LMX, Context Perceptions, and Performance: An Uncertainty Management Perspective
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This study investigates the role of leader–member exchange in moderating the effects of perceptions of organizational justice and politics on job performance. In contrast to previous research, which has relied on social exchange theory to explain these relationships, the current study uses uncertainty management theory to propose that relationships between employee perceptions of the context (e.g., perceptions of organizational politics, procedural justice, and distributive justice) and performance are stronger for employees who have lower quality leader–member exchange relationships with their supervisors. Analysis of data from a sample of 157 government employees and their supervisors provided partial support for the three hypothesized interactions and indicated that leaders play an important role in determining how employees respond to their perceptions of politics and justice and that neither social exchange theory nor uncertainty management theory fully explained our results. Theoretical and practical implications of our findings as well as directions for future research are provided.

**Keywords:** leader–member exchange (LMX); organizational politics; organizational justice; social context; uncertainty management theory

Accumulating research suggests that work attitudes and behavior are influenced by employee perceptions of the work context (e.g., Ferris, Adams, Kolodinsky, Hochwarter, & Ammeter, 2002; Levy & Williams, 2004). In particular, it has been suggested that employees make inferences about the quality of the exchange relationships they have with
their organizations based on their perceptions of various aspects of their jobs and, in response to these perceptions, determine the amount of effort to put into their work. Indeed, researchers have made much progress in understanding how employees’ perceptions of (a) the fairness of the rules and procedures that are used to determine outcomes (i.e., procedural justice), (b) the equity of the distribution of rewards (i.e., distributive justice), and (c) the prevalence of self-serving activities that are not sanctioned by the organization (i.e., organizational politics) relate to work-relevant criteria (Chang, Rosen, & Levy, 2009; Colquitt, 2001; Cropanzano & Kacmar, 1995).

Despite the prevalence of research investigating linkages between perceptions of organizational politics (POP) and justice on work behaviors, there are still reasons to explore these relationships further. First, meta-analyses have shown that politics perceptions and justice explain only a modest amount of variance in behavioral outcomes (e.g., Chang et al., 2009; Colquitt, Conlon, Wesson, Porter, & Ng, 2001). Second, several recent studies have failed to demonstrate anticipated main effects of politics and fairness perceptions on performance (Karriker & Williams, 2009; Maslyn & Fedor, 1998; Miller, Rutherford, & Kolodinsky, 2008; Olkkonen & Lipponen, 2006). Both of these findings hint that the relationships among these variables are more complex than the direct effects studied.

One way to add complexity to a model is to incorporate moderators to demonstrate the boundary conditions of the main effects. Presently, we extend past research by incorporating employees’ perceptions of the quality of their supervisor exchange relationships (leader–member exchange, hereafter LMX) as one potential moderator that helps in determining how employees respond to their perceptions of the work context. Integrating LMX into our study is a potentially useful addition, as past research has provided conflicting evidence for how LMX influences these relationships (e.g., Harris & Kacmar, 2005; Piccolo, Bardes, Mayer, & Judge, 2008).

Previous studies (Burton, Sablynski, & Sekiguchi, 2008; Piccolo et al., 2008) have used social exchange theory (SET; Blau, 1964) to suggest that employees who have higher quality exchange relationships with their leaders demonstrate stronger reactions to their perceptions of fairness because they have higher expectations for how they should be treated by the organization and these expectations make justice more salient. However, empirical studies provide only limited support for the SET interpretation of this relationship, indicating that LMX quality has the potential to strengthen (Piccolo et al., 2008) or attenuate (Erdogan, Krammer, & Liden, 2004) effects of employee perceptions of their jobs on work outcomes. These discrepant findings led us to consider an alternative explanation for these relationships. Specifically, we extend the literature by employing an uncertainty management theory (UMT; Lind & van den Bos, 2002) framework to explain how LMX moderates the effects of individuals’ perceptions of fairness that emanate from reward structures (procedural justice), outcomes (distributive justice), and perceptions of the broader social context (organizational politics) on job performance.

At its core, UMT suggests that individuals seek predictability in their environment (Lind & van den Bos, 2002). When it is missing, they look to the social context to supply information they can use to effectively deal with uncertainty. Low-quality LMX employees tend to experience more uncertainty and question their job security more than high-quality LMX employees, as members in low-quality exchanges do not have as much access to information, support, or resources from their supervisors (Liden, Sparrowe, & Wayne, 1997). Therefore, in contrast...
to SET predictions, the UMT framework advanced in the current research predicts that the relationship between context perceptions and performance will be stronger for low-quality LMX employees due to their inability to effectively secure information needed to manage uncertainty.

Thus, the current research makes several contributions to the literature. First, we examine the role of LMX in moderating the effects of perceived politics and justice on job performance. Examining these relationships is important because research has provided only modest support for linkages between POP, justice, and job performance and it is not clear whether LMX attenuates or accentuates these relationships (Piccolo et al., 2008). Second, we introduce UMT as an alternative theoretical perspective for examining relationships among these variables. UMT generates hypotheses that differ from those predicted by the SET perspective advanced in previous research. Thus, an empirical examination guided by a UMT framework is important because it may show how an alternative theory explains relationships beyond what is offered by SET. Finally, we examine whether the UMT-based predictions hold across multiple justice-related predictors. In addition to providing corroborating evidence for our hypotheses, examining these predictors together answers calls to assess perceptions of various contextual features in the same study (Johns, 2006) and broadens our understanding of the justice variables considered.

