



Leadership style, organizational politics, and employees' performance

Leadership style

An empirical examination of two competing models

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Abstract

Purpose – This study aims to examine perceptions of politics among public sector employees as a possible mediator between the supervisor's leadership style and formal and informal aspects of employees' performance (Organizational Citizenship Behavior – OCB).

Design/methodology/approach – The Multifactor Leadership Questionnaire (MLQ) was distributed to employees of a public security organization in Israel ($N = 201$), asking them to evaluate their supervisor's style of leadership. Employees were also asked to report their perceptions of organizational politics using the scale developed by Kacmar and Ferris. In addition, supervisors provided objective evaluations of the levels of their employees' in-role performance and OCB. The intra-structure of the leadership variable was examined by exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) with structural equation modeling. Two alternative models were examined: first, a model of mediation and second, a direct model with no mediation.

Findings – The research resulted in mixed findings that only partially support the mediating effect of organizational politics on the relationship between leadership, in-role performance and OCB. A direct relationship between leadership and performance (in-role and OCB) was also found.

Research limitations/implications – The differences between the models do not allow clear answers as to the mediating or direct effect of organizational politics in the relationship between leadership and performance. The implications on causality are also limited.

Practical implications – Managers should recognize the advantages and disadvantages of different leadership styles as these may affect organizational politics and eventually, formal performance and organizational citizenship behaviors.

Originality/value – The findings of this paper contribute to the understanding of the relationships between leadership, performance, and politics in the workplace and in the public sector in particular.

Keywords Leadership, Organizational politics, Performance management, Employee behaviour, Organizational behaviour, Public sector organizations, Israel

Paper type Research paper

Introduction

Leadership is considered a factor that has a major influence on the performance of organizations, managers and employees (Wang *et al.*, 2005). Early theories tried to

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define effective leadership styles (democratic or autocratic, socially oriented or target oriented etc.) and to relate them with various aspects of organizational outcomes (e.g. Blake and Mouton, 1964; Lewin *et al.*, 1939). More recently, researchers have focused mainly on the subordinates' perspective and proposed two main facets of leadership: transactional and transformational (e.g. Bass, 1985; Burns, 1978). This theory suggests that transformational leadership, more than transactional leadership, has a stronger positive effect on employees' attitudes towards their job, their job environment, and ultimately affects their work performance.

From a different approach, a variety of studies have recently pointed to organizational politics as an important antecedent of employees' performance, both formal and informal (i.e. Adams *et al.*, 2002; Allen *et al.*, 1979; Ferris and Kacmar, 1992; Gandz and Murray, 1980; Kacmar and Baron, 1999; Madison *et al.*, 1980; O'Connor and Morrison, 2001; Parker *et al.*, 1995; Valle and Perrewé, 2000). Most of these studies, and others, have relied on the definition of organizational politics as behavior strategically designed to maximize self-interests (Ferris *et al.*, 1989) and therefore in conflict with the collective organizational goals or the interests of other individuals. This perspective reflects a generally negative image of workplace politics in the eyes of most organization members. Although treated as separate constructs, several studies have also related organizational politics to the theory of fairness, equity, and justice in the workplace (i.e. Ferris and Kacmar, 1992, p. 93; Kacmar and Ferris, 1991, pp. 193-4; Vigoda-Gadot, 2003, p. 30). Other studies describe organizational politics as a power game and influence tactics designed to achieve the best outcomes for the user (Kipnis *et al.*, 1980; Pfeffer, 1992).

Whereas theory suggests that both leadership and organizational politics are important antecedents that may affect employees' performance, there are no integrated models for studying the veracity of this theory. This study proposes and tests two competing models for the relationship among leadership, politics, and performance. By so doing, the study expects to contribute to our knowledge in this area by examining the relationship between leadership and employees' performance and arguing that organizational politics mediates in this relationship. Another potential contribution of this study is its focus on two fundamental aspects of performance: formal and informal. While most studies have related leadership or organizational politics to only one aspect of employees' performance (either formal or informal), this study takes its lead from Morrison's (1994) suggestion and examines both outcomes together. Thus, this study may make a unique contribution to the theory on Organizational Citizenship Behavior (Organ, 1988; Bateman and Organ, 1983; Smith *et al.*, 1983), beyond its contribution to the knowledge on leadership style and organizational politics.

Theoretical background and hypotheses

Leadership in the workplace

House and Aditya (1997) provide an extensive historical review of the scientific study of leadership and the prevailing theories of leadership. According to their view, studies on leadership in organizations have moved in several directions, but two approaches have dominated the literature. The first approach has focused on the leader's characteristics and behavior, and the second on the circumstances necessitating the demonstration of leadership and the possible results of different leadership styles. Their definition of leadership is based on House (1995, p. 413) who suggested that

leadership is behavior "...that gives purpose, meaning, and guidance to collectivities by articulating a collective vision that appeals to ideological values, motives, and self-perceptions of followers...". House further states that the outcomes of such behavior are heightened awareness of organizational values, unusual levels of effort, and the foregoing of self-interest of followers for the good of the collective.

Today, the starting point of most studies on the topic is that organizational leadership is first and foremost the ability to influence people to perform tasks over a period of time using motivational methods rather than power or authority (Kotter, 1996; Yammarino *et al.*, 1994). This definition emphasizes the subordinate's choice to perform a task of his/her own free will and largely rejects the use of power, force, or coercive actions by managers, who are considered "leaders". Such a definition also makes a clear distinction between leadership and coercive rules. However, it relates leadership with the processes of informal influence, power and to a lesser extent, formal authority, which comprise the political environment in organizations. When people act out of obedience to authority, it is difficult to decide whether they are acting of their own free will or out of fear of punishment by their superior. Thus, modern theories on leadership are much more interested in transformational leadership than in any other type of leadership (i.e. Wang *et al.*, 2005).

