

THE INFLUENCE OF EMPLOYEE AFFECT ON LEADER-MEMBER EXCHANGE AND PERCEPTIONS OF PSYCHOLOGICAL CONTRACT VIOLATION

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ABSTRACT

This research investigated employees' psychological dispositions of positive affect, negative affect, and cynicism as potential influences upon their perceptions of psychological contract fulfillment or violation. Leader-member exchange (LMX) was hypothesized to serve as a partial mediator of the relationship. Prior research has focused mainly on direct relationships between various personality variables and either LMX or psychological contract violation; none have yet examined LMX as a potential mediator. A model of these proposed relationships was developed based on theory drawn from the areas of social psychology, LMX, and psychological contracts. Survey data was gathered from 278 respondents across five organizations and structural equation modeling was used to examine the strength of the relationships in the proposed model. While positive affect and negative affect were found to significantly relate to both LMX and the perception of psychological contract violation, LMX was not found to function as a mediator of the relationship. Employee cynicism was not significantly related to LMX and only weakly related to perceptions of psychological contract violation.

JEL: M12; M54

KEYWORDS: psychological contract, leader-member exchange, personality

INTRODUCTION

Several studies within the last decade have delved into the relationship between individuals' personality characteristics and the formation of perceptions of psychological contract breach and violation (Raja, Johns, & Ntalianis, 2004; Zhao & Chen, 2008). Parallel to this interest in personality and psychological contracts; another stream of research has focused on the influence of subordinates' personality traits upon the formation of high quality Leader-Member Exchange (LMX) relationships (Harris, Harris, & Eplion, 2007). Surprisingly, even though subordinates' supervisors have been theorized to play a major role in the development of subordinates' psychological contracts (Rousseau, 1995), no research has yet investigated the relationship between individual personality factors of subordinates, LMX, and perceptions of psychological contract violations.

Rousseau (1995), building on the work of Argyris (1960), Levinson, Price, Munden, Mandl, and Solley (1962), and Schein (1965), defined the psychological contract as the mutual obligations that an employee perceives to exist between oneself and one's employer. Violation of the psychological contract occurs when the employee perceives that the organization has failed to fulfill the terms of the contract and he/she experiences feelings of disappointment and anger in response (Morrison & Robinson, 1997). This perceived violation has been associated with a number of negative outcomes for both the employee and the organization such as lower employee trust in the employer (Robinson, 1996), lower job satisfaction (Robinson & Rousseau, 1994), lower job performance (Turnley & Feldman, 2000), reduced organizational citizenship behaviors (Robinson & Wolfe Morrison, 1995; Turnley & Feldman, 2000), higher turnover (Robinson & Rousseau, 1994), and less loyalty to the organization (Turnley & Feldman, 1999).

The concept of LMX rests upon the premise that supervisors will develop relationships of varying quality with their subordinates and thus provide them with varying levels of support and rewards commensurate with such differential relationships. In this article, we examine the roles that selected personality factors play with regard to perceptions of psychological contract violation and the formation of high-quality LMX, as well as the role that LMX plays in mediating these perceptions. While, as DelCampo (2007) notes, this type of research may have important implications for employee selection, this is not exclusively our intent. Rather, we hope that this information may be a step in understanding the way that individual differences may be taken into account when creating systems and processes to increase organizational performance.

In the following sections, we first review the literature and develop hypotheses based on an integration of various theories into a single model. We then describe the sample, the methodology used, and the results of the tests. We conclude with a discussion of the results in the context of current research and we note the limitations of the study as well as suggest directions for future research.

LITERATURE REVIEW

Prior to outlining our model of psychological contract violation, we must first address the distinction between breach and violation of the psychological contract. “Perceived breach” is the cognitive component of the perception, while in order for “violation” to occur, one must also experience an affective component (Morrison & Robinson, 1997). While an individual may be cognitively aware that the organization has not fulfilled some of its promises, this does not always lead to the development of felt violation, which can be much more serious in its outcomes (Turnley & Feldman, 2000). Negative emotions are more likely to spur the individual to action versus merely possessing the knowledge that the organization somehow has not lived up to its promises (Robinson & Wolfe Morrison, 2000).

