

# RETHINKING LEADER-MEMBER EXCHANGE: AN ORGANIZATIONAL JUSTICE PERSPECTIVE

Terri A. Scandura\*  
*University of Miami*

The literature on leader-member exchange (LMX) is examined from an organizational justice perspective. The concepts of distributive, procedural, and interactional justice expand the LMX model to consider social comparison processes operating within work groups. A model of LMX development over time is presented that suggests that the differentiation of work groups into in-groups and out-groups has implications for the emergence of organizational justice. New research propositions based upon the model are offered to encourage further research integrating LMX and organizational justice.

## INTRODUCTION

Relationships between leaders and members have been researched for over 25 years (Graen & Uhl-Bien, 1995), beginning with studies of the socialization of organizational newcomers indicating the importance of supervisors' attention to new role incumbents (Dansereau, Graen, & Haga, 1975). In these studies, some leaders treated their subordinates in different ways. Some were treated as "trusted assistants" (in-group members) and others as "hired hands" (out-group members) (Dansereau, Graen, & Haga, 1975). In-group members have better relationships with leaders and receive more work-related benefits in comparison to out-group members. This "Vertical Dyad Linkage" (VDL) concept includes characteristics of leaders, members, and the relationships between leaders and members (Dansereau, Yammarino, & Markham, 1995). This concept was later measured differently and labelled Leader-Member Exchange, or LMX (Graen, Liden, & Hoel, 1982a; Graen, Novak, & Sommerkamp, 1982b). LMX has recently been defined as the unique

---

\* Direct all correspondence to: Dr. Terri A. Scandura, Professor of Management and Psychology, 414 Jenkins Building, School of Business Administration, University of Miami, Coral Gables, Florida 33124; *e-mail*: scandura@miami.edu.

relationship-based social exchange between leaders and members (Graen & Uhl-Bien, 1995). However, this new emphasis on the relationship may obscure important exchange-based issues (including economic exchange such as performance ratings and pay increases) that take place in leader-member dyads. It is perhaps necessary to rethink the LMX concept, considering what constitutes "fair exchange in leadership" (Hollander, 1978, p. 71).

Dyadic relationships that emerge between leaders and followers in organizations are an important aspect of leadership theory and research (Bass, 1990; Graen & Uhl-Bien, 1995; Yukl, 1994). Moreover, measures of LMX have been related in some studies to a number of important outcome variables in organizational research including job satisfaction and performance ratings (Graen, Novak, & Sommerkamp, 1982b), turnover (Graen, Liden, & Hoel, 1982a; Ferris, 1985), subordinate decision influence (Scandura, Graen, & Novak, 1986), and career progress of managers (Wakabayashi & Graen, 1984; Scandura & Schriesheim, 1994). Yet, other studies do not find such conclusive evidence for the relationship between LMX and productivity (cf., Vecchio & Gobdel, 1984; Duarte, Goodson, & Klich, 1994) nor turnover (Vecchio, 1985). Such discrepancies in empirical studies conducted suggest that there might be mediator variables that account for some of the differences reported across studies of LMX. One possible explanation for discrepant findings across studies is the relationship between LMX and organizational justice, which delves into complex issues of the exchange aspect of LMX relationships. Yet, these issues have received scant theoretical and empirical attention in the LMX literature.

The purpose of this review is to extend LMX theory to consider issues of organizational justice. Despite numerous empirical investigations of LMX, some authors have commented that there has been limited theoretical development of the concept (Dansereau et al., 1995; Dienesch & Liden, 1986; Miner, 1980; Vecchio & Gobdel, 1984). It seems useful to re-examine some underlying assumptions in the literature on LMX, reintroducing relevant exchange theory concepts and treating LMX development from a justice perspective. This article briefly reviews the LMX literature and introduces relevant concepts from literature on organizational justice to reconcile some theoretical concerns regarding the usefulness of the model. Next, a model of the role of organizational justice in the formation of in-groups and out-groups is offered and new research propositions are developed.

## REVIEW

### Work Group Differentiation Process

Dansereau et al. (1975) presented a descriptive model of how work groups become differentiated into in-groups and out-groups based upon the quality of leader-member relationships that emerge between immediate supervisors and members of work groups. Despite the clear indication that work group differentiation occurs (Graen & Cashman, 1975; Vecchio, 1997), the idea that some subordinates are treated better than others is inconsistent with norms of equality (cf., Kabanoff, 1991; Meindl, 1989). However, empirical research studies continue to document differences in the quality of relationships and more benefits for in-group members

[cf. (Graen & Uhl-Bien, 1995) for review]. For example, Lagace, Castleberry and Ridnour (1993) found that in-group members (with higher quality LMX relationships) were higher on motivational factors and evaluations of their bosses and experienced less role-related stress (role overload, role insufficiency, role ambiguity and conflict). The literature has indicated, in some studies, that in-group members (i.e., those with higher quality LMX) receive more attention and support from the leader than out-group members (those with lower quality LMX) (cf., Graen et al., 1982b). Also, out-group members (with lower LMX) are more likely to file grievances (Cleyman, Jex, & Love, 1993). These results seem relevant to the concept of organizational justice since out-group members might see their leader as treating them unfairly. A careful review of the literature indicates that the LMX literature has referenced issues related to the fair treatment of members.

