way. Secondly, this study incorporated organizational justice which can be considered as novelty.

This study contributes to take decision about their investment both to investors as well as to make understanding about the behavior of investors to the management. Investors can comprehend the positive or negative relationship about the organizational change management in expanding future strategies or policies. This study will also tell us about the behavior which is favorable to decision makers. In addition, managers can understand to develop relationship that is more attractive to decision makers.

The Literature Review

Leader-member exchange theory was developed by Graen, Novak, and Sommerkamp (1982). The theory described the leader and member relationship of a work unit, team, department or an organization. It further states that nature and quality of such exchanges affect individual and overall performance (Scandura & Graen, 1984). It also indicates that leaders have limited time, authority, and resources to discuss different issues, so they cannot build similar relations with all members (Bauer & Green, 1996) and (Wayne, Shore, & Liden, 1994). Therefore, this theory indicates different methods to a leader to develop different leadership styles with multiple subordinates.

The current study investigated LMX and organizational justice with moderating role of organizational change. Procedural, interactive, and distributive justice were under consideration with LMX in multiple studies. Organizational justice is an important factor which contributes in LMX (Masterson, Lewis, Goldman, & Taylor, 2000). The reason behind it is that interactional justice refers to fairness of interpersonal communication which is strongly

connected with LMX (Cohen-Charash & Spector, 2001). There exists a strong relation between LMX and distributive justice in case when rewards are under the authority of leaders, while few studies are opposing evidence (Cropanzano, Byrne, Bobocel, & Rupp, 2001).

The vital theory of leader-member exchange theory is combination of role theory and social exchange theory. Role theory highlights the roles of leaders and member (Hofmann, Morgeson, & Gerras, 2003) while social exchange theory concentrates on exchanges between leader and members. Members in organization perform their duties after assuming their roles (Graen et al., 1982); to this end, role theory can help to understand how this role-development process works in leader-member exchange theory (Dienesch & Liden, 1986).

Distributive justice brings higher internal motivation of work among employees leading to increased performance and positive outcomes (Fisher, 1978; Kuvaas, 2006). However, if employees perceive as controlled by someone, it may lead to decrease in motivation related to autonomy and sense of discretion (Deci, Koestner, & Ryan, 1999). Therefore, distributive justice is positively associated with leader-member exchange behavior because it gives positive exchanges between leader and members, promotes organizational justice, and brings improvement in individual and organizational outcomes.

Global business environment has dynamic position and for their existence and success, organizations have to modify their policies, rules, and regulations with the change in organizational structure, managerial and non-managerial conflicts, and changes in ownership structures. Organizations have to move toward more dynamic rules instead of old generations with much managerial control and information system (Christiansen & Varnes, 2015). Ackoff, Magidson, and Addison (2006) concentrated on different plans and processes which plays role in managing change. Barton & Ambrosini (2013) proposed failure of new strategy based upon employee's ability or its commitment toward that strategy. It also required adopting necessary behavior in attainment of organizational objectives. Multiple authors provide guidance to manage change which is incremental change.

The study

Figure 1 depicts the theoretical framework of the study.

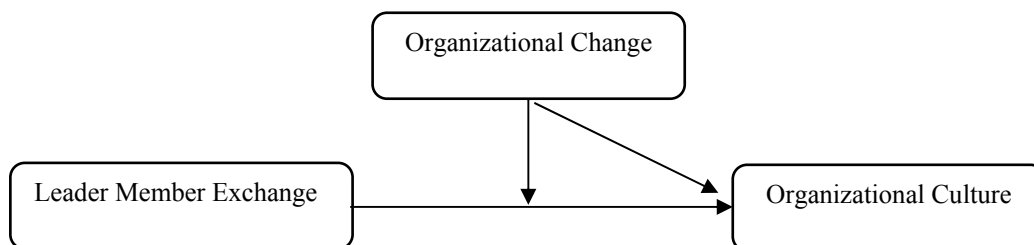


Figure 1. Theoretical framework

Research Hypotheses

The following hypotheses guided the study:

H₁: There is a significant effect of leader-member exchange on organizational justice.

H₂: There is a significant effect of organizational change on organizational justice.

H₃: There is a significant effect of leader-member exchange on organizational justice where organizational change acts as moderator.

Method

The target population of this study is respondents of trading, manufacturing, and servicing organizations. Sample size consisted of 185 individuals belonging to banking, sales and distributions, telecommunication, transport, textile, engineering, and teaching organizations. The study used convenient sampling technique which falls in probability sampling for selection of respondents. Convenient sampling technique has main feature in which samples can be selected upon the basis of better convenience.

Since banking, sales and distributions, telecommunication, transport, textile, engineering, and teaching industry are accessible to researcher, people working in a managerial post were selected as research sample. One questionnaire was distributed to each respondent and they were requested to fill while researchers were around to help in case of difficulty in understanding. All the questionnaires were filled in personal observation due to some reasons. First of all, it helped to answer the queries and secondly, to keep the responses unbiased up to some extent.