Two primary factors that can be identified as potential contributors to psychological contract violation are (a) the employee’s relationship with his or her supervisor, and (b) personality characteristics of the employee that exert an influence on that employee’s perceptions of events. Since managers are one of the primary contract makers for they not only are able to impact the terms of the contract, such as salary and job duties, they are also able to ameliorate the effects of negative organizational events through special favors, emotional support, or by offering a plausible explanation for the event (Rousseau, 1995).

LMX theory essentially states that supervisors treat their subordinates differently, with some receiving more favorable treatment than others (Liden, Sparrowe, & Wayne, 1997; Schriesheim, Castro, & Cogliser, 1999). High quality LMX has been linked to a number of positive outcomes for members, such as increased job satisfaction (Masterson, Lewis, Goldman, & Taylor, 2000); higher performance ratings and level of delegation (Scandura & Schriesheim, 1994; Schriesheim, Neider, & Scandura, 1998); salary progression, promotability, and career satisfaction (Wayne, Liden, Kraimer, & Graf, 1999); and supply of resources and support for innovative behavior (Scott & Bruce, 1994). Since high quality LMX is related to positive outcomes for employees, it can be expected that they will receive more of what was initially promised to them and therefore it can also be expected that they would be more inclined to perceive their psychological contract as having been fulfilled.

Employees may also perceive the same organizational event differently based on their propensity to interpret events in a negative or positive manner (Turnley & Feldman, 1999). There is a substantial body of research which indicates that individual differences in trait positive and negative affect influence the manner in which a person interprets and responds to events (Brief & Weiss, 2002; Diener, Nickerson, Lucas, & Sandvik, 2002; Grandey, Tam, & Brauburger, 2002) as well as interacts with other people (Baur & Green, 1996; Phillips & Bedeian, 1994). Cynicism emerges as another personality characteristic,

possibly related to affect, that may also be expected to influence an individual's perception of events as well as his or her social fluidity.

Influence of Affect on LMX Formation

In *The Social Psychology of Groups*, Thibaut and Kelley (1959) proposed that successful dyad formation occurs based upon a sampling of behavior by each party with respect to the other. In brief, we choose to continue to interact with individuals with whom we experience net rewards and disengage with those with whom we experience net costs. For example, reduction of a drive or fulfillment of a need can be considered a reward, while behaviors where mental or physical effort are required or unpleasant feelings are aroused such as anxiety or embarrassment would clearly be a cost. This usually occurs during our initial interactions with another person, and we are predisposed to attend more strongly to negative information during these encounters (Cacioppo & Gardner, 1999).

In the employee/supervisor relationship, either may make a rapid judgment of the other based upon their initial interactions. This relatively quick impression formation has been proposed as being one avenue through which high quality LMX develops (Dienesch & Liden, 1986), and has garnered a degree of empirical support (Dockery & Steiner, 1990; Liden, Wayne, & Stilwell, 1993). Along a similar line of reasoning, a number of studies have reported a positive relationship between "supervisor liking" (of the subordinate) and LMX quality (Dockery & Steiner, 1990; Murphy & Ensher, 1999; Wayne & Ferris, 1990). Unfortunately for the subordinate, the burden for positive interactions rests upon his or her shoulders and is a responsibility over which he or she may have a fairly low degree of control.

The model of affective social competence, (Halberstadt, Denham, & Dunsmore, 2001) depicts emotions as the "primary elements in social interactions" (p. 79), that is, the expression and recognition of emotion is a fundamental determinant of successful social interaction. The terms "trait positive affect" (PA) and "trait negative affect" (NA) refer to a propensity to experience corresponding positive and negative mood states and these traits have been found to be temporally stable and exhibit a degree of consistency across situations (Watson, 2000). Based on this line of thought, positive and negative trait affect emerge as strong candidates for influencing the outcomes of dyadic interaction, since emotions both contribute to, and are manifestations of underlying affect (Watson, 2000).