Nonetheless, the current theory of leadership still focuses on transformational leadership and transactional leadership as core concepts in the field. These concepts were first introduced by Burns (1978) and developed by Bass and Avolio to encompass the "full range model of leadership" (Bass, 1985; Avolio and Bass, 1991; Bass and Avolio, 1993). According to this theory, there are two basic levels of influence evident in the interaction between the leader and the led. One influence comes from the understanding that the leader creates a cost-benefit interaction in his constituency. Burns (1978) called this influence transactional leadership, meaning that the employees will function in accordance with the leader's wishes because they believe they will benefit by such actions. The second influence of the leader is an emotional excitement, which Burns called transformational or charismatic leadership. This style is based on a relationship between the leader and his employees that is inspirational and breaks the cycle of subordinates' basic expectations. This leadership style can captivate employees and urge them on to new and challenging objectives. Transformational leadership raises the employees' awareness of their need to grow, validates their self-expression, and motivates them to perform at new and higher levels. A transformational leader influences the expectations of his subordinates, changes their beliefs and values, and raises them in the hierarchy of needs. According to Burns (1978), the hierarchy of needs is the foundation of the transformational process. He suggests that the outcome of transformational leadership is a relationship of mutual stimulus that transforms the led into leaders and the leaders into moral agents. Transformational leadership is thus a result of the leader's character, the strength of his belief, and his/her ability to express a compelling vision.

Avolio and Bass (1991) expanded our knowledge about leadership by suggesting eight styles of leadership behavior, the most differentiated model ever devised. The model is based on the outcome of their research with 78 managers who were asked in an open-ended questionnaire to describe the most remarkable characteristics of leaders who had influenced them personally. Avolio and Bass expanded Bass's (1985) original model to what they called The Full Range of Leadership Model. This model includes:

- a leadership style of *laissez-faire* or no leadership;
- transactional leadership, which is based on passive and active aspects; and
- transformational leadership, which is based on personal relationships, intellectual challenge, inspirational motivation and behavioral charisma.

These three categories create a hierarchical sequence of leadership styles according to the extent of activity that the leader expresses in his actions and according to the extent of its effectiveness. In this model, transformational leadership ranks as the most effective style, followed by transactional leadership and then the *laissez-faire* style. The basic assumption of the Full Range of Leadership model is that in every leader all styles can be found. Den Hertog *et al.* (1997) tested this approach in a study of Dutch managers where only three factors were found (transformational leadership, transactional leadership, and no leadership).

Leadership and performance

The relationship between leadership and performance has received considerable scholarly attention. Most studies about the relationship between transactional leadership and organizational performance have yielded disappointing findings. However, when Bass's (1985) Multifactor Leadership Questionnaire (MLQ) was used, a high correlation was found between the leader's transformational style and the organizational performance level. This correlation was consistently higher than the positive correlation between the leader's transactional style and the organizational performance. In other studies that followed, a negative correlation was usually found between the transactional leadership style and organizational performance (Geyer and Steyrer, 1998; Lowe *et al.*, 1996; MacKenzie *et al.*, 2001; Parry, 2003).

According to Bass (1985), employees choose to perform tasks out of identification with the leader or with the organization. This relationship results in the employees' basic agreement with the norms to which they are required to perform. Bass suggests that transformational leadership can create identification with and internalization of desirable values, as opposed to the limited goal of transactional leadership to create a compliant workforce. Parry (2003) specifically examined leadership styles in public sector organizations and found that a transformational leadership style has a positive effect on the innovation and effectiveness of these organizations. Recently, Wang *et al.* (2005) suggested the leader member exchange (LMX) theory (Graen, 1976) as a good explanation for a mediating role between leadership styles (especially transformational leadership) and organizational performance as well as organizational citizenship behavior (OCB). In many respects, the LMX theory is in line with Vroom's (1964) expectancy theory and Blau's (1964) exchange theory that call for a stronger balance between managers and employees. According to these theories, better performance can be achieved only when there is a reasonable level of expectation-fit and when the social exchange between managers and employees is fair and equal. Wang *et al.* (2005) suggest that subordinates have role expectations of their leaders and that they are not passive role recipients, as they may reject, embrace, or renegotiate roles prescribed by their leaders. A reciprocal process is based on fairness and equity of exchange and expectations, and is developed over time.

Organizational politics

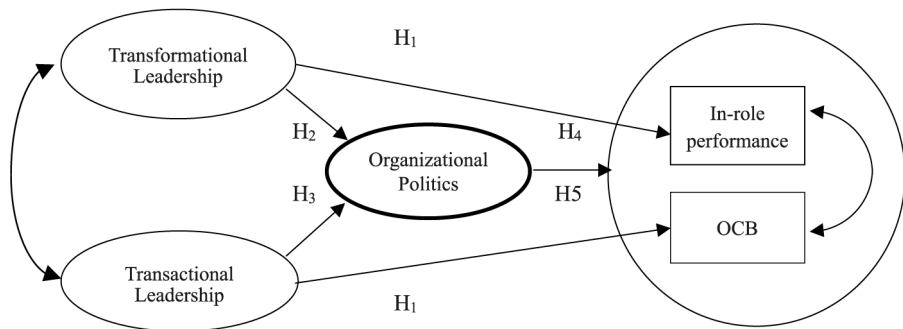
Studies that have focused on organizational politics have taken a different approach. An extensive bank of knowledge has been accumulated in recent years about organizational politics and their relationship with organizational performance. As suggested in the introductory section, studies have mainly focused on employees' perceptions of organizational politics, defined by Ferris *et al.* (1989) as behavior strategically designed to maximize self-interests and therefore contradict the collective organizational goals or the interests of other individuals. Block (1988, p. 5) mentioned politics (in organizations) as basically a negative process and argued that "If I told you you were a very political person, you would take it either as an insult or at best as a mixed blessing". Gandz and Murray (1980) and Madison *et al.* (1980) observed that when individuals were asked to describe workplace politics, they typically listed self-serving and manipulative activities that are not perceived positively. Studies that developed this concept (e.g. Andrews and Kacmar, 2001; Cavanagh *et al.* 1981; Cropanzano and Kacmar, 1995; Dipboye and Foster, 2002; Drory, 1993; Fedor *et al.*, 1998; Ferris and Kacmar, 1992; Vigoda-Gadot, 2003) found that workplace politics was perceived as self-serving behavior by employees to achieve self-interests, advantages, and benefits at the expense of others and sometimes contrary to the interests of the entire organization or work unit. This behavior was frequently associated with manipulation, defamation, subversiveness, and illegitimate ways of overusing power to attain one's objectives (Kipnis *et al.*, 1980).