**Background and Theory**

The current study focuses on understanding how subordinates’ relationships with their leaders affect linkages between perceptions of three aspects of the context—POP, distributive justice, and procedural justice—and job performance. These features of the context were chosen because each conveys information about the fairness of different aspects of one’s job (Cropanzano & Kacmar, 1995; Rosen, Chang, Johnson, & Levy, 2009). In particular, distributive justice is concerned with the fairness of outcomes and is present when the allocation of rewards and resources is consistent with employees’ contributions and expectations (Colquitt, 2001). On the other hand, *procedural justice* refers to the fairness of the procedures that are used to determine outcomes and is closely associated with the structural features of decision making that facilitate employee voice, appropriateness of criteria, and the accuracy of information used to make decisions (Colquitt, 2001). POP are associated with observations that the social environment is marked by employees’ engaging in self-serving activities that are not officially sanctioned by the organization (Ferris et al., 2002). Powerful coalitions, favoritism-based decisions, and employees who engage in influence tactics to achieve desired outcomes are common characteristics of political environments. In organizations wherein political activities are normative, management is often perceived as likely to stray from formal reward structures and favor more subjective means of making employment decisions (Hall, Hochwarter, Ferris, & Bowen, 2004). As such, employees tend to view political work contexts as inherently unfair.

Perceptions of politics and justice convey information regarding employees’ value, standing, and future prospects in their employing organization. This information is used to make sense of employees’ exchange relationships with their organizations, and research suggests that employees reciprocate perceptions of more favorable conditions by putting time and effort
into activities that help the organization, such as performance. However, empirical studies have shown that perceptions of justice and politics explain only a modest amount of variance in supervisor ratings of performance (Aryee, Chen, & Budhwar, 2004; Burton et al., 2008; Colquitt et al., 2001; Miller et al., 2008; Renn, 1998; Williams, 1999). As discussed below, one potential explanation for these modest effects is that employees’ relationships with influential members of their organizations affect how they respond to their perceptions of the work context.

**LMX and Perceptions of the Context**

In addition to information that is relevant to employee–organization exchange relationships, employees also respond to their supervisor exchange relationships (Gerstner & Day, 1997). LMX theory has evolved into one of the more useful approaches for studying employee–supervisor relationships and how they affect employee outcomes. The basic tenets of this theory suggest that supervisors form relationships of differential quality with their subordinates (Graen & Uhl-Bien, 1995). Subordinates in high-quality exchanges form relationships characterized by mutual trust, liking, loyalty, professional respect, and reciprocal behaviors that benefit their supervisor. On the other hand, low-quality LMX subordinates tend to receive less from their supervisors (Erdogan et al., 2004) and, as a result, often experience more negative outcomes relative to their high-quality LMX subordinate counterparts. Although LMX and fairness are both central to understanding exchange relationships in organizations, it is only recently that researchers have investigated these constructs together. For example, Masterson, Lewis, Goldman, and Taylor (2000) suggested that the quality of employee–organization and employee–supervisor exchange relationships mediates the effects of fairness perceptions on employee outcomes. Within Masterson et al.’s framework, acts of fairness are described as contributions that enhance the quality of ongoing relationships with specific entities (i.e., organizations or supervisors). These contributions create obligations for employees to reciprocate the source of the fair treatment as a means of preserving the quality of the exchange relationship. Masterson et al.’s and others’ (Cropanzano, Prehar, & Chen, 2002; Rupp & Cropanzano, 2002) results support this perspective by demonstrating that LMX links supervisor-referenced justice perceptions (i.e., interactional justice) to employee outcomes and organizational exchange relationship perceptions mediate the effects of organization-referenced justice perceptions (i.e., procedural and distributive justice) on outcomes.

In contrast to research specifying that LMX mediates the effects of supervisor-focused fairness perceptions on outcomes, we examine LMX as a moderator of linkages between organizational fairness perceptions and performance. Thus, rather than focusing on the processes by which organization-referenced fairness perceptions may increase LMX quality, we examine how relationships between perceived politics, justice, and performance change depending on one’s relationship with his or her supervisor. The logic behind the switch from mediation to moderation is that general organization-referenced fairness perceptions, such as procedural and distributive justice, are unlikely to contribute to the development of specific exchange relationships, such as the ones that develop between employees and supervisors. Instead, differences between low- versus high-quality LMX employees are likely to affect
employees’ sensitivity to contextual information (Erdogan et al., 2004), which is a key determinant of the strength of the relationship between context perceptions and work outcomes. Such logic clearly describes a moderating role for LMX. However, as discussed below, it is less clear how LMX affects relationships between organization-referenced justice perceptions and performance.