Dansereau, Alutto, and Yammarino (1984) presented a general model of exchange theory discussing the role of equity perceptions in the development of leader-member relationships. They defined investments as “. . . what one party gives to another party” (p. 98) and returns as “. . . what one party gets back from another” (p. 98). Their formulation suggests that investments trigger returns and vice versa and that, over time, stable patterns of exchange emerge between leaders and members, based on the ratios of investments to returns by both parties. Equity is thus maintained by changes in either what is invested or returned to attain an overall optimal level for both parties. Relationship development, over time, was proposed to be a function of these investment-return cycles.

As an illustrative example of the use of multiple-levels of analysis in theory-building, Dansereau et al. (1984) then elaborated their model to include multiple-relationships which invokes the concept of social comparisons between work group members. Investment-return cycles were compared for two different hypothetical work group members, noting that equity can be maintained at different levels of investments and returns. Social comparison processes emerge as one member compares his/her investments and returns to a comparison other in the work group. However, as long as the leader attends to the appropriate level of returns for investments, feelings of inequity should not emerge for the member receiving lower returns. This theoretical example presented by Dansereau and his colleagues captures the complexity (and also the necessity) of examining issues of organizational justice in studies of LMX.

As noted by Graen and Scandura (1987), one of the requirements for the development of high quality leader-member exchanges in organizations is that “. . . each party must see the exchange as reasonably equitable or fair” (p. 182). Yet, current theoretical approaches may limit the potential of LMX theory, because they place too much emphasis on social exchange and do not develop aspects of economic exchange (Graen & Uhl-Bien, 1995). Both social and economic exchange should perhaps be given more weight in future studies. It seems that exchange can involve both social aspects (such as availability and support) and economic aspects (such as pay raises).

Most studies of work group differentiation into in-groups and out-groups are descriptive, and not intended to instruct managers on how to manage their work groups. This differs from prescriptive or normative theory where guidelines for

managerial practice are developed. Without concerns for organizational justice, LMX may have limited contributions in terms of normative theory, because perceptions of organizational justice are necessary for the leadership process. From an organizational justice perspective, the LMX model might be criticized as reinforcing the special treatment of some work group members over others (Vecchio, 1997). Hence, supervisors may be reluctant to discuss the work group differentiation process; concern for organizational justice may explain lower variance in some supervisor reports of LMX (Scandura et al., 1986).

Lack of attention to theoretical concerns related to organizational justice have perhaps limited the theoretical development of LMX. Yet, the empirical literature on LMX is expanding (cf., Graen & Uhl-Bien, 1995). Several researchers have employed longitudinal research designs (cf., Liden, Wayne, & Stilwell, 1993), which have illuminated the development of LMX relationships over time. These studies support the premise that in-group members receive more benefits compared to out-group members, yet the question of whether or not this results in deprecation of team-level outcomes remains. This study reviews the literature on organizational justice to further explain the "fair exchange" aspect of LMX development (Dansereau et al., 1984; Graen & Scandura, 1987; Hollander, 1978) by revisiting important exchange-based issues in LMX (including economic exchange) that may be lost in current treatments of LMX as relationship-based and predominantly grounded in relationship-based social exchange (Graen & Uhl-Bien, 1995).

### **Organizational Justice: A Brief Review of Relevant Concepts**

Cropanzano and Folger (1991) present a two-component model of justice, which includes distributive and procedural forms of justice. Distributive justice is defined as the individual's perception that the outcomes that they receive are fair (Adams, 1965; Greenberg, 1990). Examples of distributive outcomes are pay increases, promotions, and challenging work assignments. Procedural justice is defined as an employee's perception that the procedures followed by the organization in determining who receives benefits are fair (Folger & Greenberg, 1985; Greenberg, 1987; Lind & Tyler, 1988). Examples of procedural justice are the degree of voice the person has in decision making and whether or not consistent rules are followed in making decisions.

Research on justice has indicated that a decision will be accepted by subordinates if procedural justice is followed, even if the distributive outcome is less than what an individual desires (Tyler, 1986). For example, a low pay raise would still be accepted if the organization's procedures of performance appraisal and rewards are seen as being followed in the determination of the raise. Also, communications about what is fair to organizational members, labelled interactional justice, has been proposed as a third aspect of justice at the workplace (Bies & Moag, 1986; Moorman, 1991). Interactional justice involves the manner in which organizational justice is communicated by supervisors to followers. Moorman (1991) demonstrated that distributive, procedural, and interactional justice are correlated, but distinct aspects of organizational justice. Following this conceptualization, organizational justice is defined as distributive, procedural, and interactional justice.

Members of work groups often interpret the behavior of their immediate supervisor in terms of organizational justice. Studies of procedural and distributive justice indicate that leaders who are perceived as procedurally fair are rated favorably by subordinates even when resource allocation is unequal (Folger & Konovsky, 1989; Tyler, 1986; Tyler, 1989; Tyler & Caine, 1981; Tyler & Lind, 1992). Organizational justice has implications for LMX theory since the focus of LMX is on the development of differentiated (in-group/out-group) leader-member relationships.