Ferris *et al.* (1989) suggested the concept of the *perception* of organizational politics (Perception of Organizational Politics Scale – POPS) as a good measure of OP. Moreover, Kacmar and Ferris (1991, pp. 193-194) and Ferris and Kacmar (1992, p. 93) argued that the higher the perceptions of politics are in the eyes of an organization member, the lower in that person's eyes is the level of justice, equity, and fairness. While these studies distinguished between politics and fairness, it became a consensus that these variables are strongly related. Thus, other studies (Ferris *et al.*, 1996b; Folger *et al.*, 1992) have used the theory of procedural justice to argue that organizational politics is related to the leader-member exchange relationships as well as to the efficiency of human resource systems and to decision-making processes. Lack of minimal justice and fairness in these systems was found to be a major cause of higher perceptions of organizational politics and therefore of hampered organizational performance. All these studies relied on Kurt Lewin's (1936) argument that people respond to their perceptions of reality, not to reality itself. Likewise, politics in organizations should be understood in terms of what people think of it rather than what it actually represents. Similarly, studies proposed that in many cases perceptions of justice and fairness reflect a political climate in the workplace and may also be related to formal and informal work performance (Drory, 1993; Cropanzano *et al.*, 1997). These ideas were replicated extensively and advocated in many studies (Ferris *et al.*, 1996a,b; Ferris and Kacmar, 1992; Kacmar and Ferris, 1991; Vigoda, 2002, Vigoda-Gadot, 2003).

Leadership, organizational politics, and performance: a research model

The research model depicted in Figure 1 suggests a relationship between leadership style, organizational politics, and employees' performance. The model is based on the idea of House and Aditya (1997) and Ammeter *et al.* (2002) to build a political theory of

Figure 1.
The research model



leadership in organizations. The model examines perceptions of organizational politics as a mediator in the relationship between leadership and performance. The rationale for this model is based on several theories such as the leader-member exchange theory (Graen, 1976; Wang *et al.*, 2005), the expectation theory (Vroom, 1964) and the social-exchange theory (Blau, 1964). According to these theories, it is the leaders' responsibility to create an organizational atmosphere that is reciprocal, fair, and fulfills the expectations and needs of the individuals and the managerial cadre, as well as the organization as a whole. A balanced relationship between leaders and members is essential, and the fair treatment of the individual must be advanced as an organizational strategy. Enhancing fair social exchange relations may reduce the level of organizational politics and positively influence performance.

This line of thinking has been used in numerous studies. For example, Ferris and Rowland (1981) argued that the leader's behavior affects employee job perceptions, which then affect employee attitudes towards the job and performance. Thus, employees' perceptions of the workplace, such as perceptions of politics, may be mediators between leadership and performance. A more recent study by Pillai *et al.* (1999) examined the relationship between transformational and transactional leadership, procedural justice and distributive justice, and trust in organizational obligation, OCB, and satisfaction from work. He found that an indirect relationship exists between transformational leadership and OCB. The studies of MacKenzie *et al.* (2001) examined the effect of transformational and transactional leadership on marketing personnel's performance at an insurance company. Findings showed that transformational leadership has more influence on performance than transactional leadership. This finding supports assumptions that the transformational leadership style has a stronger relationship with in-role performance and with OCB compared with transactional leadership.

Most studies about the relationship between leadership and performance show a stronger relationship between transformational leadership and performance than between transactional leadership and performance. Transactional leadership explains a relatively low percentage of the researched performance criterion's variance. On the other hand, the relationship between transformational leadership and the measurement of performance is positive and quite strong (Geyer and Steyrer, 1998; Lowe *et al.*, 1996; MacKenzie *et al.*, 2001; Parry, 2003; Pillai *et al.*, 1999). It seems that in many organizations, especially public ones, transformational leadership is more effective than transactional leadership. Skilled transformational managers have the ability to

support and educate employees, while challenging them to stretch themselves in order to do their jobs. By their own behavior, such transformational managers offer an imitation model and help encourage the employees in their efforts to promote aims and goals.

Transformational leadership pushes employees to contribute to the organization beyond the basic requirements of their job description out of personal motivation, challenge, or the desire to emulate the leader and be regarded as part of his successful protégés. This idea is much in line with the leader-member exchange theory (LMX) as suggested by Graen (1976) and others. Nonetheless, it seems that transactional leadership has the ability to strengthen the effectiveness of performance, especially formal performance, which can be quantitatively measured and accurately rewarded. Some studies have found that there is a significant relationship between the conditional gratitude measure (one of the transactional leadership components) and in-role performance (for example, MacKenzie *et al.*, 2001). Therefore, a first hypothesis is suggested:

- H1.* Transformational and transactional leadership are positively related with in-role performance and OCB. Transformational leadership will have a stronger relationship with and more influence on formal performance and OCB than transactional leadership.

The relationship between transformational leadership and perceptions of organizational politics is expected to be different from the relationship between transactional leadership and organizational politics. The transformational managerial leader may reduce the perceptions of politics in an organization because he/she offers a vision, a mission, and an operative plan for goal achievement (Bass, 1985). He/she can reduce ambiguity and professional uncertainty and validate the feeling that it is possible to deal with organizational challenges in a decent way based on justice and fairness. The managerial strategy underlying the transformational style reinforces moral values, thereby contributing positively to feelings of fairness and justice and reducing feelings of inferiority that derive from a lack of recourse to political alternatives (Kacmar and Ferris, 1991). Transformational leadership may thus create a positive organizational climate that supports professionalism and excellence, resulting in a reduced perception of organizational politics.

In addition, the transparency in decision-making processes that characterizes the transformational leader may also contribute to reducing the perceptions of organizational politics by strengthening the belief that both the leader and the organization are fair and trustworthy (Ferris *et al.*, 1989; Ferris and Kacmar, 1992; Ferris *et al.*, 1996a; Folger *et al.*, 1992; Kacmar and Ferris, 1991; Parry, 2003; Pillai *et al.*, 1999; Vigoda, 1999; Witt *et al.*, 2002). In sum, transformational leadership has characteristics that can reduce perceptions of organizational politics among employees. Therefore, it is expected that a transformational leader will create a better understanding among employees as to what is expected from them in the framework of their job. Hence, they should have a more positive outlook on their workplace and be willing to invest effort in the work, even beyond that which is required by their formal job definition.