Indeed, PA and NA have been found to influence individuals' emotional reactions in the workplace (Grandey, Tam, & Brauburger, 2002). It would be expected that those high in either type of trait affect would be more prone to experiencing moods and emotions reflective of that particular trait. Consequently, they would exhibit a greater number of behaviors that would reflect the influence of the trait. It follows that this would influence the perceptions of the other person with whom the individual was interacting as to whether the interaction provided net rewards or net costs.

When observers viewed videotapes of individuals who had had a positive or negative mood induced and had been filmed surreptitiously, the observers were able to distinguish the PA individuals from the NA individuals (Forgas, 2002). Happy participants were judged to behave in a more poised, skilled, and rewarding manner, while participants in whom NA had been induced were judged as being significantly less friendly. NA has been linked to deterioration in relationship quality over time, while PA predicted improvements in relationship quality regardless of whether individuals remained in the same relationship or switched partners (Robins, Caspi, & Moffit, 2002).

Those high in PA are more likely to display positive emotions across situations (Tan, Foo, Chong, & Ng, 2003) and thus provide more rewards for those with whom they interact, i.e. their supervisors. Support for this assertion also comes from studies in which it was found that displays of positive emotions were associated with corresponding positive affect in those with whom subjects were interacting (Pugh, 2001;

Wampler, Shi, Nelson, & Kimball, 2003). Furthermore, it was found that dispositional PA predicted supervisory performance ratings over a four-year time period (Wright & Staw, 1999). Conversely, those high in NA have been found to be more prone to negative interpersonal interactions and comments (Robins, Caspi, & Moffitt, 2000; Watson & Clark, 1984), actions which would not be expected to facilitate the formation of high quality LMX.

Finally, direct evidence of the potential link between trait affect and LMX comes from two studies that examined the influence of negative affect on LMX. In the first study (Engle & Lord, 1997), researchers reported a negative relationship between NA and supervisor rated LMX. In the second study, NA was also negatively related to LMX, however, the subordinates rated LMX in that particular study (Hui & Law, 1999).

Cynicism and LMX

For the present study, we used the conceptualization of cynicism as that which is directed toward other people in general. This individual characteristic has been referred to as “trait” or “personality” cynicism (Dean Jr., Brandes, & Dharwadkar, 1998; Johnson & O’Leary-Kelly, 2003), a term indicative of the characteristic’s enduring nature. Cynicism, conceptualized in this manner, has been associated with negative expressions of facial affect (Brummett, Maynard, Babyak, Haney, Siegler, Helms, & Barefoot, 1998) and the possibility that cynical individuals are more inclined to engage in provocative encounters (Zwaal, Prkachin, Husted, & Stones, 2003).

There is evidence that the receiver of a facial expression will experience the sender’s affect by unconsciously mimicking the sender’s expression (Dimberg, Thunberg, & Elmehed, 2000). In the case of negative facial expressions, the resulting effect on the receiver would be to experience an unpleasant state. Likewise, engaging in a negative encounter with a subordinate would not generate rewards for the supervisor. Thus, it is expected that trait cynicism will be associated with lower levels of leader-member exchange.

Direct Influence of Affect and Cynicism upon Perceptions of Psychological Contract Violation

In addition to influencing an individual’s perception of psychological contract fulfillment or violation through his/her relationship with the supervisor, PA and NA may also have a direct influence on these perceptions. A number of studies have examined the relationship of dispositional variables to job attitudes (Brief & Weiss, 2002; Thoresen, Kaplan, Barsky, Warren, & de Chermont, 2003), yet none have investigated the role of affect in the prediction of psychological contract violation and only one study examined affect’s relationship to breach (Suazo, 2002). In the process model of psychological contract violation developed by Morrison and Robinson (1997), they propose that employees who exhibit a greater degree of vigilance in monitoring the environment for discrepancies between what was promised and what was delivered by the organization will be more likely to perceive contract breach than those employees who are not as vigilant in their monitoring. The evidence regarding affect and sensitivity to stimuli indicates that those high in NA tend to be much more sensitive to aversive stimuli than those high in PA, are more vigilant in anticipating problems, and view themselves and reality through a negative lens (Brief & Weiss, 2002; Larsen & Ketelaar, 1991; Rusting & Larsen, 1998).

