

TO DIFFERENTIATE OR NOT? — A NEW PERSPECTIVE HOW DIFFERENTIATED INDIVIDUAL-FOCUSED LEADERSHIP AND COLLECTIVE-FOCUSED LEADERSHIP CLIMATE CAN AFFECT ORGANIZATIONAL OUTCOMES

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INTRODUCTION

A question originally posed more than a decade ago has recently resurfaced within the leadership literature—namely, “whether leaders should or should not differentiate among their members” (Sparrowe & Liden, 1997, p 545). Interest in this question was re-awakened when scholars argued that it is indeed imperative to distinguish among leadership behaviors that target the collective and those behaviors addressing individual followers as these behaviors can have very different effects (Kark & Shamir, 2002). We therefore make a clear distinction in this study between collective-focused leadership climate, defined by the average of the collective dimensions (i.e., articulating a vision, fostering collective goals) of the transformational leadership (TFL) measure (Podsakoff et al. 1996) and differentiated individual-focused leadership, defined by the differentiated individual dimensions (i.e., individual consideration, intellectual stimulation) of the TFL measure (Podsakoff et al., 1996). Traditionally, it is argued that collective-focused leadership climate creates a shared and common understanding among followers and thereby enhances collective outcomes, while differentiated individual-focused leadership enhances individual processes and performance by providing idiosyncratic benefits to followers (e.g., Liden, Erdogan, Wayne, & Sparrow, 2006; Wang & Howell, 2010; Henderson, Liden, Glibowski, & Chaudry, 2010). Yet, expanding still further on these arguments, scholars recently have discovered that differentiated individual-focused leadership might have very detrimental effects on higher levels of analysis, such as the group level (e.g., Wu, Tsui, & Kinicki, 2010).

However, at present not much is known about such 'higher-level' or collective effects of leadership differentiation. In particular, there is a clear research gap as no study has yet theorized, let alone empirically demonstrated, why it is that collective- and differentiated individual-focused leadership might affect collective processes and outcomes similarly, yet oppositely.

Additionally, given that prior research has only focused on the group level, the question is still open if the questions ‘whether to differentiate or not’ matters at the highest level of analysis possible in organizations, namely the organizational level itself. Therefore to expand current knowledge and to investigate if organizational performance is ultimately affected we will build our new perspective on the organizational level.

Although these arguments indicate how the two leadership constructs can affect affective commitment across an organization, they do not fully answer the question of how organizational performance might ultimately be affected. The issue is that previous studies have indicated that

higher affective climates in and of themselves do not automatically increase organizational performance (e.g., Bishop, Scott, & Burroughs, 2000; Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001). Therefore, our new theoretical perspective needs a second mediator to capture just how a collective 'feeling' of affective commitment is transformed into collective positive 'actions' in an organization. Hence, to better understand the question 'whether to differentiated leadership or not' we propose a three-path mediation framework in which both the collective-focused leadership climate and the differentiated individual-focused leadership will affect 1) the affective-organizational commitment climate, 2) the OCB climate, and 3) actual organizational performance.

HYPOTHESES DEVELOPMENT

Collective-focused Leadership Climate and Affective-commitment Climate

Akin to other climate constructs (e.g., Zohar & Luria, 2005), a leadership climate is intended to assess the average perceptions and behaviors throughout an organization. Similar to recent research (e.g., Walter & Bruch, 2010) we argue that a leadership climate can emerge in organizations through the mechanism of newcomer socialization and attraction-selection-attrition (Schneider, 1987; Schneider & Reichers, 1983) as well as via joint experiences and mutual interactions among that organization's members (Kozlowski & Hattrup, 1992; Morgeson & Hofmann, 1999). A collective-focused leadership climate can emerge if employees perceive that leaders throughout the organization engage in specific transformational leadership behaviors directed toward the collective, such as articulating a collective vision and fostering collective goals. In short, we expect these two transformational leadership behaviors to relate positively to an organizational affective-commitment climate because they target collective and shared values, ideologies, and goals (Kark & Shamir, 2002; Wang & Howell, 2010; Wu et al., 2010).