On the other hand, it seems that transactional leadership contributes to strengthening perceptions of organizational politics. This leadership style is

characterized by negotiation skills that are suitable for a political environment, by the management of exchange relationships, and a reward system that will increase employees' motivation. The transactional leadership style encourages the development of interest-based relationships between employees and managers, which is at the heart of the political process. It encourages negotiation about interests and puts a price tag on everyone and everything. This may lead employees to promote their interests more aggressively in an environment that struggles over limited resources. In support of this argument, Pillai *et al.* (1999) found a positive relationship between transactional and transformational leadership on one hand and expressions of fairness and justice on the other. Given that organizational politics is strongly related to fairness and justice in the workplace, one may suggest that leadership style is also related to organizational politics. Nonetheless, and in contrast to Pillai *et al.*'s (1999) research, I posit that the nature of the relationship differs and will be positive for transactional leadership and negative for transformational leadership. Based on the above, the second and third hypotheses are suggested:

- H2. Transformational leadership is negatively related to perceptions of organizational politics.
- H3. Transactional leadership is positively related to perceptions of organizational politics.

Studies also show that there is an established relationship between organizational politics and various aspects of organizational performance. Strong perceptions of organizational politics may damage the organization's performance in a number of ways. First, they are related to negative attitudes towards the organization such as lower levels of trust, satisfaction, or commitment (i.e. Ferris and Kacmar, 1992, 1996a,b; Vigoda, 1999, 2000, 2002). Second, relationships have been found between perceptions of organizational politics and various negative employee behaviors such as the withholding of information, neglect of one's work, tardiness, absenteeism, or turnover intentions (Vigoda-Gadot, 2003). Finally, strong perceptions of organizational politics may damage the organization by reducing social cohesion and enhancing the tendency to act in one's personal interests, even if they are at odds with those of the organization (Ferris *et al.*, 1989, Ferris and Kacmar, 1992, Ferris *et al.*, 1996a; Folger *et al.*, 1992; Kacmar and Ferris, 1991; MacKenzie *et al.*, 2001; O'Connor *et al.*, 2001; Parry, 2003; Pillai *et al.*, 1999; Poon, 2003; Vigoda, 1999; Witt *et al.*, 2002). Therefore, it is expected that perceptions of organizational politics will be negatively related to both formal/in-role performance and to informal/OCB performance (Vigoda-Gadot, 2003). Accordingly, the fourth and fifth hypotheses are suggested:

- H4. Perceptions of organizational politics are negatively related to employee's in-role performance.
- H5. Perceptions of organizational politics are negatively related to OCB.

Finally, studies have examined the effect of mediating variables on the relationship between leadership and performance. Pillai *et al.* (1999) found that trust, procedural justice, and distributive justice are mediating factors between leadership, OCB, and satisfaction. MacKenzie *et al.* (2001) found that trust and job ambiguity are mediating variables between leadership, in-role performance, and OCB. Parry (2003) showed that

organizational climate is a mediating factor between leadership and performance in a public organization. These findings are significant because they improve our understanding of the complex relations between transactional and transformational leadership and in-role or extra-role performance in the organization.

In addition, the direct relationship between leadership and organizational politics has not been explored sufficiently. One of the most significant contributions of the proposed model is its examination of the influence of transactional and transformational leadership on employees' perceptions of organizational politics. According to studies in leadership theory (i.e. Avolio and Bass, 1991; Pillai *et al.*, 1999), it seems that transformational leadership should reduce the perception of politics because the transformational leader is by definition an exemplar and a role model of doing the right things. In addition, a transformational leader tends to educate, guide, and treat every employee to personal attention in his effort to motivate them to perform above and beyond what is required of them. In contrast, a transactional leadership style should strengthen perceptions of organizational politics among employees because it does not emphasize these values. The transactional leader is characterized by his/her ability to create a system of rewards and punishments that are necessary for economic and social interactions within the organization. The leader-member exchange (LMX) theory strongly supports this notion and suggests that interactions between supervisors and employees are frequently interest based (i.e. Wang *et al.*, 2005). Therefore, even when a transactional leader seems to be promoting his/her subordinate's interests, the subordinate may be tempted to interpret this support as strategic in nature. Such an interpretation may have a negative effect on the employee's performance. This theoretical rationale is also in line with Ehrhart's (2004) research, which found that a climate of organizational justice mediates in the relationship between leadership and OCB. Accordingly, a final hypothesis is suggested:

- H6.* Perceptions of organizational politics mediate the relationship between transactional and transformational leadership, on one hand, and in-role performance and OCB on the other.

Method

Sample and procedure

The study was based upon a survey in a public security division of a law enforcement agency in Israel. The agency is an independent authority with four major regional headquarters and nine branches nationwide. Between December 2002 and August 2003, 233 questionnaires were handed out in the branches across the country and collected directly by the researchers. The overall response rate was 86.4 percent, and 201 questionnaires were used for data processing. A direct method of distribution and collection of the questionnaires was applied. First, permission to distribute the questionnaires was obtained from the organization's management. Second, employees were asked by the researcher to cooperate in the study, and it was clarified to the employees that participation was completely voluntary. The employees were also told that a certain degree of identification was needed and that their answers would be matched with other important data obtained from the managers. For this purpose, employees needed not to be identified by name but by a certain code known only to the researchers, not to the organization's management. Thus, the researcher assured the employees that the data collected would remain confidential, as would certain pieces of

information collected for identification purposes. The employees did have the option to refuse to take part in the study with no fear of retaliation by their supervisors, as the management had no information about who decided to take part in the study and who did not. Only the researchers had this data.

The questionnaires were completed by the employees and collected at the same meeting by the researcher. As the last step, the direct supervisor of each participant was asked to complete a questionnaire about all the employees under his/her supervision. Overall, nine supervisors completed 10-15 employees' evaluations each. The researchers matched the evaluations with the usable questionnaires, so the anonymity of the participants was assured.

The average age of the respondents was 24.9 years ($sd = 1.9$). In terms of demographics, 79.6 percent of the sample was male, 81.9 percent married, and 39 percent had been with the organization for more than two years. Slightly less than one third, or 32.8 percent of the participants were low-level or middle-level managers and the others were front-line employees. An academic college degree was held by 49.7 percent of the respondents. The income median was about \$1,500 per month. The demographic characteristics of the sample were quite similar to those of the total population in the organizations that participated in the study.