Competing Perspectives: UMT Versus SET

According to SET, individuals take a cost–benefit approach to forming relationships with other parties (Blau, 1964). As relationships evolve through a series of interactions between parties, expectations for reciprocation are generated, such that contributions by one party are expected to be reciprocated by the other (Cropanzano & Mitchell, 2005). Previous studies (Burton et al., 2008; Piccolo et al., 2008) have relied on SET to describe the interaction between LMX and fairness perceptions, suggesting that employees who enjoy high-quality relationships with their leaders develop higher expectations for how they should be treated by the organization, making fairness perceptions more salient. Thus, SET suggests that high-quality LMX individuals are particularly sensitive to breeches in fairness and, when they occur, react by reducing inputs to punish their supervisors. Low-quality LMX individuals, on the other hand, have little expectation of fair treatment, making it less salient to them and subduing their reactions to injustices. However, those in low-quality LMX exchanges might be pleasantly surprised by fair treatment and increase their output as a form of repayment, something high-quality LMX subordinates are unlikely to do.

Unfortunately, empirical research testing this contention has not produced consistent results. For example, Burton et al. (2008) did not support their hypotheses that the relationship between justice perceptions and performance is stronger for members in high-quality exchanges. On the other hand, results of studies by Kacmar and colleagues provided evidence, albeit indirectly, that low-quality LMX employees are more sensitive to perceptions of the context, demonstrating a stronger relationship between POP and both strain (Harris & Kacmar, 2005) and withdrawal (Kacmar, Zivnuska, & White, 2007) for low-quality LMX employees. As such, empirical studies have provided equivocal evidence for SET-based predictions that perceived fairness has a stronger relationship with the performance of high, rather than low, LMX employees. Given the lack of empirical support and counterintuitive findings generated by previous studies, exploring other explanations of the moderating effect of LMX on the fairness perceptions–performance relationship is warranted. Therefore, we present UMT as an alternative theoretical interpretation of this interaction.

According to UMT, people have a need for predictability in their immediate environment. For example, employees desire a sense of security, and due to uncertainty about the future, they feel anxious about their ability to control their surroundings. As such, employees often look to the social context and past experiences with the organization for cues that will aid in their ability to make inferences about their value, worth, and future prospects in their organization (Lind & van den Bos, 2002; Tangirala & Alge, 2006; Thau, Aquino, & Wittek, 2007; van den Bos, 2001, 2003). UMT posits that contextual information is most salient when employees face higher levels of uncertainty, which occurs when proximal sources of information are
not available. In other words, employees attempt to reduce uncertainty by seeking information from readily available sources, such as supervisors. When these sources are not accessible, employees focus attention on the context to make sense of their situations.

Presently, we use the theoretical perspective of UMT to suggest that the employee–supervisor exchange relationship is important in determining how employee perceptions of the work context affect work behavior. Due to their power, influence, and position in the organizational hierarchy, leaders are perceived as having access to information that is especially relevant to employees’ status in the organization and their expectations of future outcomes. Therefore, supervisors represent a proximal source of information, and the quality of employees’ LMX relationships is likely to influence the amount of uncertainty that they experience (Gerstner & Day, 1997). Specifically, high-quality LMX members tend to have stronger personal relationships with their supervisors, which facilitates an open exchange of information between supervisors and subordinates (Kacmar, Witt, Zivnuska, & Gully, 2003; Liden et al., 1997). This free flow of information is associated with a reduction in the amount of uncertainty experienced by subordinates, as supervisors are more likely to communicate information that defines the roles and expectations that they have for high-quality LMX subordinates (Harris & Kacmar, 2005).

The evidence that context perceptions are more salient to people who face higher levels of uncertainty (Tangirala & Alge, 2006; van den Bos & Lind, 2002) suggests that POP and organization-referenced justice perceptions should be most strongly associated with reciprocation behaviors (i.e., job performance) when LMX quality is low. Specifically, subordinates in high-quality LMX relationships receive more support, information, and rewards from their supervisors and thus tend to feel more secure in their relationship with the organization (Dienesch & Liden, 1986). On the other hand, employees who have lower quality relationships with their supervisors do not have as much access to information that lets them know how well they are meeting performance standards. Moreover, low-quality LMX employees tend to trust their supervisors less (Brower, Schoorman, & Tan, 2000); thus, the value of the information that they do receive is discounted. As such, low-quality LMX employees are likely to have more questions about their value, worth, and long-term prospects with the organization. UMT suggests that to reduce anxiety associated with these feelings, low-LMX employees focus attention on their perceptions of the context and past experiences with their employer that communicated information regarding how fair the organization is when dealing with employees. Consequently, low-quality LMX employees are likely to be more sensitive to perceptions of fairness, as UMT suggests that employees focus attention on contextual conditions to evaluate their jobs and relationships to employers when access to trustworthy, proximal sources of information is limited.

Therefore, UMT and SET make different predictions regarding the moderating effect of LMX on the fairness–performance link. These differences are based on their contrasting theoretical orientations for when fairness information is most salient to employees. With SET, fairness information is more salient for high-quality LMX employees because of the expectations set by high-quality exchanges, which makes employees more sensitive to breeches of fairness. Accordingly, SET predicts that there is a stronger relationship between fairness perceptions and job performance for high-quality LMX members. In contrast, the UMT-based interpretation of this interaction suggests that fairness-related information is
more salient for low-quality LMX employees, as employees who have low-quality LMX relationships experience more uncertainty, which UMT suggests makes fairness information more salient. Thus, we predict that the fairness perceptions–performance relationship will be stronger for low-quality LMX members.