Leader-member exchange relationship was measured using a scale developed by Scandura and Grain (1984). Scale developed by Zamor (1998) was used for the measurement of organizational change management. Following this, organizational justice was measured by scale developed by Niehoff and Moorman (1993).

Results

Regarding leader-member exchange, organizational change, and organizational justice, this section discusses the results which are obtained from data collected from the respondents. SPSS software is used for descriptive statistics, reliability test, correlation analysis, and regression analysis, and moderation effect. Values of Cronbach Alpha for LMX, organizational justice, and organizational change were 0.67, 0.76, 0.73, and 0.73, respectively. Demographics included gender, age, qualification, experience of respondents, and type of employer.

Descriptive statistics is an indication of normality which presents your primary data. Mean indicates average of data and standard deviation indicated the spread of data. The main trend of the mean values of all variables fell toward the strongly agree because values were almost more than four. Table 1 presents the descriptive statistics and correlation analysis.

Table 1
Descriptive Statistics and Correlation Analysis

Variable	Mean	SD	1	2	3
LMX	4.07	0.87	1		
OC	3.95	0.52	0.33**	1	
OJ	4.19	0.42	0.24**	0.24**	1

Correlation analysis indicated the relationship between predicted and predictor variables as well as predictors itself. Correlation was considered as strong indication between relations in modern age but in the earlier times, it was considered as the best source. This correlation was followed by regression and furthermore, this relationship was supported by Pearson Correlation

in which the values indicated that there exist significant and positive relationship between leader member exchange, organizational change, and organizational justice at 99% confidence interval.

In these relations one point which is notified refers to the existence of not such strong relations which could be indication of autocorrelation between the predictor variables.

Linear regression analysis was used for checking the relationship between LMX and organizational justice where organizational change management acted as a moderator. Data was obtained from banking, education, and sales and distribution sectors. Value of R-square showed the change in dependent variable due to change in independent variable. Here, 24.6% variations happened because of predictor variables while significant value of F-statistics confirmed that this model showed goodness and fitness of model.

Results of regression analysis indicated that there exist significant and positive relationship between leader-member exchange relationship and organizational justice. To this end, positive changes in organizational rewards, benefits, and fairness will motivate the employees toward developing better and favorable relations between leader and members. Table 2 shows the regression analysis for impact of LMX on OJ.

Table 2
Regression Analysis for Impact of LMX on OJ

Predictors	β	R ²	R ²
Step 1			
Control Variables		0.05	
Step 2			
LMX	0.20**	0.24	0.19

**p<0.01

Multiple regression analysis contains more than one independent variable. In this regression, leader-member exchange and organizational change management included participating in making variation in organizational justice. The values of coefficient were minor but still both participated. It is noticed that one unit change in LMX will lead to 0.151 unit changes in organizational justice. It means that as the relation of leader and subordinate improves, it will lead to making better financial and non-financial rewards, benefits, and organizational fairness with its subordinates. So, this point is in favor of organization as its performance will also improve. Organizational change management also improves the organizational justice because with the change and innovation in policies, rules and regulation of any organizational will provide importance and benefits to its employees. So, employees will consider it as beneficial for them which create loyalty with any organization. Here, R-square value indicated that 30% of variations in dependent variables will be due to independent variables. Significant value of F-statistics also showed that model is good and fit.

Organizational change management acted as moderator between the relationship of leader-member exchange and organizational justice. The value of R-square increased with addition of organizational change as a moderator in the model. Now, 33.5% variations take place due to organizational change and leader-member exchange variables but one thing which totally negates our hypothesis is adverse relationships. Table 3 indicates the moderation analysis.

Table 3
Moderation Analysis-Organizational Change

Predictors	β	R ²	R ²
Step 1			
Control Variables		0.05	
Step 2			
LMX	0.15*		0.24
OC	0.14*		
Step 3			
LMX x OC	0.21*		0.08

*p<0.05

Discussion and Conclusion

According to our hypothesis, we expected positive relationship but leader-member exchange affected significantly but negatively in presence of the moderator. Here, in sample organizations, it is possible that employees be of conservative approach and avoid accepting modification in policies, rules, and regulations. They may just focus on short-term benefit. Possibly, they may think that with modification, we have to adopt modern changes which could be difficult as well as modern policies that could affect their organizational rewards and benefits negatively.

It is concluded that, in simple regression, both leader-member exchange and organizational change impact significantly and positively on organizational justice. There exists direct relation in leader-member exchange and organizational justice and if subordinates feel satisfied in availing benefits that will lead to improving organizational performance. Organizational change and modifications are necessary to avail competitive advantage and it is of great importance for survival. This study examined the relationship between leader member exchange relationship and organizational justice with moderating role of organizational change. Supervisors have contributing role to implement the changes as organization provide justice. Descriptive statistics, correlation matrix, and simple and multiple regression analysis were used as statistical technique. The findings showed that there exist significant and positive relationship between LMX and organizational justice. Furthermore, it is also seen that organizational change shows negative moderating effect between LMX and organizational justice. The presented managerial implications may help to address how organizational contexts might be manipulated in an attempt to understand, reduce, and avoid the development of organizational change to produce more effective and successful change. The findings of this study should be viewed within the context of its limitation. To this end, the study took advantage of questionnaire, future studies should consider other measures. Following this, further research is needed in other sectors in order to compare the results.