Measures

MLQ. The study used the MLQ (Multi-factor Leadership Questionnaire) for measuring the full range leadership styles. This measure was first introduced by Bass (1985) and was further developed by Bass and Avolio (1993). Dvir (1998) formulated a Hebrew version of the questionnaire that was used here. Employees were asked to evaluate the degree to which a particular behavior was typical of their immediate supervisor. Responses were made on five-point Likert scale ranged from 1 (never) to 5 (always). A shorter version of the questionnaire was applied, as suggested by Bass and Avolio (1993), including four items for each one of the components of the full range, which resulted in 32 items altogether. Sample items were:

- "My supervisor rewards performance when his/her expectations are fulfilled".
- "My supervisor is not present when he/she is needed".
- "My supervisor speaks enthusiastically about our goals as a team".

Reliability for the transformational leadership factor was 0.95 and for the transactional leadership factor 0.83.

Perceptions of organizational politics. This variable was measured by a shorter version of the Perception of Organizational Politics Scale (POPS) that was first developed by Kacmar and Ferris (1991) and later re-examined by Kacmar and Carlson (1994). POPS was defined as the degree to which the respondents view their work environment as political, and therefore unjust and unfair. While Kacmar and Ferris's original scale included 40 items, Kacmar and Carlson's study used the more parsimonious set of only 12 items, which were adopted here. Sample items were:

- "Favoritism rather than merit determines who gets ahead around here".
- "Rewards come only to those who work hard in this organization" (reverse-scored).

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- “There is a group of people in my department who always get things their way because no one wants to challenge them”.
- Leadership style

Respondents reported the degree to which they agreed with the items. The scale ranged from 1 (strongly disagree) to 5 (strongly agree), so that a higher score meant a stronger perception of organizational politics. The overall reliability was 0.83, which is even higher than that reported in other studies (e.g. 0.74 in Ferris and Kacmar, 1992; 0.76 in Parker *et al.*, 1995; 0.77 in Vigoda, 2000).

In-role performance and organizational citizenship behavior (OCB). These variables were based on a scale suggested by Williams and Anderson (1991). The scale includes questions regarding in-role activity and extra-role activity. The supervisors were asked to evaluate the degree to which each employee behaves in the described manner on a five-point Likert scale ranging from 1 (not at all) to 5 (strongly agree). This approach was patterned after similar studies that found it an effective way to obtain objective and less biased data about in-role performance and OCB (Graham, 1986; Morrison, 1994; Motowidlo *et al.*, 1986). Sample items were:

- “Completes assigned duties adequately”.
- “Helps others who have been absent”.
- “Assists supervisor with his/her work (when not asked)”.
- “Takes time to listen to co-workers’ problems and worries.”

Reliability for the in-role performance factor was 0.93 and 0.95 for the OCB factor.

Findings

As a preliminary step, an exploratory factor analysis (EFA – principal component with varimax rotation) was conducted to test the intra-structure of the leadership scale. In keeping with the findings of other studies, the EFA yielded two factors that can be ascribed to explicit leadership styles (Avolio and Bass, 1991; Den Hertog *et al.*, 1997). Factor 1 was based on 22 items that represented transformational leadership (Eigenvalue = 13.6). Factor 2 was based on seven items that represented an integration of transactional leadership and non-leadership (Eigenvalue = 2.27). A total of seven items were omitted, as they could not be classified with any of the factors. Thus, it was decided that latent measurement scales would be constructed for Factors 1 and 2 independently.

Table I provides descriptive statistics, reliabilities, and bi-variate colorations. This table demonstrates that the psychometric data of the research variables are reasonable. In addition, the correlations between the research variables are in the expected direction. It should be mentioned that quite a high correlation ($r = 0.67$; $p < 0.001$) was found between in-role performance and OCB. The relationship between those two variables is usually high, but here it was unusually high and demanded further examination using EFA. Thus, EFA was conducted for the in-role performance and OCB scale as well. The analysis revealed two major factors that corresponded with in-role performance and extra-role performance (OCB). Moreover, unlike other studies (i.e. Podsakoff, 2000; Williams and Anderson, 1991), I could not find a number of inner components for the OCB variable, so I used this variable in its integrative form. The findings thus supported the decision to examine in-role and extra-role performance separately, despite the high correlation between them that is, after all, not exceptional

(see, for example, the 0.77 correlation found by Wang *et al.*, 2005). Second, a strong negative correlation ($r = -0.60$; $p < 0.001$) was found between transactional and transformational leadership styles, which corresponds with the theory in the literature (i.e. MacKenzie *et al.*, 2001). These results may imply that managers with a transactional style usually rate lower in the transformational style and *vice versa*.

In addition, Table I points to a number of other important correlations. First, a positive relationship was found between transformational leadership and in-role performance ($r = 0.20$; $p < 0.001$). In addition, a positive relationship emerged between transformational leadership and OCB ($r = 0.22$; $p < 0.001$). These findings support *H1*. Contrary, however, to *H1*, a negative relationship was found between transactional leadership and in-role performance ($r = -0.24$; $p < 0.001$). Furthermore, a negative relationship was found between transactional leadership and OCB ($r = -0.23$; $p < 0.001$). Second, a negative relationship was found between transformational leadership and perceptions of organizational politics ($r = -0.60$; $p < 0.001$). This finding is in line with hypothesis *H2*. In addition, a positive relationship was found between transactional leadership and perceptions of organizational politics ($r = 0.55$; $p < 0.001$). This finding supports hypothesis *H3*. Finally, a negative relationship was found between perceptions of organizational politics and in-role performance ($r = -0.19$; $p < 0.001$) and between perceptions of organizational politics and OCB ($r = -0.18$; $p < 0.01$). These findings are in line with *H4* and *H5* respectively.

Model evaluation

In this study, I examined the hypothesis that employees' perceptions of organizational politics are a mediating variable between the supervisor's leadership style and employees' performance. To support the mediation hypothesis two alternative models were tested with Structural Equation Modeling (SEM) as suggested by Joreskog (1973) and Joreskog Joreskog and Sorbom (1993). Our strategy was also based on more recent ideas as suggested by Shaver (2005). Model 1 included the mediating variable (perceptions of organizational politics), while model 2 did not. Three criteria were used to compare the models: fit indices, path coefficients, and the percentage of explained variance for each model separately. Fit indices of the models are described in Table II. The path coefficients are shown in Figure 2.