However, it should be noted that people attend to negative information more than to positive information, as negative information is more diagnostic in impression formation (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Ito, Larsen, Smith, & Cacioppo, 1998). Across a variety of contexts, research has demonstrated that negative (i.e., adverse or threatening) information has a greater impact on individuals’ actions and reactions than positive information (see Baumeister et al., 2001). Consistent with this perspective, organizational justice researchers suggest that although people are affected by fair treatment, they tend to respond more strongly to their perceptions of unfair treatment (Brockner & Wiesenfeld, 1996; Folger & Cropanzano, 1998). In particular, fairness has been described as a normative condition, representing the status quo; therefore, fairness is most salient when it is violated (De Cremer & Ruiter, 2003). Thus, given previous research suggesting that negative information is more salient than positive information, we expect that the interaction between LMX and context perceptions will have an asymmetrical form, such that the greatest difference between LMX levels will be observed when negative contextual information is perceived (i.e., low justice and high politics). With this in mind, we propose the following hypotheses:

**Hypothesis 1:** LMX will moderate the negative relationship between perceived politics and job performance such that the relationship will be significantly stronger for low-LMX members than for high-LMX members.

**Hypothesis 2:** LMX will moderate the positive relationship between procedural justice and job performance such that the relationship will be significantly stronger for low-LMX members than for high-LMX members.

**Hypothesis 3:** LMX will moderate the positive relationship between distributive justice and job performance such that the relationship will be significantly stronger for low-LMX members than for high-LMX members.

**Method**

**Sample and Procedure**

The sample for this study consisted of employees of a state governmental agency responsible for dealing with disease-related issues (e.g., immunizations, tuberculosis, STDs). The agency director agreed to participate in this study to learn more about how leaders and managers affect employee outcomes. The director sent an email to all agency employees informing them of the purpose of the study, that participation was voluntary, that only the researchers would see individual responses, and that the results would be kept confidential. This email was followed by an email from one of the researchers, again explaining the survey’s goal, the confidentiality of responses, and a link to the survey’s Web site. Respondents were asked to click on the link and complete the survey during the next month. Each employee was required to provide the name of his or her supervisor to match supervisor–subordinate
responses. At the same time, division supervisors were asked to provide performance ratings for each of their subordinates.

Eliminating responses with missing data and those that could not be matched to a supervisor survey resulted in a subordinate sample size of 157 (75% response rate). Subordinates were 62% female, on average 43.1 years of age, with a mean job tenure of 4.04 years and organizational tenure of 5.78 years. In total, 42 supervisors (72% response rate) provided ratings, resulting in an average of 3.74 ratings per supervisor. For the supervisors, the demographic breakdown was 41% female, the mean age was 47.9 years, mean job tenure was 4.79 years, and mean organizational tenure was 7.73 years.

Measures

For consistency, a 5-point Likert-type scale (strongly disagree = 1 to strongly agree = 5) was used for responses to all survey items. Subordinates provided the data for our independent and moderating variables. Hochwarter, Kacmar, Perrewé, and Johnson’s (2003) 6-item scale (e.g., “There is a lot of self-serving behavior going on”) was used to measure POP ($\alpha = .95$). Parker, Baltes, and Christiansen’s (1997) 4-item scale (e.g., “People involved in implementing decisions have a say in making the decisions”) was used to measure procedural justice ($\alpha = .82$). Distributive justice was measured with Price and Mueller’s (1986) scale ($\alpha = .96$), which has 6 items (e.g., “I am fairly rewarded for the amount of effort I put forth”). Liden and Maslyn’s (1998) 12-item scale (e.g., “My supervisor would defend me to others in the organization if I made an honest mistake”) was used to tap LMX quality ($\alpha = .93$). Supervisors used Podsakoff and MacKenzie’s (1989) 4-item scale (e.g., “This subordinate fulfills all responsibilities required by his/her job”) to rate subordinates’ performance ($\alpha = .92$).

Control Variables

Based on our review of the literature (e.g., Liden, Erdogan, Wayne, & Sparrowe, 2006; Sturman, 2003), we controlled for organizational tenure, relationship (supervisor–subordinate) tenure, job tenure, hours worked per week, and supervisor–subordinate gender similarity.

Analysis Approach

Supervisors provided performance ratings for more than one subordinate. To account for this nonindependence effect in our data, we used hierarchical linear modeling (HLM; Raudenbush, Bryk, Cheong, & Congdon, 2004) with grand mean centering to perform our analyses. Separate four-step HLM analyses were conducted for each interaction term. We tested these interactions separately to minimize the effects of sample size–related multicollinearity issues, as well as our overall interest in seeing the independent effects of the separate interactions. In the first step, we entered the five control variables. In the second step, we entered all three social context variables (perceived politics, procedural justice, and
distributive justice). In Step 3, we entered the main effect for LMX. In the fourth step, we entered the interaction term formed by multiplying the perceptions of the social context variable by the LMX variable.