We expect a positive influence of collective-focused leadership to affective commitment climate because a strong collective-focused leadership climate shows employees that their leaders are committed to the organization and its success and will provide support to employees to achieve these collective outcomes (cf. Eisenberger et al., 1986). Support for this expectation comes not only from SET (Blau, 1964), but also from the research on commitment, which has shown that perceived organizational support increases the felt need among employees to reciprocate by showing similarly high support for organizational goals and values (Wayne, Shore & Liden, 1997, Eisenberger, Fasalo, & Davis-LaMastro, 1990). In sum, we expect that a stronger collective-focused leadership climate will enhance employees' perceived organizational support for collective outcomes (e.g., Eisenberger et al., 1986), social exchange relationship with their employer (e.g., Blau, 1964), and the focus on the collective (e.g., Hinsz et al., 1997), and thus increase the 'global' affective commitment (Becker, 1992) of employees to the overall goals and values of their organization. Our first hypothesis is therefore:

H1: A collective-focused leadership climate positively relates to the affective-commitment climate in organizations.

Differentiated Individual-focused Leadership and Affective-commitment Climate

Differentiated Individual-focused leadership stems from follower-oriented leadership approaches, such as the leader-member-exchange (LMX) theory (Dansereau, Graen, & Haga, 1975; Graen & Uhlbien, 1995) and situational leadership (Hersey & Blanchard, 1982). These theories argue that successful leaders need to adjust their leadership behavior based on contextual factors

and the individual facets of each employee; thus, for example, leaders should give some followers more attention and coaching than they give to others. Although this individual-focused leadership can be beneficial to individual employees, for collectives, such as groups or companies, it can lead to a differentiated treatment of each member (Wu et al., 2010). In line with Kark and Shamir (2002), we expect the two components of transformational leadership—individual consideration and intellectual stimulation—to be particularly directed toward individual strengths and needs and to be particularly prone to the negative effects of differentiation.

Traditionally, individual-focused leadership has been seen as enhancing followers' self-worth and self-efficacy and increasing their identification with their leader, given that the leader shows higher confidence in the followers' ability and integrity (Kark & Shamir, 2002; Wang & Howell, 2010). However, on a higher level of analysis, such as at the organizational level, we expect the consequences of individual-focused leadership behaviors to be less positive as they can result in a differentiation of leadership behaviors toward followers within the organization that might impair collective affective commitment by diluting an overall good social-exchange relationship (Blau, 1964) and perceived organizational support relationship (Eisenberger et al., 1986) between the employees and the organization, as explained in detail in the following paragraphs.

First, differentiated individual-focused leadership could undermine the affective commitment climate as it bears the risk that employees get the impression that their individualized behaviors and performance are most crucial (Hinsz et al., 1997; Van der Vegt et al., 2010). Thus, in contrast to collective-focused leadership climate which emphasizes common visions and goals, differentiated individual-focused leadership makes followers compete for the individual attention of their leader as they attempt to develop a higher quality dyadic leader–follower relationship than their colleagues (Dumdum et al., 2002; Kark & Shamir, 2002). Consequently, this leadership is likely to create a more 'local' and self-centered orientation across the organization and will therefore fail to increase employees' 'global' commitment to the whole organization (cf., Becker, 1992).

Second, differentiated individual-focused leadership indicates that leaders, and by extension the organization itself, value some employees more than others and thus allows, or even encourages, certain inequalities to persist. Although those few who do get preferential treatment might at first be happy and perhaps even more committed to their leaders (Dumdum, Lowe, & Avolio, 2002), others will become envious of the happy few and wonder why their leaders are not helping them as much and why the organization does not intervene (Adams, 1965). Even the 'in crowd' might start to worry, as leaders might withdraw special individual assistance when they believe the favored employee has benefited enough and that it is another's turn to be the favorite of leaders. In the first case, the company fails to display commitment to all employees, thus lowering the affective commitment of employees, while in the second case, the organization demonstrates that its commitment to employees can change and employees might be designated as being in- or out-of-favor simply at random.

Overall, in organizations with higher levels of differentiated individual-focused leadership, employees should perceive lower organizational-support from, and worse social-exchange relationships with, their employer. Consequently, the emotional attachment of employees to the company is likely to deteriorate resulting in a lower organizational commitment climate. Our second hypothesis is therefore:

H2: Differentiated individual-focused leadership throughout an organization negatively relates to the affective-commitment climate in that organization.