The Chi-square test (χ^2) is the first and basic test for evaluating the model's fit. The smaller the value of the scale and the significance, the closer the model is to being a perfect fit. Model 1's high χ^2 value ($\chi^2 = 4.75$) made it less acceptable compared with the direct model. The second indicator tests the ratio between χ^2 and the number of

Table I.
Correlations matrix
(Pearson's) and reliability
(Cronbach's α) for the
research variables (in
brackets)

Variable	Mean	SD	1	2	3	4	5
1. Transformational leadership	3.39	0.75	(0.95)	-	-	-	-
2. Transactional leadership	2.17	0.72	-0.60**	(0.83)	-	-	-
3. Organizational politics	2.56	0.67	-0.60**	0.55**	(0.83)	-	-
4. In-role performance	4.10	0.75	0.20**	-0.24**	-0.19**	(0.93)	-
5. OCB	3.73	0.75	0.22**	-0.23**	-0.18*	0.67**	(0.95)

Notes: $N=201$; * $p < 0.01$ ** $p < 0.001$

Model	df	χ^2	χ^2/df	RMSR	GFI	AGFI	NFI	NNFI	CFI	RMSEA	ECVI
<i>Model 1:</i>											
Organizational politics mediates the relationship between leadership and performance	4	4.75	1.18	0	0.99	0.96	0.99	1.00	1.00	0.03	0.13
<i>Model 2:</i>											
Organizational politics does not mediate the relationship between leadership and performance	2	0.38	0.19	0	1.00	0.99	1.00	1.02	1.00	0	0.14

Table II.
Goodness-of-fit indexes

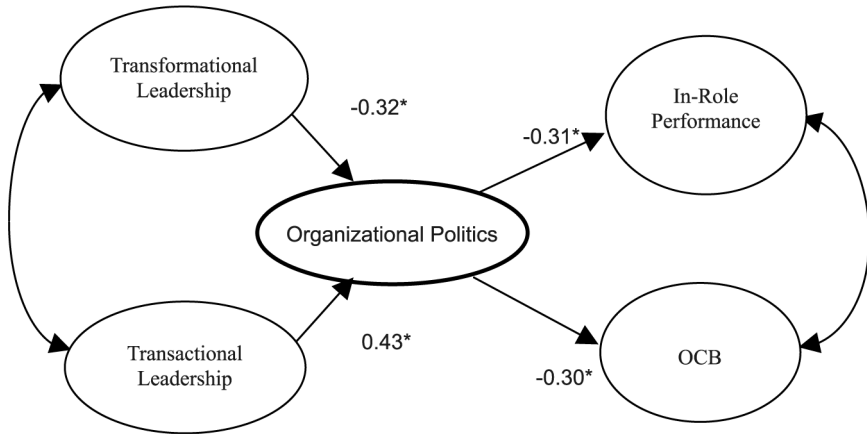
degrees of freedom in the model. If this ratio is 2.0 or less, the model is considered to be a good fit. While model 1 met this requirement ($\chi^2/df = 1.18$), the alternative direct model scored lower. The RMSR has to be less than 0.5. Also, GFI, AGFI, NFI, NNFI, and CFI have to be closer to 1 for the model to fit. In model 1, RMSR's value was 0, indicating a very good fit. Also, the CFI and NNFI scales' value was 1, which supports the fit of the model. In addition, the GFI was 0.99 and the AGFI was 0.96, which are very close to 1. However, in the alternative direct model, the values of GFI and AGFI were closer to 1. The RMSEA scale examines the fit of the null hypothesis in the alternative models. A value less than 0.05 signifies a good fit. In model 1, the RMSEA scale had a value of 0.03. However, this value is higher than the value of 0 found in the alternative direct model. The ECVI scale examines the level of unsuitability between the variances in the sample compared to any other identical sample. The smaller the value of ECVI, the better the level of fit. In model 1, ECVI's value was 0.13, a bit lower than the value of 0.14 in the alternative model.

Examining the level of coefficients paths found in the model 1 showed that all of the existing paths in the model were significant and were in line with the hypotheses. First, a negative relationship was found between transformational leadership and perceptions of organizational politics ($-0.32; p < 0.05$). This finding supports *H2*. Second, a positive relationship was found between transactional leadership and perceptions of organizational politics ($0.43; p < 0.05$), which supports *H3*. In addition, a negative relationship was found between perceptions of organizational politics and in-role performance ($-0.31; p < 0.05$), which supports *H4*. Finally, a negative relationship was found between perceptions of organizational politics and OCB ($-0.30; p < 0.05$). This finding supports hypothesis *H5*.

Compared with model 1, model 2 exhibited only two significant paths:

- (1) a positive relationship ($0.32; p < 0.05$) between transformational leadership and OCB (supporting hypothesis *H1*); and
- (2) a positive relationship ($0.24; p < 0.05$) between transactional leadership and OCB.

Model 1 – Organizational politics mediates between leadership and performance



Model 2 – Organizational politics does not mediate between leadership and performance

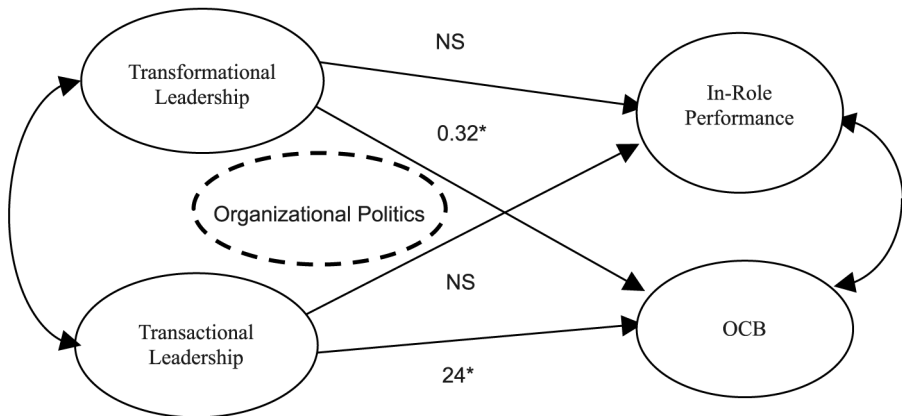


Figure 2. Path coefficients of alternative models for examining the relationships among leadership, perceptions of politics, and performance

NS=Not Significant
*p<0.05
N = 201

This finding supports *H1*, which expected a stronger relationship between transformational leadership and OCB compared with the relationship between transactional leadership and OCB. However, no significant relationships were found between the independent variables, transactional and transformational leadership, and in-role level of performance in this direct model. This result offers no support at all to *H1*. Thus, I concluded that according to the coefficient paths, the mediating model (model 1) corresponds better with the data than the alternative direct model (model 2) does.