Results

Table 1 provides the means, standard deviations, and correlations for the variables in this study. Before testing our hypotheses, we assessed the distinctiveness of the focal constructs by comparing the fit of an unconstrained measurement model to a constrained model in which two factors from the a priori model are collapsed into one (Kenny, 1998). Chi-square difference tests were used to compare the two models to determine whether the constructs are independent. To implement this procedure, we used LISREL 8.80 to estimate a five-factor measurement model as well as six alternative nested models. Table 2 presents a description of the models and their results. Supporting the independence of the five focal constructs, results indicated that the five-factor model fit the data better than any of the alternative models. However, comparing results of chi-square difference tests represents a liberal test of discriminant validity. Therefore, we also followed the procedure outlined by Fornell and Larcker (1981) and calculated the square root of the average variance explained for all variables in our study. To demonstrate discriminant validity, this value (presented on the diagonal in Table 1) must exceed the corresponding latent variable correlations in the same row and column. If this condition is met, then there is evidence that the variance shared between any two constructs is less than the average variance explained by the items that compose the scale. As shown in Table 1, this condition is met for all variables in our study.
Table 2
Results of Confirmatory Factor Analyses of the Focal Constructs

<table>
<thead>
<tr>
<th>Model</th>
<th>$\chi^2$</th>
<th>df</th>
<th>$\Delta\chi^2$</th>
<th>$\Delta$df</th>
<th>CFI</th>
<th>NFI</th>
<th>RMSEA</th>
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</thead>
<tbody>
<tr>
<td>Hypothesized model (five-factor)</td>
<td>840</td>
<td>450</td>
<td>—</td>
<td>—</td>
<td>.96</td>
<td>.92</td>
<td>.077</td>
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<tr>
<td>Four-factor Model 1 (combining PJ and DJ)</td>
<td>1,034</td>
<td>454</td>
<td>194*</td>
<td>4</td>
<td>.95</td>
<td>.91</td>
<td>.093</td>
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<tr>
<td>Four-factor Model 2 (combining POP and DJ)</td>
<td>1,909</td>
<td>454</td>
<td>1,069*</td>
<td>4</td>
<td>.91</td>
<td>.88</td>
<td>.147</td>
</tr>
<tr>
<td>Four-factor Model 3 (combining LMX and DJ)</td>
<td>2,297</td>
<td>454</td>
<td>1,457*</td>
<td>4</td>
<td>.90</td>
<td>.86</td>
<td>.166</td>
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<tr>
<td>Four-factor Model 4 (combining POP and PJ)</td>
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<td>454</td>
<td>173*</td>
<td>4</td>
<td>.95</td>
<td>.91</td>
<td>.091</td>
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<tr>
<td>Four-factor Model 5 (combining LMX and PJ)</td>
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<td>454</td>
<td>278*</td>
<td>4</td>
<td>.94</td>
<td>.91</td>
<td>.099</td>
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<tr>
<td>Four-factor Model 6 (combining POP and LMX)</td>
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<td>1,222*</td>
<td>4</td>
<td>.91</td>
<td>.88</td>
<td>.155</td>
</tr>
</tbody>
</table>

Notes: CFI = confirmatory factor analysis; NFI = normed fit index; RMSEA = root mean square error of approximation; PJ = procedural justice; DJ = distributive justice; POP = perceptions of organizational politics; LMX = leader–member exchange. Dashes indicate. $N = 157$. *$p < .05$.

Table 3
Hierarchical Linear Modeling Results With Performance as the Outcome Variable

<table>
<thead>
<tr>
<th>Control variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
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</thead>
<tbody>
<tr>
<td>Organizational tenure</td>
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<td>.02*</td>
<td>.02*</td>
<td>.03*</td>
<td>.02*</td>
<td>.02*</td>
</tr>
<tr>
<td>Relationship tenure</td>
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<td>.03</td>
<td>.03</td>
<td>.02</td>
<td>.02</td>
<td>.02</td>
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<tr>
<td>Job tenure</td>
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<td>-.01</td>
<td>-.01</td>
<td>-.01</td>
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<td>-.01</td>
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<td>Hours worked per week</td>
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<td>.12</td>
<td>.10</td>
<td>.11</td>
<td>.08</td>
<td>.10</td>
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<tr>
<td>Gender similarity</td>
<td>.04</td>
<td>.04</td>
<td>.01</td>
<td>-.00</td>
<td>.03</td>
<td>.01</td>
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<tr>
<td>Perception of social context variables</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>POP</td>
<td>.00</td>
<td>.04</td>
<td>.04</td>
<td>-.01</td>
<td>.03</td>
<td></td>
</tr>
<tr>
<td>PJ</td>
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<td>-.07</td>
<td>-.05</td>
<td>-.09</td>
<td>-.07</td>
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</tr>
<tr>
<td>DJ</td>
<td>.07</td>
<td>.05</td>
<td>.04</td>
<td>.04</td>
<td>.07</td>
<td></td>
</tr>
<tr>
<td>Moderator</td>
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<tr>
<td>LMX</td>
<td>.30*</td>
<td>.24*</td>
<td>.16</td>
<td>.19</td>
<td></td>
<td></td>
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<td>Interaction</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>POP × LMX</td>
<td>.16*</td>
<td></td>
<td>.16</td>
<td>.19</td>
<td></td>
<td></td>
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<tr>
<td>PJ × LMX</td>
<td>-.35**</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>DJ × LMX</td>
<td>-.21**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>.03</td>
<td>.01</td>
<td>.08</td>
<td>.04</td>
<td>.17</td>
<td>.10</td>
</tr>
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</table>

Notes: POP = perceptions of organizational politics; PJ = procedural justice; DJ = distributive justice; LMX = leader–member exchange. $N = 157$. *$p < .05$. **$p < .01$.