Affective-commitment Climate and Organizational-citizenship-behavior Climate

As briefly stated in our introduction, having a strong affective-organizational-commitment climate does not in and of itself automatically translate into higher organizational performance. For this positive relationship to emerge, the strong ‘feelings’ among employees of belongingness to the organization must somehow be put into concrete ‘actions’ that benefit the collective. Drawing from previous studies (e.g., Bishop et al., 2000; Ng & Feldman, 2011), we, therefore, expect that organizational-wide organizational citizenship behaviors (OCB) are important to consider as this construct captures the extra role behaviors of employees aimed at benefiting the organization and its members (Johnson & Chang, 2006; Organ & Ryan, 1995).

More specifically, as is also reflected in our first hypothesis and drawing from POS (Eisenberger et al., 1986) and SET (Blau, 1964) we expect that a high collective-focused leadership climate is related to a high affective-commitment climate because employees are not only more focused on the collective (Hinzes et al., 1997), but also more willing to reciprocate the positive benefits they receive from their employers by becoming more committed to the organization as a whole (e.g., Becker, 1992). And, by extension, we argue that this also means that more employees are then likely to increase their efforts and voluntary helping behavior, which due to clear, collectively-orientated visions and goals, employees are then able to perform. Hence, in other words, employees who really feel a positive attachment to their organization are likely to want to translate this affect into real behavior that helps their company prosper and are thus more willing to go 'above and beyond the call of duty' and engage in extra-role behaviors (e.g., Bishop et al., 2000; Meyer et al., 2002).

In contrast, a high differentiated individual-focused leadership is likely to relate to a lower affective-commitment climate in the organization, because it creates a more individualized focus (e.g., Hinzes et al., 1997) and lowers perceived organizational support for collective actions (Eisenberger et al., 1986). Moreover, it might even increase perceptions of inequality and unfairness (Adams, 1965), as some employees experience less leader support than others. Consequently, this leadership is likely to violate the mutual and fair exchange relationship between employees and their company (Blau, 1964) and decrease ‘global’ forms of commitment, such as affective organizational commitment (cf., Becker, 1992). It stands to reason then that when employees do not receive enough support for collective action, or even experience unfairness in leadership support, their inclination to help the organization and its members is reduced.

Any climate that favors (or disfavors) extra-role behaviors can quickly spread throughout an entire organization through mutual interactions and exchanges between organizational members (Kozlowski & Hattrup, 1992; Morgeson & Hofmann, 1999) as well as within the socialization of newcomers (Schneider, 1987). As such organizations are likely to differ in the strength of their OCB climate, our third hypothesis is therefore:

H3: An affective-commitment climate positively relates to an OCB climate within organizations.

Organizational-citizenship-behavior Climate and Performance

Finally, we posit that the high (or low) OCB climates emerging via the affective commitment-climate from collective-focused (or differentiated individual-focused) leadership are related to organizational performance. Below we highlight the four distinct, yet related processes that have been put forward to explain this relationship.

First, Nielsen and colleagues (2009) proposed that high levels of OCB climate help newcomers better adapt in companies by teaching them best practices and assisting them to “learn the ropes” (Podsakoff & MacKenzie, 1997, p. 135), which helps new coworkers to become productive employees faster. Second, an OCB climate increases productive interactions between organizational members, i.e., voluntarily helping out or assisting before people actually ask for help, thereby enhancing collective performance (Edmondson, Roberto, & Watkins, 2003). Third, an OCB climate can enhance the efficiency of an organization by unleashing new resources (e.g., Borman & Motowidlo, 1993). For example, a strong OCB climate enables supervisors to spend less time on managing, enabling them to invest more of their scarce time and resources in other important tasks, such as strategic planning (Podsakoff & MacKenzie, 1997). Fourth, an OCB climate enables companies to adjust to changing environments and attract and retain the most talented employees (Podsakoff & MacKenzie, 1997). The recent meta-analysis of Podsakoff et al. (2009) supports these conceptual arguments, and therefore, our fourth hypothesis is:

H4: An OCB climate positively relates to organizational performance.