The percentage of explained variance is a third criterion for evaluating competing models. In model 1, the mediating model, 62 percent of the variance in perceptions of organizational politics, 7 percent of the variance in in-role performance and 6 percent of

the variance in OCB is explained by the independent variables, transactional and transformational leadership. In model 2, the direct model, 9 percent of in-role performance and 8 percent of OCB are explained by the independent variables, transactional and transformational leadership. These values are clearly much lower than the explained variance achieved in model 1 and thus provides additional support for the advantage of model 1 over model 2.

Choosing the best model. An examination of the models in light of the above three conditions suggests that the two models are very close to each other. They represent both direct and indirect relationships between leadership and performance. While model 2 scored slightly better on the χ^2 test and the number of degrees of freedom it demonstrated, its poorer score on the coefficients path test indicates that it has limited fit with the theoretical construct.

In conclusion, both models seem to fit the theory but the mediating model (model 1) has many advantages over the direct model (model 2). In three scales (ECVI, NNFI, CFI), the mediating model was preferable, but in two basic scales (χ^2/df , χ^2), the alternative direct model was preferred. In addition, the coefficients paths also support our hypotheses and are much in line with model 1. Finally, a high percentage of explained variance was found in the mediating model, which again indicates its usefulness. The direct model is a better fit with the data but the indirect model fits the hypotheses and the theoretical rationale better. Hence, I conclude that perceptions of organizational politics have an important mediating effect on the relationship between leadership and performance. This mediating effect is far from being full, but should be considered as supplementary to the strong, direct relationship between leadership and performance, especially informal OCB behavior. The closing section discusses the findings, their implications, and directions for future studies in this context.

Discussion

This study has tried to advance the knowledge about the relationship between leadership style and employees' performance. It followed similar studies that have moved the same direction (i.e. Geyer and Steyrer, 1998; Lowe *et al.*, 1996; MacKenzie *et al.*, 2001; Parry, 2003; Pillai *et al.*, 1999; Wang *et al.*, 2005), but sought to extend them in light of suggestions by House and Aditya (1997) and Ammeter *et al.* (2002) to create a political theory of leadership. More specifically, the study examined perceptions of organizational politics as a mediator in this relationship. Thus, this study also tried to advance our knowledge about organizational politics (i.e. Ferris *et al.*, 1989; Ferris and Kacmar, 1992; Ferris *et al.*, 1996a; Folger *et al.*, 1992; Kacmar and Ferris, 1991; O'Connor *et al.*, 2001; Poon, 2003; Vigoda, 1999; Witt *et al.*, 2002) as well as about organizational citizenship behavior (i.e. Organ, 1988; Podsakoff, 2000; Williams and Anderson, 1991).

In light of the above studies, I tested whether the relationship between leadership and performance was indirect as well as direct. Organizational politics was examined as a possible mediating factor between transactional and transformational leadership on one hand, and formal and informal performance (OCB) on the other. The findings, based on two explicit models, showed that according to the fit indices, there is a slight preference for the direct model over the mediating model. However, the mediating model meets the theoretical requirements as well. Only when path coefficients and percentage of explained variance were tested did a slight preference for the mediating

model appear. That is, the relationship between leadership style and performance has not only a main direct effect but also an additional mediating side effect. These findings are much in line with the same idea previously suggested by Ferris and Rowland (1981) who claimed that perceptions of the workplace mediate between leadership style and performance.

The findings of this study also follow previous ideas developed by Pillai *et al.* (1999), MacKenzie *et al.* (2001), and Parry (2003). These studies showed that there are different situational variables that mediate in the relationship between leadership and performance in the organization. Building on this approach as well as on the leader-member exchange approach (Wang *et al.*, 2005), the current research tried to support the hypothesis that employees' perception of organizational politics is a significant perceptual variable that may affect the nature of the relationship between leadership and performance. Our findings can thus be defined as mixed because the mediating relationship exists side by side with a direct relationship between leadership and performance.

The findings about the mediating effect of organizational politics are much in line with the study by Pillai *et al.* (1999) who suggested that the relationship between leadership and performance is, to some extent, not direct but mediated. However, whereas Pillai *et al.* (1999) suggested trust and procedural and distributive justice as mediators in this relationship, our study focuses on organizational politics as playing quite a similar role. Trust, fairness and organizational politics definitely represent separate phenomena in the workplace (Andrews and Kacmar, 2001) but they are also quite strongly related to each other, and a theory on one may be useful for the understanding of the other (Ferris and Kacmar, 1992; Kacmar and Ferris, 1991; Vigoda-Gadot, 2003). Based on this line of thinking, Ferris *et al.* (1989) suggested that perceptions of trust and justice, particularly procedural and distributive justice, may be good indicators of the level of organizational politics. This idea was further developed in other studies (Ferris and Kacmar, 1992; Vigoda-Gadot, 2003). Thus, it provides additional support for the notion that perceptions of politics may serve as a buffer between leadership style (transactional and transformational) on one hand, and formal or informal performance indicators such as OCB on the other.

Beyond the contribution to the study of leadership and performance, the findings are also relevant to the developing theory of OCB. Our mediating model is consistent with Organ's (1988) who suggested that as long as the employee believes that the organization is managed fairly, he/she will be willing to improve his/her OCB and formal performance. In contrast, high levels of internal politics negatively affect the level of performance because they may be interpreted as an unprofessional, unfair, and unjust behavior by the leaders. In accordance with the findings shown here, I believe that this situation is possible mainly because of the transactional leadership pattern. In this situation, the employee may change his/her performance according to the direct rewards received. When the formal reward system is not balanced, it may translate into reduced job effort and eventually poorer performance. The findings support prior studies about the relationship between leadership and extra-role behavior as well as informal performance (MacKenzie *et al.*, 2001; Parry, 2003; Podsakoff, 2000). In sum, it seems that the use of organizational politics for explaining the mediating process between leadership and formal or informal performance in organizations contributes significantly to the understanding of all three phenomena: leadership, politics, and

performance in the organization. The two models examined here demonstrated this complex relationship, which is both direct and indirect.