Individuals high in personality cynicism are mistrustful of others and possess the attitude that others are mostly interested in self gain and will engage in dishonesty, manipulation, and conniving to achieve their ends (Abraham, 2000). Cynically hostile persons are also more likely to attribute intentionality to others’ negative behavior and believe that this is more representative of others’ behavior in general (Pope, Smith, & Rhodewalt, 1990). Thus it is possible that those high in personality cynicism would be more likely to

interpret negative events as having an intentional component and therefore be more likely to experience felt violation in response to such events.

Based on the preceding theoretical development, we generated the following hypotheses:

Hypothesis 1: LMX quality will be negatively related to employee perceptions of psychological contract violation.

Hypothesis 2a: Positive affect will be positively related to LMX quality.

Hypothesis 2b: Negative affect will be negatively related LMX quality.

Hypothesis 3: Cynicism will be negatively related to LMX quality.

Hypothesis 4a: Positive affect will be negatively related to perceived psychological contract violation.

Hypothesis 4b: Negative affect will be positively related to perceived psychological contract violation.

Hypothesis 5: Cynicism will be positively related to perceived violation.

LMX as a Mediator

While positive affect, negative affect, and cynicism are expected to exert an influence upon individuals' perceptions of organizational events, it is also plausible that the employee's relationship with the supervisor will serve to mediate these effects to some degree since many rewards that an employee receives are at the supervisor's discretion. Rousseau (1995) states explicitly: that "... managers play a special role in making or breaking the psychological contracts of their employees p. 64." She postulates that, through the development of high quality LMX, the manager will provide a greater degree of communication and support to the subordinate as well as be able to clarify the mutual expectations of the parties.

High quality LMX has been proposed to facilitate a greater degree of communication between an employee and his/her supervisor (Morrison & Robinson, 1997). This enhanced communication would serve to minimize any incongruence between what the employee believes was promised and what organizational agents, including the manager, believe was promised, and thus reduce the likelihood of perceived violation through the alignment of the employee's perceptions of organizational obligations with those of management. In addition to resolving differences in perception, enhanced communication may also function as a buffer between occurrences of organizational renegeing and the employee's perceptions and emotional reaction to such an event. Employees who receive credible explanations for such events are less likely to perceive psychological contract violation (Rousseau, 1995).

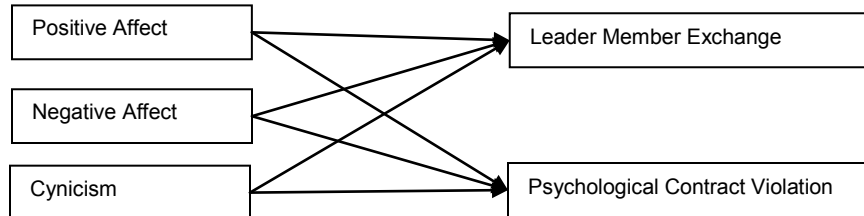
The relationship between employee and supervisor may itself function as a reward in that the supervisor is able to provide emotional support and nurturance to the employee. Levinson et al. (1962) believed that employees bring certain dependence needs with them and that supervisors are critical in satisfying these needs. Some employees may explicitly believe that the supervisor is obligated to furnish this type of support, especially if he/she has perceived that this state of affairs has been promised at some point in the relationship. Research has demonstrated that employees associate broken promises with lack of social as well as technical support, and they implicate the supervisor in 28 percent of all perceived broken promises (Conway & Briner, 2002).

These propositions are embodied in the following hypothesis:

Hypothesis 6: LMX will partially mediate the relationship between positive and negative affect, cynicism, and perceived violation.

A model of the hypothesized relationships is presented in Figure 1.

Figure 1: Model of Direct and Indirect Effects of PA, NA, and Cynicism on LMX and Psychological Contract Violation



This figure shows the hypothesized paths between the personality constructs and the outcomes of leader-member exchange and psychological contract violation in the proposed model. Positive affect (PA) is hypothesized as being positively related to Leader-member Exchange (LMX), and negatively related to psychological contract violation. Both negative affect (NA) and cynicism are hypothesized as being negatively related to LMX and positively related to psychological contract violation. LMX is hypothesized to partially mediate the relationship between PA, NA, cynicism and the perception of psychological contract violation.