Despite suggestions by Hollander (1978), Dansereau et al. (1984) and Graen and Scandura (1987) that equity matters for LMX development, the issue has received little empirical attention. Notable exceptions are studies by Vecchio, Griffeth, and Hom (1986) and Manogran, Stauffer, and Conlon (1994). These studies suggest LMX is significantly related to perceptions of organizational justice by subordinates. Vecchio et al. (1986) showed a relationship between LMX and distributive justice. Those who had high quality relationships with their immediate supervisor viewed the workplace as being more fair than those with low quality relationships with their boss. Manogran et al. (1994) showed positive and significant correlations between LMX and procedural and interactional justice, in addition to distributive justice, using measures developed by Moorman (1991). These empirical findings are intriguing, yet it is unclear whether the correlations reported between LMX and organizational justice variables reflect that organizational justice is a tangential outcome to the LMX process or a more central element in the development of LMX relationships. A theoretical framework is needed to further elucidate the role of organizational justice in the LMX development process.

### **LMX and Organizational Justice**

Hollander (1978) noted that a “psychological contract” (p. 73) emerges between leaders and followers that depends upon expectations and actions of both parties to the dyad. He noted that equitable treatment of subordinates is often one of the most valued behaviors of a leader, since social comparison processes are so fundamental to human nature (Festinger, 1957). Hollander’s (1978) treatment of leadership and exchange focused mostly on issues of distributive justice, ensuring that reward distribution is fair. Meindl (1989) contrasted equity with parity, noting that equity refers to “. . . entitlement based on relative contributions” (p. 254). He also noted that the most frequently used alternative to equity is parity (also referred to as equality). Yet, equal distribution of rewards would not totally avoid inequity perceptions, since those whose investments are high might feel that they are not receiving appropriate (i.e., higher) levels of returns in comparison to others (Dansereau et al., 1984). Equal reward distribution may harm those who are the hardest workers in the group.

Now we come to the crux of the argument: can we have work group differentiation and organizational justice as well? LMX and work group differentiation may be perceived very differently, based upon whether norms of equity or parity (equality) are operating in the leader’s decisions regarding allocation of work group resources. Viewing LMX from an organizational justice perspective expands the model, in that LMX must be viewed as a system of interdependent relationships rather than as

a set of independent dyads (Graen & Scandura, 1987). Social comparison processes operate at the unit, team, or network level. Although it makes the model more complex, justice in LMX is a theoretically rich framework through which the distribution of benefits (both economic and social) within the LMX process may be studied. Understanding role development within complex systems of interlocked roles necessitates incorporation of multiple levels of analysis (Dansereau et al., 1984). For example, social comparison processes between work group members (i.e., between dyads) must be addressed. At the group level of analysis, we must also consider the interdependencies between subordinate and subordinate in addition to leader-member interdependencies.

The differentiation process of in-groups and out-groups is not discrepant with the concept of organizational justice. Procedural justice suggests that as long as a leader is perceived as fair by all work unit members (fair procedures for allocating rewards are followed), then a fair exchange of inputs to rewards might be maintained for all members of the work unit. Also, interactional justice seems to play a role in member's perceptions of the reasons for reward distribution in the work group as these are communicated to them by the leader.

In the development of work group perceptions of organizational justice, it is necessary to consider whether fair procedures are followed (procedural justice) and how this is communicated to members (interactional justice). Although it makes the model more complex, viewing LMX through a broad justice perspective (distributive, procedural, and interactional) provides a rich theoretical framework from which some interesting and non-obvious hypotheses can be generated. First, distributive justice enables us to understand how leaders distribute both economic and social benefits. Second, procedural justice and interactional justice provide an understanding as to how employees in the in-group and the out-group react to the distribution of benefits.

Figure 1 suggests how organizational justice issues may affect the LMX development process over time. This time-based model suggests the points at which organizational justice concepts become relevant to the development of LMX and performance (other possible outcomes will be discussed later). Time in this model specifically refers to the tenure of the leader-member relationship. Once leader and member begin to interact, a process unfolds which results in the differentiation of the member into an in-group or an out-group member.