Tests of Hypotheses

The HLM results are shown in Table 3. Before running the full HLM analyses, a null model with no predictors was estimated. Results of this analysis showed that there is significant between-supervisor variation in performance ratings ($\chi^2 = 71.21$, $p < .01$). The
intraclass correlation coefficients (Hofmann, Griffin, & Gavin, 2000) showed that the percentage of variance in supervisors’ performance ratings was .16, demonstrating the appropriateness of our decision to use HLM. As shown in Model 1 in Table 3, only organizational tenure was significantly related to performance. In terms of the main effects, Model 2 in Table 3 shows that none of the three perceptions of social context variables were significantly related to performance. This finding provides additional evidence of the importance of examining moderators. Model 3 in Table 3 reveals that the LMX main effect had a significant, positive relationship with performance.

After the first three models were entered, the interaction terms were separately entered in unique models. Results in Models 4 through 6 reveal that all three of the interactions were significant. We graphed the results of the significant interactions to determine if the results support our hypotheses. Specifically, we plotted two slopes, one at one standard deviation less than the mean and one at one standard deviation greater than the mean (Stone & Hollenbeck, 1989). Plots of the interactions are shown in Figure 1 (a-c).

Our hypotheses predicted that LMX would moderate the effects of context perceptions such that relationships between politics (Hypothesis 1), procedural justice (Hypothesis 2), and distributive justice (Hypothesis 3) would be stronger for low-quality LMX employees. Figure 1 (a-c) provides evidence that lower LMX members demonstrate more negative reactions in response to their perceptions of politics, procedural justice, and distributive justice and these effects are most discernible when perceptions of justice are low and politics are high. To examine whether the effects of context perceptions were stronger for low-quality LMX employees, we conducted simple slope tests. For the POP-LMX interaction, results indicated that the slope of the low-LMX line \( t = -1.2, ns \) was not significant but the slope of the high-LMX line was significant \( t = 2.0, p < .05 \). Thus, although the interaction was significant, the simple slope test did not support Hypothesis 1. Simple slope tests for the procedural justice–LMX interaction revealed that the slope of the low-LMX line \( t = 0.97, ns \) was not significant but the slope of the high-LMX line was significant \( t = -2.31, p < .05 \). Again, although the interaction was significant, our simple slope results do not support Hypothesis 2. For the distributive justice–LMX interaction, results indicated that the slope of both the low \( t = 4.48, p < .05 \) and high \( t = -3.61, p < .05 \) LMX lines were significant. Our finding that the low-LMX line slope was stronger than the high-LMX line slope provides support for Hypothesis 3. Together, these results provide partial support for our hypotheses, suggesting that how one responds to his or her perceptions of the social context depends on his or her LMX relationship quality.

**Discussion**

Drawing from UMT, we proposed that employees demonstrate lower levels of performance in response to their perceptions of negative work conditions when the quality of the LMX relationship is low. The study results indicated that all three interactions that were tested were statistically significant and consistent with previous research (see Baumeister et al., 2001; De Cremer & Ruiter, 2003). Our results suggest that negative information has an asymmetrical impact on individuals and indicate that interactions between perceptions of the context and LMX were driven by negative contextual information. However, the results
Figure 1 (a-c)
Moderating Effects of Leader–Member Exchange on the Relationship Between (a) Perceptions of Organizational Politics, (b) Procedural Justice, and (c) Distributive Justice and Task Performance
provided only limited support for the pattern of results predicted by UMT. Specifically, results indicated that when LMX is low, distributive injustice has a negative effect on performance (Hypothesis 3). Unfortunately, a similar pattern of results was not found when we tested interactions between LMX and either perceptions of politics (Hypothesis 1) or procedural justice (Hypothesis 2). Rather, our results showed an unanticipated finding, indicating that when LMX is high, the effects of perceived politics and injustice (both procedural and distributive) on performance are positive, indicating that the relationship between politics, justice, and performance may reverse in direction for low- versus high-LMX employees. Thus, our findings indicate that both SET and UMT may be insufficient for understanding the role of LMX in moderating the effects of context perceptions on performance.

Theoretical Implications

Previous research has relied on SET to propose that perceptions of unfavorable work conditions are more salient to employees who have high-quality exchange relationships with their supervisors (Piccolo et al., 2008). Specifically, research suggests that members in high-quality exchanges expect fair treatment from their leaders and organizations, which makes these employees more sensitive to breeches in fairness. However, empirical research has not substantiated this perspective (Burton et al., 2008; Harris & Kacmar, 2005). To further examine the interaction between LMX and context perceptions, the current study explored an alternative UMT-based framework that posits that leaders are a source of information employees use to evaluate the quality of their organizational exchange relationships. When this source of information is not available, employees make inferences about their exchange relationships based on their previous interactions and experiences with the organization. Thus, in contrast to SET, the UMT perspective advanced in the current study suggests that there will be a stronger negative relationship between perceived work conditions and the performance of employees who have low-quality exchange relationships with their supervisors. It should be noted, however, that both theoretical perspectives assume that less favorable work conditions (i.e., procedural and distributive injustice and politics) are associated with lower levels of job performance.