DATA AND METHODOLOGY

Participants and Procedures

Survey data was collected from 278 subordinates and 72 supervisors in four service oriented private sector organizations and an office of the state government. The four service oriented organizations consisted of a fast food restaurant; a group of casual dining restaurants and their company administrative headquarters; the human resources department of a major hospital; and a branch of a family entertainment corporation. The number of participating subordinates per supervisor ranged from a low of 1 to a high of 10. The survey was voluntary for both subordinates and supervisors and out of the 278 subordinates who completed surveys, 231 also had supervisors who completed surveys.

In three of the organizations, three levels of employees and supervisors were surveyed. The middle levels completed both an employee survey and then rated each of their direct reports with the supervisor survey. In the other two organizations the bottom and top levels completed either an employee survey or supervisor surveys, but not both. Surveys were administered to both employees and their supervisors, with the supervisors completing surveys on each of their subordinates. The supervisors' surveys contained only the scale for LMX.

While each organization was encouraged to allow an on-site administration and collection of the surveys, this was not always possible. In three cases, at the administrative headquarters of the casual dining corporation, at the family entertainment establishment, and at the office of the state government, this did occur and we were able to administer surveys to both subordinates and their supervisors separately and then collect them. In the other organizations, the surveys were either mailed to the respondents with an accompanying recruitment letter, or were distributed to their workplace mailboxes by an organizational representative. To guarantee anonymity in these cases, a self-addressed stamped return envelope was provided to the respondent.

The response rates for these organizations were as follows: for the fast food restaurant it was 24% (23 out of 94 subordinates), for the casual dining restaurants it was 32% (31 out of 97 subordinates), for the administrative headquarters of the casual dining restaurant it was 91% (59 out of 65 subordinates), for the

office of state government it was 95% (57 out of 65 subordinates), for the family entertainment establishment it was 17% (78 out of 453 subordinates), and at the human resources department of the major hospital it was 33% (33 out of 100 subordinates).

Measures

All variables were measured using established scales. Trait positive and negative affect was measured with the Positive Affect Negative Affect Schedule (PANAS) (Watson, Clark, & Tellegen; 1988). The PANAS consists of two ten-item adjectival subscales; one for positive affect and the other for negative affect.

Trait cynicism was measured with Wrightsman's (1992) 10-item Cynicism Subscale. Items such as "People pretend to care more about one another than they really do," are included in the scale and the responses are made on a seven point Likert type format ranging from "strongly disagree," to "strongly agree." Higher scores indicate a greater degree of trait cynicism.

Leader-member exchange quality was measured with the 12-item LMX-MDM scale developed by Liden & Maslyn (1998). It measures four LMX dimensions - affect, loyalty, contribution, and professional respect - and can be summed to provide a global measure of LMX. The wording on the supervisor LMX scale was changed to reflect the supervisor's perspective with respect to the employee. For example, the item "My supervisor is the kind of person one would like to have as a friend," on the employee's survey would be altered to read "This employee is the kind of person one would like to have as a friend." The administration of this scale to the supervisor was intended to provide some degree of insurance against common method variance. However, correlations between the two sources of LMX ratings tend to vary across studies (Gerstner and Day, 1997), although repeated administrations of scales to the two populations tend to produce results that converge (Scandura, Graen, & Novak, 1986).

Psychological contract violation was measured using a 4-item scale developed by Robinson and Morrison (2000) consistent with their model in which they distinguished between felt violation and perceived breach (Morrison & Robinson, 1997).

Data on age, gender, organizational tenure, and dyadic tenure (with the present supervisor) were also collected in order to determine whether or not they may represent a possible confound. While these factors have been postulated to exert an influence on LMX and psychological contracts (Ng & Feldman, 2009), research findings have been inconclusive (Bocchino, Hartman, & Foley, 2003; Restubog, Bordia, Tang, & Krebs, 2009; Suazo, Turnley, & Mai-dalton, 2008).