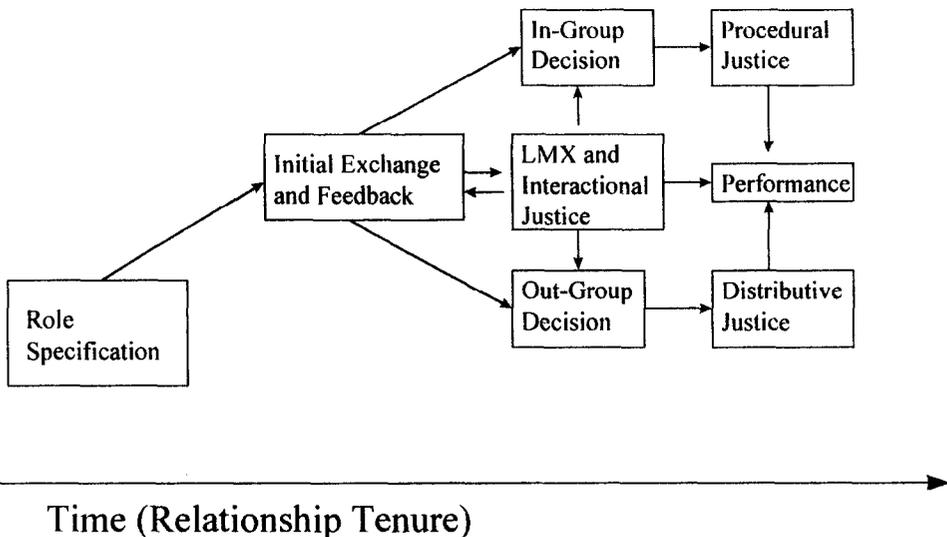
### ***Role Specification***

Early in the LMX development process, leaders send roles to members and members respond to these sets of expectations. Specifically, the leader specifies the tasks to be performed by the member. Issues of organizational justice may emerge in this early phase, since the leader and member are essentially strangers and levels of trust are probably low (Graen & Uhl-Bien, 1995). Distributive justice may become a concern, for example, if a member is asked to perform a task that he/she feels is beyond the formal job description. The member may feel that his/her level of compensation is too low for the task and that they are being asked to perform work that is more appropriate to a higher job classification. This involves issues of procedural justice, because if the member's perceptions are correct, then the formal

procedures of the organization for assigning work have been violated. These early perceptions of roles develop into patterns of initial exchange as the member provides feedback to the leader regarding whether or not roles are accepted.

**Initial Exchange and Feedback**

As the leader makes requests and the member responds, the leader begins to form a perception of the member based upon his/her responses to requests. Dansereau et al. (1984) referred to these exchange patterns as investment-return cycles. In the above example in which the leader asks the member to perform an extra-role behavior (i.e., a task that is outside of the formal job description), the member can provide different forms of feedback to the leader. In response to the request the member can (a) complete the task without questions, but expect a reward (a distributive justice response), (b) not do the task or do it poorly because it is not in the job description and he/she is not compensated for it (another variation on the distributive justice theme), (c) file a grievance because the leader has asked for an inappropriate task for his/her level (a procedural justice response), or (d) ask the leader for an explanation regarding why he/she has been asked to perform the task (an interactional justice response). These responses have clear implications for the next step, which is the emergence of a leader-member relationship of either an in-group or out-group type. It is important to note that this decision is not necessarily the sole judgement of the leader; it is, in part, based upon the feedback provided to the leader by the member. As Vecchio (1997) notes, some group members may want to be in the out-group. Some members may not want to invest extra effort in their work, and out-group status is perceived as equitable.



**Figure 1. The Role of Organizational Justice in In-Group/Out-Group Differentiation**

### ***LMX and Interactional Justice***

Aspects of interactional justice such as honesty (Bies & Moag, 1986) are important in the development of LMX. In Figure 1, LMX and interactional justice are included in the same box because they represent aspects of the leader-member relationship. The leader must be consistent, and not hide things from members—even those with low LMX. This is critical to the process of LMX development, since the first test of the leader by the member will often be his/her honesty in dealing with the member. For example, if the leader promises a reward, the leader must come through or else the member may perceive the leader as dishonest. Interactional justice pervades the LMX-organizational justice process because communication is such an integral part of LMX relationships (Fairhurst & Chandler, 1989; Schiemann, 1977), and the construction of meaning regarding what constitutes fair exchange (Sias & Jablin, 1995).

While interactional justice is a distinct concept from LMX, it is expected that they will be positively and significantly correlated (Manogran et al., 1994). LMX and interactional justice are variables that measure aspects of the quality of the leader-member relationship. Based upon the quality of the relationship that emerges, a decision is made regarding each member's in-group/out-group status in the work group, as shown in Figure 1. This process is described in detail by Vecchio (1997):

The boss tries out each new employee by offering small but challenging assignments. The subordinate's reaction to these additional responsibilities is then closely watched. If the employee reacts negatively (by saying, "It's not my job") or positively (by replying, "I'm happy to help"), then a cycle of trust or distrust is begun. In short, supervisors learn quickly who is reliable and who is not (p. 275).

In this manner, members in a work group are sorted into in-group or out-group members.

It is important to note that LMX and interactional justice are measured along a continuum (Dienesch & Liden, 1986), and some work group members' status may therefore be ambiguous (maybe in-group or out-group). As depicted in Figure 1, the LMX and interactional justice process have not yet resulted in an in-group or out-group decision, and the exchange and feedback processes continue (this is shown as recursive arrows between the initial exchange and feedback box and the LMX/interactional justice box).

### ***In-Group/Out-Group Decisions***

Dansereau et al. (1975) presented a descriptive model of how units become differentiated into in-groups and out-groups based upon the degree of negotiating latitude offered by the immediate supervisor to members of their work groups. From a distributive justice perspective, LMX is equity-based. From procedural and interactional justice perspectives, in-groups and out-groups may peacefully coexist, if the leader maintains fairness in procedures and interactions with all work group members (Tyler, 1986). Research has indicated that if a leader is procedurally fair,

his/her resource allocation decisions will be accepted by all work group members, even the out-group (Tyler & Caine, 1981).