Although our results provide additional evidence that LMX has an effect on how employees respond to their perceptions of the context, the pattern of results was not entirely consistent with our hypotheses. Specifically, simple slope analyses indicated that (a) only distributive injustice had a stronger, negative effect on performance for low-LMX employees; (b) the performance of low-LMX employees was not affected by either politics or procedural justice; and (c) high-LMX employees demonstrated the highest levels of performance when perceived conditions were less favorable (i.e., higher levels of politics and lower levels of justice). Thus, the results of the current study did not provide strong support for predictions that would be made based on either UMT, which suggests that relationships between context and performance are stronger for low-LMX employees, or SET, which suggests that relationships between context perceptions and performance are stronger for high-LMX employees (Piccolo et al., 2008). It is possible that the anticipated pattern of results, only found for distributive justice, occurred because when individuals are confident that their performance
will be rewarded, they are more willing to put forth effort. Such an environment exists only when distributive justice is high as rewards are not guaranteed when POP are low and procedural justice is high. However, this post hoc explanation does not explain our findings that high-LMX employees are more sensitive to context and in a way that is opposite to what was expected.

A possible explanation for the unanticipated positive effects of low justice and high politics on high-quality LMX members’ performance is that when the work context is politicized and rife with injustice, the leader has more latitude to develop strong exchanges and may work harder to use the exchange relationship to drive employee performance. Moreover, the pattern of results observed in the current study suggests that employees who have high-quality LMX relationships may be the beneficiaries of organizational politics and unfair policies and practices. In particular, unfair and political contexts may provide supervisors with more leeway to promote and reward their favored subordinates, although this effect is likely to be less pronounced (as we found) for distributive justice, as this variable taps the actual rewards received. Thus, members in high-quality exchanges may be more likely to feel that their supervisors can protect them from the negative outcomes associated with political and unfair work environments, and given the leeway that is provided to supervisors in such contexts, employees may perceive that their long-term prospects in the organization are better in environments in which politics and unfair procedures are normative. In other words, when contextual conditions are less favorable, members in high-quality exchanges may see the leader as being able to protect them, may be grateful for the shelter and extra help that they are given, and as a result may work even harder to maintain their in-group status. Thus, it is possible that certain contextual conditions provide supervisors with more latitude for how they manage employees, this increased latitude benefits favored employees (i.e., high-quality LMX members), and members in high-quality LMX exchanges show their gratitude for this preferential treatment by putting more time and effort into their jobs. Despite the intuitive appeal of this explanation, it still represents a post hoc description of our results. Therefore, future studies should explore the extent to which members in high-quality exchanges feel they benefit from unfair conditions and how these feelings relate to performance.

Another possible explanation of our findings concerns the measure of performance. Specifically, in the current study, performance was assessed using supervisor ratings. When politics is low and procedural justice is high, supervisors are more likely to provide accurate ratings of performance for all employees, independent of LMX membership. Our results were generally consistent with this perspective, indicating that discrepancies in the performance of high- and low-LMX employees were minimal when POP were low and justice was high. However, when politics is high and justice is low, supervisor ratings of performance are likely to be more subjective and reflective of group membership, such that favored employees (i.e., high-quality LMX members) receive higher performance ratings because supervisors are more likely to work the system to favor them. Our findings, which demonstrated that the performance of high-quality LMX members was highest when politics was high and justice was low, also were consistent with this perspective. Therefore, future research should examine whether the results observed in the current study can be replicated with more objective measures of performance. If replicable, additional support for the latitude–gratitude explanation of our findings that is detailed in the preceding paragraph would be found. On the other
hand, if our findings cannot be replicated with an objective measure of performance, then it would suggest that the results of the current study may be attributed to the source of the performance ratings and a group membership effect that is present only when politics is high and justice is low.

In sum, the current research was not successful in terms of clarifying the nature of the interaction between LMX and context perceptions. Instead, the current study generates additional questions that need to be considered in future research. Specifically, our findings indicate that LMX does not strengthen or weaken the negative effects of unfavorable contextual conditions on performance. Rather, LMX changes the nature of the relationship between context and performance, such that the performance ratings of low-LMX employees are relatively unaffected by the context, whereas the performance ratings of high-LMX employees are better when the context is less favorable. Future research is clearly needed to determine whether high-quality LMX members (a) demonstrate higher performance in less favorable contexts because they are the beneficiaries of favorable treatment from supervisors or (b) simply receive higher performance ratings from supervisors in environments that are more political and lower in justice because it is easier for supervisors to inflate performance ratings in contexts where such activities are normative. Thus, the current study does not provide a definitive answer to Piccolo et al.’s (2008) questions regarding whether LMX accentuates or attenuates employees’ negative reactions to fairness. Instead, our research beckons that future studies focus attention on understanding why low-LMX employees are relatively unaffected by the context whereas high-LMX employees receive higher performance ratings in less favorable contexts.