References

- Ackoff, R. L., Magidson, J., Addison, H. J. (2006). *Idealized design: How to dissolve tomorrow's crisis...today*. Philadelphia, PA: Wharton School Publishing.
- Adler, P.S., & Shenbar, A. (1990). Adapting your technological base: The organizational challenge. *Sloan Management Review*, 32, 25–37.

- Ashkanasy, N., Gupta, V., Mayfield, M. S., & Trevore-Roberts, E. (2004). In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand, Oaks: Sage.
- Barton, L. C., & Ambrosini, V. (2013). The moderating effect of organizational change cynicism on middle manager strategy commitment. *The International Journal of Human Resource Management*, 24(4), 721–746.
- Bauer, T. N., & Green, S. G. (1996). Development of leader-member exchange: A longitudinal test. *Academy of management journal*, 39(6), 1538–1567.
- Christiansen, J. K., & Varnes, C. J. (2015). Drivers of changes in product development rules: How generations of rules change back and forth. *European Journal of Innovation Management*, 18(2), 218–237.
- Cohen-Charash, Y., & Spector, P. E. (2001). The role of justice in organizations: A meta analysis. *Organizational behavior & human decision processes*, 86(2), 278–321.
- Cropanzano, R., Byrne, Z. S., Bobocel, D. R., & Rupp, D. E. (2001). Moral virtues, fairness heuristics, social entities, and other denizens of organizational justice. *Journal of Vocational Behavior*, 58(2), 164–209.
- Deci, E. L., Koestner, R., & Ryan, R. M. (1999). A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation. *Psychological Bulletin*, 125(6), 627–668.
- Dienesch, R. M., & Liden, R. C. (1986). Leader-member exchange model of leadership: A critique and further development. *Academy of Management Review*, 11(3), 618–634.
- Fisher, C. D. (1978). The effects of personal control, competence, and extrinsic reward systems on intrinsic motivation. *Organizational Behavior & Human Performance*, 21(3), 273–288.
- French, W. L., & Bell, C. H. (1999). *Organization development: Behavioral science interventions for organization improvement* (6th ed.). Englewood Cliffs, NJ: Prentice Hall.
- Gerstner, C. R., & Day, D. V. (1997). Meta-Analytic review of leader-member exchange theory: Correlates and construct issues. *Journal of Applied Psychology*, 82(6), 827–844.
- Graen, G., Novak, M. A., & Sommerkamp, P. (1982). The effects of leader-member exchange and job design on productivity and satisfaction: Testing a dual attachment model. *Organizational Behavior & Human Performance*, 30(1), 109–131.
- Hofmann, D. A., Morgeson, F. P., & Gerras, S. J. (2003). Climate as a moderator of the relationship between leader-member exchange and content specific citizenship: Safety climate as an exemplar. *Journal of Applied Psychology*, 88(1), 170–178.
- Kuvaas, B. (2006). Work performance, affective commitment, and work motivation: The roles of pay administration and pay level. *Journal of Organizational Behavior*, 27(3), 365–385.
- Niehoff, B. P., & Moorman, R. H. (1993). Justice as a mediator of the relationship between methods of monitoring and organizational citizenship behavior. *Academy of Management Journal*, 36, 527–556.
- Masterson, S. S., Lewis, K., Goldman, B. M., & Taylor, M. S. (2000). Integrating justice and social exchange: The differing effects of fair procedures and treatment on work relationships. *Academy of Management Journal*, 43(4), 738–748.
- Salminen, A. (2000). *Implementing organizational and operational change: Critical success factors of change management* (Unpublished doctoral dissertation). Helsinki University of Technology, Executive School of Industrial Management.
- Scandura, T. A., & Graen, G. B. (1984). Moderating effects of initial leader-member exchange status on the effects of a leadership intervention. *Journal of Applied Psychology*, 69(3), 428–436.
- Sparrowe, R. T., & Liden, R. C. (1997). Process and structure in leader-member exchange. *Academy of Management Review*, 22(2), 522–552.
- Wayne, S. J., Shore, L. M., & Liden, R. C. (1997). Perceived organizational support and leader-member exchange: A social exchange perspective. *Academy of Management journal*, 40(1), 82–111.
- Zamor, R. L. (1998). *Measuring and improving organizational change readiness in the Libertyville fire department*. Emmitsburg, MD: National Fire Academy.

Copyright of International Journal of Organizational Leadership is the property of Industrial Management Institute and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.