When the different styles of leadership are examined separately, additional interesting findings arise. The findings support a negative relationship between transformational leadership and employees' perceptions of organizational politics and a positive relationship between transactional leadership and the perception of organizational politics. These relationships were also supported in the correlation analysis and in testing the path coefficients of the two models. The support for hypothesis *H2* confirms the idea that a transformational leader whose influence derives from his/her high levels of professionalism and personal integrity can create an environment of creativity, trust, commitment, involvement, satisfaction, and excellence in the organization. In contrast, a transactional leader whose influence derives from his/her position of authority and his ability to grant rewards and punishments will succeed in his job in a more limited way (Ehrhart, 2004; Pillai *et al.*, 1999). Support for *H3* is in line with the theoretical idea that transactional behaviors may have a more negative effect on employees than has been previously recognized in the literature. As part of the training for their positions, many managers devote a great deal of effort to acquiring negotiating skills or learning efficiency methods. The findings presented here indicate that sometimes transactional-style behaviors are perceived by the employees as negative and opportunistic. These findings support Bass and Avolio's (1993, 1993) idea that the effective leader should exhibit a bit of *laissez-faire*, a moderate level of transactional leadership, and a high level of transformational leadership. This mix of leadership styles will strengthen the leader's ability to influence his/her employees and spur them on to perform tasks above and beyond what is required (i.e. OCBs). In addition, the support for *H4*, which contends that there is a negative relationship between perceptions of organizational politics and the in-role performance level and OCB, supports Mintzberg's (1973) contention that organizational politics left unchecked can damage employees' performance.

Support of *H4* is also in line with similar findings from other studies that have pointed out the negative influence of organizational politics, especially in public organizations (Vigoda, 2000, Vigoda-Gadot, 2003). According to these findings, public administration employees working in an environment rife with organizational politics, but who prefer the security of public employment, will respond to such an environment by displaying apathy towards their work and neglecting their jobs. In addition to negatively impacting in-role performance, organizational politics has a similar effect on OCB. In the public sector, this process has many implications beyond the performance level of the organization and its employees. Low levels of OCB in public administration damage its ability to provide better service to citizens, thereby undermining its creativity, innovative practices, and ultimately the democratic system. That is why every organization, especially public administration systems where the economic reward system is relatively low, can benefit by encouraging transformational leadership that may reduce the negative influence of organizational politics. Such leadership may increase employees' formal and informal performance (OCB) and thus also the output of public service systems.

In support of *H1*, the study found significant relationships between leadership and performance in a number of areas. A positive relationship was found between transformational leadership and performance (in-role performance and OCB).

Surprisingly, however, and in contrast to *H1*, a negative relationship was found between transactional leadership and performance (in-role performance and OCB). This interesting finding contradicts other studies that found a more positive relationship (i.e. Pillai *et al.*, 1999; Wang *et al.*, 2005). A possible explanation for this finding may derive from the special characteristics of the organization where the data was collected. In this organization employees are closely monitored to reach a very high performance level, both formally and informally. This continuous demand for excellent performance is nourished by the unique relationships between the leaders/managers and field people. In such a system, strong transactional leadership may not result in the best performance level and instead, transformational leadership is much more effective. Therefore, before drawing broader conclusions, this relationship should be examined in other types of organizations.

Research limitations and recommendations for future studies

While this study makes a number of contributions, it also has a number of limitations. First, the study focused on perceptions of organizational politics as reported by the employees and not on actual political behaviors. The research did not examine other facets of the political phenomenon in organizations, as other studies suggest (for example, Vigoda-Gadot, 2003). Second, the specific characteristics of the examined organization may limit the external validity of the findings. The organization is very formal, employs relatively young individuals with little job experience, and demands excellent performance from its employees. These employees are often required to deal with ambiguous and uncertain situations, even life threatening ones. Hence, the relationship between the managers/leaders and the employees is unique and different than in other more conventional worksites. The unique nature of this security-oriented agency emphasizes the need to be cautious about generalizing the findings to other organizations. Perhaps these special circumstances have somehow biased the findings. Beyond that, the research was conducted in an Israeli context, possibly limiting the ability to generalize its findings to other cultures and contexts (Romm and Drory, 1988; Vigoda-Gadot, 2003). Therefore, the research hypotheses should be examined in a context other than the Israeli one to increase external validity.

Methodologically speaking, this research used questionnaires that were distributed independently to employees and their supervisors. By so doing, I hoped to avoid a common source and common method bias. In accordance with Heise (1969), two alternative models were examined. The power of this method lies in its ability to show that a certain model corresponds better with the data compared to the alternative model. For this purpose, the use of SEM has many advantages, as it strengthens the findings, minimizes measuring errors, and allows the detailing of causal relationships between the variables and the percentage of explained variance.

Final comments

Burns (1978) identified two basic factors in the interaction between leadership and employees. One factor stems from the leader's ability to deliver rewards and punishments (transactional leadership). The second factor is the leader's ability to rally his staff and urge them to cooperate in achieving the organization's goals (transformational leadership). The expectancy theory (Vroom, 1964), the social exchange theory (Blau, 1964), and the leader-member exchange (LMX) theory (Graen,

1976; Wang *et al.*, 2005) supported the need for a more balanced relationship between leaders and members and the idea of fair treatment of the individual. Reciprocity, fair exchange, and a low level of organization politics appear to be influential in the context of leadership style and performance. The current study examined the relationship between two types of leadership and formal and informal performance in the light of the knowledge accumulated in recent years regarding organizational politics. The findings demonstrate that organizational politics can be considered an influential mediator between leadership and performance beyond the direct relationship already established in the literature. As previously suggested by Ammeter *et al.* (2002) and others, a constant tension exists between the individual's involvement in political dynamics, his/her aspiration to develop and promote self-interests, and the goal of improving organizational performance. According to this study, transformational leadership may have a positive direct effect on employees' performance by structuring an environment that is perceived as less political in nature and is rooted in notions of fairness and equity. Such an environment should motivate employees to demonstrate excellent performance, both formally and informally, by higher levels of in-role behaviors and enhanced organizational citizenship behavior.

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Further reading

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