**Practical Implications**

Our results indicate that when perceptions of the social context are more positive, LMX has minimal impact on job performance. Thus, as long as leaders work to develop a positive social atmosphere by minimizing politics and ensuring fairness, supervisor-subordinate relationships are of less importance. On the flipside, when the social context is more negative, LMX plays a vital role in determining performance. In fact, a negative social context alone does not lead to lowered job performance levels, as our results indicate that a high-quality LMX relationship may actually drive employees to higher levels of performance when politics is high and justice is low. However, when LMX quality is low, distributive injustice has a negative influence on job performance. As some aspects of the context often appear to be impossible to completely avoid, such as politics (Ferris et al., 2002), supervisors need to be aware of and use their relationships with subordinates to leverage these aspects of the social environment. In addition, research has shown that supervisors can be trained to improve the quality of LMX relationships they have with subordinates (Scandura & Graen, 1984). Based on our findings, managers should be cognizant of the importance of LMX relationships and actively train supervisors, especially when employees perceive that the work context is less favorable.

As mentioned above, an alternative explanation of our findings is that supervisors are more likely to inflate the performance ratings of high-quality LMX members in environments that
are characterized by higher levels of politics and lower levels of justice. Inflated ratings decrease the accuracy of the appraisal system and may result in lower quality employment decisions, such that promotions, raises, prestigious assignments, and valued rewards are not allocated to the most deserving employees (Murphy & Cleveland, 1995). Similarly, consistently biasing ratings in favor of members in high-quality exchanges, which is what may be happening in contexts that are high in politics and low in justice, may erode trust in the performance appraisal system, which may have a demotivating effect on high-performing employees who are not members of high-quality LMX exchanges. As such, top management and human resource professionals should consider these context-specific biases when designing and managing performance management systems that rely on ratings from supervisors.

**Limitations and Future Research**

Although this study makes a contribution to the literature, there are limitations that must be acknowledged to properly interpret the results. One limitation relates to the fact that we were unable to assess causal relationships between our variables. For example, it may be that when perceptions of the work context are negative, those who perform better are more likely to be in high-quality LMX relationships. In particular, leaders may see a benefit to developing high-quality exchange relationships with employees who are willing to work hard despite unfavorable contextual conditions. To examine this idea, we tested the interaction of the perceptions of the work context and performance in predicting LMX. Our findings revealed that this interaction was significant in all three analyses and indicated that when the work context was perceived as negative (high politics or low justice), better performers were more likely to be in high-quality LMX relationships. On the flipside, when perceptions of the work context were positive (low politics or high justice), the level of performance had minimal impact on the quality of supervisor–subordinate exchanges. Although these results suggest that LMX may serve as a moderator or outcome, LMX theory contradicts the latter (Graen, 1976). That is, whereas performance is used to establish initial group membership, it is not a useful predictor once membership has been established as those in high-quality relationships receive high performance ratings as a condition of high-quality LMX membership (Wayne, Shore, & Liden, 1997). To shed light on these alternative representations of the variables in our study, future researchers should design studies with longitudinal data that can definitively answer which theory is the most accurate depiction of our study’s relationships and which is most useful in predicting the expected relationships.

As mentioned previously, it is important that these relationships are explored with more objective measures of job performance, as a potential explanation of our findings is that leaders’ ratings of performance may be a function of employees’ group membership in environments that are characterized by high levels of politics and low levels of justice. Thus, although we employed a research design with subordinate ratings of LMX and supervisor ratings of performance to minimize common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), we would have liked to have obtained objective performance ratings as well to rule out alternative explanations for our findings. Similarly, our measurement of LMX from only the perspective of the member is another limitation. Even though the subordinates’
perceptions were the ones of interest, leaders’ perceptions of relationship quality with each of their members would have provided additional insight.

Finally, rather than capture true contextual differences, the present study examined variance in employees’ perceptions of the same context. Thus, our results cannot be interpreted as indicating how actual contextual differences affect job performance. Together, these limitations suggest that future studies should attempt to constructively replicate our findings by utilizing longitudinal designs, measuring LMX from multiple sources, using more objective measures of performance, and obtaining data that include enough groups (or organizations) that vary in contextual characteristics to capture true contextual differences.

Conclusion

The current study presents UMT as an alternative theoretical interpretation of the interactions between LMX and POP and justice. The results of our study provided only limited support for the UMT-based hypotheses, and our findings were not consistent with the SET perspective that has been advanced in past research (e.g., Piccolo et al., 2008). Supporting our prediction that low-LMX employees are more influenced by the work context, we found that employees who have lower quality LMX relationships tend to demonstrate more negative responses to perceptions of distributive injustice. However, the results also yielded several unanticipated findings, showing that (a) high-LMX employees demonstrate higher levels of performance in response to their perceptions of politics and unfair conditions and (b) the performance of low-LMX employees is not affected by their perceptions of politics or procedural justice. Thus, rather than suggesting that LMX quality accentuates or attenuates the effects of context perceptions, our results indicate that LMX has the potential to reverse how context perceptions affect performance. Our unanticipated findings make it clear that more research is necessary to understand how LMX affects relationships between employee perceptions of the work context and job performance.

References