Data Analysis

The data for the model were analyzed using structural equation modeling (SEM). SEM accommodates imperfect reliability in measures and it treats the relationships between variables as a unit instead of in a more piecemeal fashion (Kline & Klammer, 2001). It also models the relationships between unobserved, or "latent" variables, of which the observed variables are indicators. The two drawbacks of SEM are that it does require larger sample sizes than other techniques, and there may exist multiple models that fit the data equally well.

In accordance with the two-stage procedure outlined by Anderson and Gerbing (1988), a measurement model was evaluated to establish convergent and discriminant validity of the scales, and then the structural model's fit was evaluated. This two-stage sequence is designed to minimize *interpretational confounding*, which occurs in the case of observed variables loading on constructs other than what was

specified a priori. Failure to test the measurement model prior to the structural model may result in fluctuations in the pattern coefficients when alternate structural models are estimated.

RESULTS

Maximum likelihood estimation (ML) was used to produce parameter estimates. This technique has the advantage of being fairly robust to moderate departures in multivariate normality (Rigdon, 1994). A covariance matrix derived from item parcels, rather than single scale items, was used as input into the SEM program (LISREL). Item parcels have the advantage of being more continuous and less coarsely categorized than the single item indicators from the limited response choices of the Likert scales; they are less likely to lead to attenuated estimates of Pearson correlation coefficients.

In order to create the item parcels, scale items for positive affect, negative affect, and cynicism were combined randomly by summing pairs of items beginning with the first item and last item, and then following the same procedure with the remaining pairs of items. Randomly combining items to form composites has been shown to produce results comparable to other more complex methods (Landis, Beal, & Tesluk, 2000). The construction of the LMX parcels was theory driven and they were combined according to the dimension of LMX that they were theorized to represent: affect, loyalty, contribution, and professional respect (Liden & Maslyn, 1998). This resulted in four LMX parcels, each composed of the average of three items.

Descriptive Statistics

Means, standard deviations, and correlations for the summed composites of the variables appear in Table 1. An examination of these zero-order correlations provides preliminary support for the hypothesized relationships. Note that the correlations between the exogenous variable indicators, PA, NA, Cynicism, and the endogenous variables, LMX and psychological contract violation, are all significant and in the hypothesized direction.

Table 1: Score Ranges, Means, Standard Deviations, Correlations, and Reliabilities

Scale	Range	M	SD	1	2	3	4	5	6	7
1 PA	15 to 50	37.27	8.02	.91						
2 NA	10 to 38	16.23	6.02	-.35*	.84					
3 Cynicism	10 to 70	36.98	12.55	-.15*	.30*	.92				
4 LMX	13 to 87	65.00	13.90	.41*	-.41*	-.18*	.93			
5 Psychological Contract Violation	4 to 20	8.41	3.95	-.44*	.55*	.31*	-.37*	.89		
6 Age	16 to 73	35.07	13.80	.10	-.06	-.35*	.03	-.01		
7 Organization Tenure (yrs)	.08 to 31	6.19	6.90	-.12	.09	-.13	-.14	.21*	.57*	
8 Dyadic Tenure (yrs)	.08 to 15	2.09	2.78	-.09	.03	-.01	-.06	.25*	.34*	.55*

Rows 1 - 5 of this table contain the range of respondent scores for each instrument, the means of the scores, and the correlations between the scores collected from subordinate surveys. Rows 6 - 8 contain the ranges, means, and standard deviations for age and time related variables.

* indicates significance at the 1 percent level. Scale reliability coefficients (α) are along the diagonal.

Time in the organization and time with the present supervisor were both significantly correlated with psychological contract violation. In order to investigate the possibility that these two time-related variables shared explanatory power with the other exogenous variables we correlated PA, NA, and Cynicism with LMX and psychological contract violation while controlling for time in organization and time with supervisor. The resulting correlations were virtually unchanged from the zero-order correlations with respect to both significance and magnitude. We therefore concluded that while this may

indicate that the longer one spends in the same organization, or with a particular supervisor, the more likely it is that one will perceive that promises have been broken, this effect is independent of the influence of affect or cynicism.