In-group members are more likely to understand procedural justice issues due to the higher quality LMX and communication with supervisors. In-group members perform at higher levels, based upon perceptions that their leader is being procedurally just and explains decisions (interactional justice). Out-group members may be more likely to focus on distributive justice and perform at the level that is appropriate to the rewards they receive based upon the formal employment agreement (Graen & Scandura, 1987). This does not mean that procedural justice is irrelevant for out-group members, however, because their performance may be more related to reward distribution (distributive justice).

### ***Performance and Other Outcomes***

Since LMX has been linked to a number of outcome variables in organizational research [cf. (Graen & Uhl-Bien)], it can be expected that job satisfaction, organizational commitment, and extra-role behavior (such as organizational citizenship) would have similar relationships to organizational justice. Also, decision influence and delegation (Scandura et al., 1986; Schriesheim, Neider, & Scandura, 1998) would be outcomes of the LMX-organizational justice model. Also, absenteeism and turnover might be negatively related to LMX and organizational justice variables, since those who perceive their leader as being fair may be less likely to psychologically and/or physically withdraw from work. Role conflict and role ambiguity might be lower, since the process of why the work group has become differentiated might be better understood by work group members. For simplification, the model and research propositions refer to performance as an outcome. However, propositions with the additional outcome variables noted above as dependent variables can be tested as well.

## **DIRECTIONS FOR FUTURE RESEARCH**

### **Propositions**

Some research questions on LMX and justice must be examined from multiple levels of analysis (Dansereau, Alutto, & Yammarino, 1984; Dansereau et al., 1995; Klein, Dansereau, & Hall, 1994). Between-dyad justice issues emerge at the unit level, when social comparison processes are operative (Adams, 1965). For example, a person may perceive that their raise is fair until they learn that another person's raise is higher than theirs. Leaders must try to achieve perceptions of procedural justice through communication (interactional justice) with all unit members to accept distributive outcomes. The examination of organizational justice and LMX will require multiple levels of analysis (Dansereau et al., 1984; Klein et al., 1994). In the propositions that follow, these issues are marked with a "D" to designate that the issue incorporates a between-dyad level of analysis perspective. Issues at the work group level are designated with a "G". Research issues that cut across organizational tiers are designated with a "T". The use of these superscript distinc-

tions is new in multiple-level research, yet may improve theorizing by more directly specifying the nature of the multiple-level effect.

In testing the following propositions, it is also important to bear in mind that data from both supervisors and subordinates should be collected. While these reports are sometimes discrepant in the literature on LMX (Scandura & Schriesheim, 1994), this carries important information for researchers. Hence, Propositions 1 through 9 (P1-9) can be examined from the subordinates' perspective, the supervisors' perspective, or both, to determine whether perceptions are shared. More research is needed that examines multiple perspectives to more fully understand the implications of disagreement on the relationship. No published research could be located in this review on LMX and organizational justice has employed multiple levels and this appears to be a key area for future research. Proposition 10 requires the collection of data from both leaders and members in order to examine the cross-level effect posited.

The first six propositions involve between-dyad issues relating to the role of the organizational justice variables in the emergence of in-group and out-groups. Investments (Dansereau et al., 1984) or contributions (Dienesch & Liden, 1986) are an element of distributive justice during work group differentiation process. The member contributes to the work unit and norms of equitable allocation of rewards for these contributions are established over time.

One implication of the model presented in Figure 1, is that out-group membership is based upon distributive justice concerns (what is invested and received as perceived by members):

**P1:** Distributive justice contributes to the out-group decision.<sup>D</sup>

For in-group members, however, procedural justice is more important than what is received (distributive justice). One key aspect of procedural justice is "voice" or the ability to participate in decisions (Greenberg, 1990). In-group members, due to their higher quality relationships with the leader (LMX), are more likely to perceive the leader as following fair procedures, and allowing decision influence (Scandura et al., 1986). Hence,

**P2:** Procedural justice contributes to the in-group decision.<sup>D</sup>

The communication process is central to the development of LMX, and thus interactional justice is proposed to determine in-group membership. It can be expected that leaders and members who communicate about organizational justice issues are more likely to evolve into in-group relationships:

**P3:** Interactional justice contributes to the in-group decision.<sup>D</sup>

It can be expected that procedural justice mediates the link between in-group membership and performance. A mediating variable is an independent variable that explains all the variance in a dependent variable previously explained by another independent variable in a model. Once a mediator is introduced, no unique

variance is explained by the first independent variable (Baron & Kenny, 1986). If procedural justice is experienced by members, the effect of in-group or out-group memberships on performance becomes nonsignificant.