Three-path Mediation Effects

The hypotheses developed thus far indicate that collective-focused leadership and differentiated individual-focused leadership share a mediation route through which they indirectly, although in opposite directions, affect organizational performance. Thus, we propose the following two mediation hypotheses:

H5a: Collective-focused leadership climate indirectly and positively relates to organizational performance via the mediation of affective-commitment climate and OCB climate.

H5b: Differentiated individual-focused leadership indirectly and negatively relates to organizational performance via the mediation of affective-commitment climate and OCB climate.

METHOD SECTION

Sample

We collected data for this study in cooperation with a benchmarking agency located in Germany. To participate in the study, companies had to (a) be located in Germany and (b) not exceed 5,000 employees. Initially, we contacted 189 companies, out of which 14 failed to provide sufficient data for our study’s constructs or declined to attend, resulting in an organizational-level response rate of 93% ($n = 175$). Overall 18,733 employees chose to participate in the survey, resulting in a within-organization response rate of 57% ($SD = 25.3$). Participants had a mean age of 37 years ($SD = 10.4$), included slightly more males (59%) than females (41%), and had on average worked 9 years for their organization ($SD = 8.6$).

RESULTS

Structural Model

Following the recommendations of Taylor and colleagues (2008) for testing three-path mediation models we specified a model that integrated the indirect effects from both leadership measures to performance proposed by our Hypotheses (1 through 4) while also allowing for a direct

relationship between the study's variables. This three-path mediation model showed good model fit properties ($\chi^2=665$, $df=306$; CFI=.90, IFI=.91, RMSEA=.080, AIC=1023).

All four hypothesized structural relationships proposed in Hypotheses 1 through 4 were statistically significant. Collective-focused leadership positively related to collective affective-commitment ($\beta=.32$, $t=2.07$, $p<.05$), while differentiated individual-focused leadership negatively influenced affective-commitment climate ($\beta=-.24$, $t=-2.65$, $p<.01$), supporting Hypotheses 1 and 2. The data also supported Hypotheses 3 and 4, as a positive relationship was observed between affective-commitment climate and OCB climate ($\beta=.46$, $t=4.18$, $p<.001$) and OCB climate subsequently positively influenced organizational performance ($\beta=.25$, $t=2.01$, $p<.05$).

The two direct paths from collective-focused leadership climate ($\beta=-.04$, $t=-.19$, ns) and differentiated individual-focused leadership ($\beta=.22$, $t=1.76$, ns) to organizational performance were not significant, suggesting a fully indirect, but opposite, effect of collective-focused leadership and differentiated individual-focused leadership on organizational performance via affective-commitment climate and OCB climate as proposed in Hypotheses 5a and 5b. To directly test the three-path indirect effects, we used 1,000 bootstrapping samples in AMOS. Results of these analyses showed an indirect positive effect of collective-focused leadership climate on organizational performance ($\beta=.04$; with a 95% Bias Corrected Confidence Interval (BCCI) [.003, .123]) and an indirect negative linkage between differentiated individual-focused leadership and organizational performance ($\beta=-.03$; 95% BCCI [-.080, -.004]), thereby further substantiating Hypotheses 5a and 5b.

To further examine the robustness of our results we compared the hypothesized three-path mediation model to eight alternative model specifications, of which none showed superior fitting properties.

CONCLUSION

In sum, our answer to Sparrowe and Liden's (1997, p. 545) question "whether leaders should or should not differentiate among their members" is that at the organizational level such individual-focused differentiation between employees should be avoided as we found that it diminished the affective commitment and voluntary helping (i.e., OCB) climates within the organization and lowers organizational performance as well. We therefore recommend to create a collective-focused leadership climate, as this increases both organizational climates and performance. Finally, we suggest that it is perhaps time to rephrase the Sparrowe and Liden's question as the remaining question appears to be not "whether" organizations should encourage leaders to differentiate, but "when" or "under which specific circumstances" such differentiation between individuals can occur without creating too many negative effects on collective outcomes.

We hope that our theory and results have provided scholars with new insights and avenues to continue investigating the role of differentiated individual-focused and collective-focused leadership climate in organizations. Moreover, we hope that our study benefits practice by providing a new, empirically supported, framework with which the erroneous belief of many leaders' (Hill, 2007) that investing in their relationship with each individual is sufficient for collective processes and performance to arise, can be corrected.

REFERENCES ARE AVAILABLE FROM THE FIRST AUTHOR