Independent samples *t*-tests revealed no significant difference between mean levels of LMX quality or psychological contract violation between males (N=100) and females (N=178).

Leader-Member Exchange Perspectives

As was noted under *measures*, LMX was measured from both the employees' perspective and the supervisors' perspective as a guard against common method bias. In past research, initial administrations of LMX instruments have often produced different ratings of supposedly the same construct (Gerstner & Day, 1997; Schriesheim et al., 1998). Mean subordinate ratings of the relationship tend to be lower with greater standard deviations than the ratings produced by the supervisors (Scandura, Graen, Novak, 1986). However, in studies where the instruments have been repeatedly administered, ratings from supervisors began to converge on those from the subordinates. Scandura et al. (1986) attributed this phenomenon to managers' initial apprehension regarding the perceived evaluation of their role performance and therefore they desire to appear "socially acceptable" and thus do not discriminate between lower and higher LMX.

The data from the current study bore out these previous findings. Descriptive statistics and correlations for the LMX variables are presented in Table 2. Employee rated LMX is correlated .43 with supervisor rated LMX (SLMX). These correlations are very similar to the higher end of the LMX/SLMX degree of agreement found in other studies (Maslyn & Uhl-Bien, 2001; Schriesheim et al., 1998).

Table 2: Score Ranges, Means, Standard Deviations, Correlations, and Reliabilities for Subordinate and Supervisor Ratings of LMX

Scale	Range	M	SD	1	2
1 Subordinate Rated LMX	13 to 84	65.00	13.9	0.93	
2 Supervisor Rated LMX	37 to 84	67.23	12.05	.43*	0.94

*This table contains a comparison of the ranges, means, and standard deviations between subordinate-rated LMX and supervisor-rated LMX. The correlation coefficient appears in column 1, row 2. * indicates significance at the 1 percent level. Scale reliability coefficients (α) are on the diagonal.*

Due to the possibility that supervisors are not honestly answering the LMX items in this single administration of the instrument, the following analyses will be conducted with the employee rated LMX scores unless otherwise noted. An analysis of separate models incorporating the different measures appears in a later section of this article.

Evaluation of Measurement Model

A five factor measurement model indicated a fair fit for the data: $\chi^2 = 569.62$ ($df=284$, $p<0.01$), root mean square error of approximation (RMSEA) of 0.057, and a goodness of fit index (GFI) of 0.87. While the χ^2 statistic alone indicates a misspecification of the model, the other fit indices were close to the "standards" of RMSEA < .05 and GFI > .90. An examination of the path coefficients for the parcels on their factors indicated that fit could be improved by the deletion one parcel per factor. Therefore, parceled items consisting of items 1, 2, and 3 for the LMX measure; items 1 and 10 for the PA measure; items 5 and 6 for the NA measure; and items 4 and 7 for the cynicism measure were deleted from the model.

An inspection of the LISREL modification indices indicated that allowing some of the error terms among the items for the PA and NA subscales would also improve fit. While it is not recommended to allow measures to correlate in this way (Anderson and Gerbing, 1988), these are items within the same scale (PANAS), and thus some of them might be expected to have correlated error terms. Two of the NA parcels and one of the PA parcels exhibited the highest modification indices and thus were allowed to correlate through their error terms.

The new model exhibited a $\chi^2 = 240.93$ ($df=171$, $p=0.00034$), which was still less than the desired p level of 0.05, but the RMSEA improved to 0.035 and the GFI improved to 0.93. While the fit may have been improved to a greater degree by allowing more error terms to correlate this raises the potential for the model to become well fitted to the particular data set at the expense of generalizability. The fit of the model was acceptable with the modifications that had been made, and therefore we proceeded with the analysis.

The path coefficients for each scale item were at least twice its standard error and met the Anderson and Gerbing (1988) standard for convergent validity. Discriminant validity was established through a series of χ^2 difference tests. The difference between the χ^2 estimates for all tests of all pairs reached significance and the two factor models always produced the lower χ^2 value, thus providing evidence of discriminant validity for each of the measures.