**P4:** Procedural justice mediates the relationship between in-group/out-group membership and performance.<sup>D</sup>

Similarly, distributive justice perceptions are expected to mediate the relationship between in-group/out-group membership and performance. Those who view their rewards as fair will accept their status and thus the effect on performance becomes nonsignificant:

**P5:** Distributive justice mediates the relationship between in-group/out-group membership and performance.<sup>D</sup>

LMX and interactional justice should have unique effects on performance. Augmenting effects in leadership research are additive effects of one variable over another (Bass, 1990). Having a high quality relationship plus being able to discuss organizational justice issues when they arise (interactional justice) should result in higher performance:

**P6:** Interactional justice augments the relationship of in-group/out-group membership and performance.<sup>D</sup>

The next three propositions address the group level of analysis because social comparisons between members of the work group are involved. Based upon social comparisons with all other members of the work group, an individual makes judgments regarding distributive, procedural, and interactional justice. As suggested by Dansereau et al. (1984), the determination of what is fair in leadership is often a function of social comparisons. Out-group members are more likely to base social comparisons on what is received (inputs). They focus on what is received more than the procedures employed to determine reward distribution. They may even believe that outcomes should be equally distributed. Since out-group members are less likely to communicate with the boss regarding these issues, they may be unaware of procedural justice:

**P7:** Out-group members make social comparisons based upon distributive justice.<sup>G</sup>

For in-group members, the relationship between the member's performance and rewards is clear, although immediate rewards are not necessary, due to the in-group member's commitment to the leader (Graen & Scandura, 1987). For example, a member may even forgo a reward to preserve what's perceived as fair by other work unit members. There is a high degree of interdependence between leader and in-group member, so the member might do what's best for the group. Hence, in-

group members are more likely to base their social comparisons on the leader's procedural justice:

**P8:** In-group members make social comparisons based upon procedural justice.<sup>G</sup>

In-group members communicate more frequently with their leaders on issues of organizational justice (Manogran et al., 1994). Since there is a higher level of interdependence between leader and member, issues in the work group are more openly discussed with in-group members. Thus, these members will rely on information from the leader (interactional justice) in making social comparisons involving others in the work group:

**P9:** In-group members make social comparisons based upon interactional justice.<sup>G</sup>

The final proposition involves cross-level effects because the leader's relationship with his/her boss must be studied in addition to relations within and between work group members. As noted earlier, data from both leaders and members must be collected to test these relationships (data from the leader regarding his/her relationship with the boss must also be obtained). Members receive rewards in the work group based upon their investments, however this assumes that the leader has sufficient rewards to distribute among members. This is a multi-tier issue for research, suggested by a study conducted by Graen, Ginsburgh, and Schieman (1977). In this study, the quality of the relationship with the leader's supervisor was related to the quality of the relationships the leader developed with his/her work group members. It is expected that a higher quality relationship with the leader's boss will result in (a) more rewards for members (distributive justice), (b) better understanding of procedures to follow in reward administration (procedural justice), and (c) better communications regarding organizational justice concerns (interactional justice):

**P10:** The leader's relationship with his/her supervisor determines the level of (a) distributive, (b) procedural, and (c) interactional justice perceived by the work group.<sup>T</sup>

### Implications for Practice

Perceptions of organizational justice within work groups must be maintained throughout the LMX development process. For example, a critical incident in which the leader or the member perceives the other's action as violating the norms that have emerged, justice may be questioned. The idea that attributions of leaders (or members) may bound the process of leader-member exchanges has been proposed by Dienesch and Liden (1986). For example, a leader may fail to come through on a promised reward (a distributive justice concern), without appropriately communicating the reasons to the member (interactional justice). Without communications

about organizational justice, the member begins to question the leader's actions, which over time destroys the established norms of procedural justice. These perceptions may send the relationship back to the role-specification phase (see Figure 1).

A second implication of the model outlined in this review is that leaders should offer in-group relationships to all work group members initially. Also, out-group members should be re-tested periodically by the leader making offers of in-group roles. Work group differentiation should not be based on factors other than performance (such as race, sex, or handicap status). The assumption should be made that all members can become in-group members if given the opportunity to contribute to the work group and the research base on LMX supports this (Scandura & Graen, 1984). Thus, the leaders' offering of in-group tasks and benefits to all members has clear ethical (and perhaps legal) implications. Thus, the integration of organizational justice and LMX moves LMX theory in the direction of normative theory which provides clearer guidelines for leaders in the management of work groups. Access must be provided to the leadership process for all members and out-group status should be based upon member's decisions not to participate and/or performance and not other factors.

Failure to recognize the important role that organizational justice plays in LMX can help explain why some high quality LMXs disintegrate over time. Recognition of distributive, procedural, and interactional justice is necessary to maintain long-term LMX relationships. Key issues for future empirical study are attribution processes and interactional justice variables (such as perceptions of honesty) in the process of communicating justice issues to members (Lind & Lissak, 1985). Perceptions of justice may operate at multiple levels of analysis—both between unit members as they compare their inputs to rewards, but also within the dyad as individuals compare their current level of outcomes with previous outcomes from the LMX relationship (Dansereau, et al., 1984; Klein, et al., 1994).

## SUMMARY

Issues of organizational justice appear central to further refinement of the LMX model. A conceptual framework was offered in this review that integrates LMX and organizational justice theories. This framework highlighted (<sup>D,G,T</sup>) some multiple level research propositions that might be pursued in future research on LMX and organizational justice. The empirical examination of some research questions regarding LMX and justice requires multiple levels of analysis perspective because a leader may have an overall approach to justice (between unit) and may also develop unique justice norms with members one-on-one through the LMX development process (within unit). Also, the collection of data from multiple perspectives to determine the degree of agreement between leaders and members is encouraged. The LMX model is perhaps one of the more promising developments in leadership research. Grounded in initial descriptive studies of work group differentiation (Dansereau et al., 1975), the model has been integrated with a number of other theories and variables in organizational research over the past 25 years (Graen & Uhl-Bien, 1995). Although the importance of equity was noted by some leadership theorists [cf. (Dansereau et al., 1984)], research on this aspect of LMX has been

sparse. This review hopefully addresses this deficiency in the literature by further developing a conceptualization of LMX and organizational justice.

**Acknowledgments:** I sincerely appreciate the constructive comments of three anonymous *Leadership Quarterly* reviewers. I would also like to thank Gail Fairhurst, George Graen, and Robert Moorman for helpful comments on earlier versions of the manuscript.

## REFERENCES

- Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology*, 2, 267–300.
- Baron, R. B., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173–1182.
- Bass, B. M. (1990). *Bass and Stogdill's handbook of leadership*, 3rd. ed. New York, NY: Free Press.
- Bies, R. J., & Moag, J. S. (1986). Interactional Justice: Communication criteria of effectiveness. In R. J. Lewicki, B. H. Sheppard, & B. H. Bazerman (Eds.), *Negotiation in Organizations*, 1, 43–55, Greenwich, CT: JAI Press.
- Cleyman, K. L., Jex, S. M., & Love, K. G. (1993). *Employee grievances: An application of the leader-member exchange model*. Paper presented at the 9th Annual Meeting of the Society for Industrial and Organizational Psychology, Nashville, TN.
- Cropanzano, R., & Folger, R. (1991). Procedural justice and worker motivation. In R. M. Steers and L. W. Porter (Eds.), *Motivation and work behavior*. New York, NY: McGraw-Hill.
- Dansereau, F., Alutto, J. A., & Yammarino, F. J. (1984). *Theory testing in organizational behavior: The variant approach*. Englewood Cliffs, NJ: Prentice-Hall.
- Dansereau, F., Graen, G., & Haga, W. J. (1975). A vertical dyad linkage approach to leadership within formal organizations: A longitudinal investigation of the role making process. *Organizational Behavior and Human Performance*, 13, 46–78.
- Dansereau, F., Yammarino, F. J., & Markham, S. E. (1995). Leadership: The multiple-level approaches. *Leadership Quarterly*, 6, 97–109.
- Dienesch, R. M., & Liden, R. C. (1986). Leader-member exchange model of leadership: A critique and further development. *Academy of Management Review*, 11, 618–634.
- Duarte, N. T., Goodson, J. R., & Klich, N. R. (1994). Effects of dyadic quality and duration on performance appraisal. *Academy of Management Journal*, 37, 499–521.
- Fairhurst, G. T., & Chandler, T. (1989). Social structure in leader-member interaction. *Communication Monographs*, 56, 215–239.
- Ferris, G. R. (1985). Role of leadership in the employee withdrawal process: A constructive replication. *Journal of Applied Psychology*, 70, 777–781.
- Festinger, L. (1957). *A theory of cognitive dissonance*. Evanston, IL: Row, Peterson.
- Folger, R., & Greenberg, J. (1985). Procedural justice: An interpretive analysis of personnel systems. In K. Rowland & G. Ferris (Eds.), *Research in personnel and human resources management*, Vol. 3 (pp. 141–183). Greenwich, CT: JAI Press.
- Folger, R., & Konovsky, M. A. (1989). Effects of procedural and distributive justice on reactions to pay raise decisions. *Academy of Management Journal*, 32, 115–130.
- Graen, G., & Cashman, J. (1975). A role-making model of leadership in formal organizations:

- A developmental approach. In J. G. Hunt & L. L. Larson (Eds.), *Leadership frontiers*. Kent, OH: Kent State University Press.
- Graen, G., Ginsburgh, S., & Schiemann, W. (1977). Effects of linking-pin quality on the quality of working life of lower participants. *Administrative Science Quarterly*, 22, 491–504.
- Graen, G., Liden, R., & Hoel, W. (1982a). Role of leadership in the employee withdrawal process. *Journal of Applied Psychology*, 67, 868–872.
- Graen, G., Novak, M., & Sommerkamp, P. (1982b). The effects of leader-member exchange and job design on productivity and satisfaction: Testing a dual attachment model. *Organizational Behavior and Human Performance*, 30, 109–131.
- Graen, G. B., & Scandura, T. A. (1986). A theory of dyadic career reality. In G. Ferris and K. Rowland (Eds.), *Research in Personnel and Human Resource Management*, 4: 147–181.
- Graen, G. B., & Scandura, T. A. (1987). Toward a psychology of dyadic organizing. In L. L. Cummings, & B. Staw (Eds.), *Research in Organizational Behavior*, 9: 175–208.
- Graen, G. B., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of Leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level-multi-domain perspective. *Leadership Quarterly*, 6, 219–247.
- Greenberg, J. (1987). A taxonomy of organizational justice theories. *Academy of Management Review*, 12, 9–22.
- Greenberg, J. (1990). Organizational justice: Yesterday, today and tomorrow. *Journal of Management*, 16, 399–432.
- Greenberg, J., & Folger, R. (1983). Procedural justice, participation, and the fair process effect in groups and organizations. In P. B. Paulus (Ed.), *Basic group processes* (pp. 235–256). New York, NY: Springer-Verlag.
- Hollander, E. P. (1978). *Leadership dynamics: A practical guide to effective relationships*. New York, NY: Free Press.
- Kabanoff, B. (1991). Equity, equality, power, and conflict. *Academy of Management Review*, 16, 416–441.
- Klein, K. J., Dansereau, F., & Hall, R. J. (1994). Levels issues in theory development, data collection, and analysis. *Academy of Management Review*, 19, 195–229.
- Lagace, R. R., Castleberry, S. B., & Ridnour, R. E. (1993). An exploratory salesforce study of the relationship between leader-member exchange and motivation, role stress, and manager evaluation. *Journal of Applied Business Research*, 9, 110–119.
- Liden, R. C., Wayne, S. J., & Stilwell, D. (1993). A longitudinal study on the early development of leader-member exchanges. *Journal of Applied Psychology*, 78, 662–674.
- Lind, E. A., & Lissak, R. I. (1985). Apparent impropriety and procedural fairness judgements. *Journal of Experimental Social Psychology*, 21, 19–29.
- Lind, E. A., & Tyler, T. R. (1988). *The social psychology of procedural justice*. New York, NY: Plenum Press.
- Manogran, P., Stauffer, J., & Conlon, E. J. (1994). *Leader-member exchange as a key mediating variable between employees' perceptions of fairness and organizational citizenship behavior*. National Academy of Management meeting proceedings, Dallas, TX.
- Meindl, J. R. (1989). Managing to be fair: An exploration of values, motives, and leadership. *Administrative Science Quarterly*, 34, 252–276.
- Miner, J. B. (1980). *Theories of organizational behavior*. Hinsdale, IL: Dryden Press.
- Moorman, R. H. (1991). Relationship between organizational justice and organizational citizenship behavior: Do fairness perceptions influence employee citizenship? *Journal of Applied Psychology*, 76, 845–855.
- 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, 428–436.
- Scandura, T. A., Graen, G. B., & Novak, M. A. (1986). When managers decide not to decide autocratically: An investigation of leader-member exchange and decision influence. *Journal of Applied Psychology*, 71, 579–584.
- Scandura, T. A., & Schriesheim, C. A. (1994). Leader-member exchange and supervisor career mentoring as complementary concepts in leadership research. *Academy of Management Journal*, 37, 1588–1602.
- Schiemann, W. A. (1977). *Structural and interpersonal effects on patterns of managerial communications: A longitudinal investigation* (Ph.D. dissertation) University of Illinois, Urbana-Champaign, IL.
- Schriesheim, C. A., Neider, L. L., & Scandura, T. A. (1998). A within- and between-groups analysis of leader-member exchange as a correlate of delegation and a moderator of delegation relationships with performance and satisfaction. *Academy of Management Journal*, 41, 298–318.
- Sias, P. M., & Jablin, F. M. (1995). Differential superior-subordinate relations, perceptions of fairness, and coworker communication. *Human Communication Research*, 22, 5–38.
- Tyler, T. R. (1986). The psychology of leadership evaluation. In H. W. Bierhoff, R. L. Cohen, & J. Greenberg (Eds.), *Justice in social relations*. New York, NY: Plenum.
- Tyler, T. R. (1989). The psychology of procedural justice: A test of the group-value model. *Journal of Personality and Social Psychology*, 57, 830–838.
- Tyler, T. R., & Caine, A. (1981). The role of distributive and procedural fairness in the endorsement of formal leaders. *Journal of Personality and Social Psychology*, 41, 643–655.
- Tyler, T. R., & Lind, E. A. (1992). A relational model of authority in groups. In M. P. Zanna (Ed.), *Advances in experimental social psychology*, 25, 115–191.
- Vecchio, R. P. (1985). Predicting employee turnover from leader-member exchange: A failure to replicate. *Academy of Management Journal*, 28, 478–485.
- Vecchio, R. P. (1997). Are you in or out with your boss? In R. P. Vecchio (Ed.), *Leadership: Understanding the dynamics of power and influence in organizations*. Notre Dame, IN: University of Notre Dame Press.
- Vecchio, R. P., & Gobdel, B. C. (1984). The vertical dyad linkage model of leadership: Problems and prospects. *Organizational Behavior and Human Performance*, 34, 5–20.
- Vecchio, R. P., Griffeth, R. W., & Hom, P. W. (1986). The predictive utility of the vertical dyad linkage approach. *Journal of Applied Psychology*, 126, 617–625.
- Wakabayashi, M., & Graen, G. (1984). The Japanese career progress study: A 7-year follow up. *Journal of Applied Psychology*, 69, 603–614.
- Yukl, G. (1994). *Leadership in organizations*, 3rd ed. Englewood Cliffs, NJ: Prentice-Hall.