Evaluation of Structural Model

In order to test the degree to which the hypothesized relationships between constructs are valid in the population, the fit indices for the hypothesized model were examined and then a series of “nested” models were compared through χ^2 difference tests. Interpretation of the fit indices provides an idea of how well the model fits the data in an absolute sense, while the comparison to other models provides an idea of how well the model fits in a relative sense (Anderson & Gerbing, 1988). If the difference in the χ^2 fit index is significant, then the less constrained model is favored over the more constrained model. In this study, the hypothesized model is fully saturated, and therefore it was compared with only models that are more constrained.

Standardized parameter estimates for this model and an alternate model that contains supervisor rated LMX are presented in table 4. The fit indices for this model are as follows: $\chi^2 = 156.79$ ($df=106$, $p=0.00099$), RMSEA = 0.042, and the goodness of fit index (GFI) = 0.94. In this case, although the χ^2 did reach significance, it is close in magnitude to the df , and the other fit indices are acceptable. When compared to the null model ($\chi^2 = 3532.17$, $df = 136$) and a model in which the paths from the exogenous variables to psychological contract violation have been constrained to zero ($\chi^2 = 255.45$, $df = 109$), the hypothesized model clearly has the better fit of the three.

Testing for Mediation

There was no support for H6 that LMX acts as a partial mediator of the relationship between positive and negative affect, cynicism, and perceived violation of the psychological contract. To test for this, the parameter estimates for two models were compared: one in which LMX was deleted and only paths between the exogenous variables and psychological contract violation were estimated, and one in which LMX was entered. There was no difference in parameter estimates for cynicism to psychological contract violation, indicating that LMX does not at all mediate the relationship between these two constructs. The paths from PA and NA to psychological contract violation did change, but only slightly. In both models, the parameter estimates were significant.

The standardized estimates for the effect of PA and NA on psychological contract violation were -0.31 and 0.43 respectively. Upon entering LMX into the model, these changed to -0.28 and 0.39 respectively. Standardized parameter estimates for the effects of PA and NA on LMX, were 0.28 for PA and -0.33 for NA and the standardized parameter estimate of LMX on psychological contract violation was -0.12 with a standard error of 0.06 and a t -value of -2.00. Under ML estimation with non-normally distributed variables, t -values may be inflated (Hau & Marsh, 2004). Because this particular t -value was quite close to the significance cutoff value of -1.96, we decided to test the parameter estimate against the hypothesis that it was no different from 0.

Another model was specified in which the path from LMX to psychological contract violation was fixed at 0. This model's χ^2 was compared to that of the hypothesized model. The χ^2 difference between the model with the parameter set to 0 and the alternate model was 2.93 with 1 df . This χ^2 value is not significant and, therefore, it was concluded that the parameter is not significantly different from 0.

Given the fact that the parameter estimates from LMX to psychological contract violation are no different from 0, which indicates lack of an indirect effect from PA, NA, and cynicism on psychological contract violation through LMX, there is no support for the hypothesis that LMX acts as a mediator of the relationship between positive and negative affect, cynicism, and perceived violation of the psychological contract.

Evaluation of Remaining Hypotheses

Hypotheses H2a, H2b, H3, H5, and H6 have to do with whether or not the exogenous variables will be related to the endogenous variables and whether the relationship will be positive or negative, while H1 has to do with the relationship between the endogenous variables. H1 specifies that LMX will be negatively related to psychological contract violation. The data do not support this hypothesis. The mediation tests demonstrated that the path from LMX to psychological contract violation could be constrained to 0 without significantly affecting model fit. This test indicates that H1 is not supported.

H2a, H2b, and H3 specify the nature of the relationship that the personality variables PA, NA, and cynicism were expected to have with LMX. Specifically PA was expected to exert a positive effect on LMX, while NA and cynicism were expected to exert negative effects. H2a and H2b were supported by the data while H3 was not. The parameter estimates for the effects of PA and NA on LMX, 0.28 and -0.33 (standardized) were both significant and had the hypothesized sign. The estimate for cynicism on LMX was small in magnitude (-0.01) and did not reach significance.

H4a, H4b, and H5 specify the nature of the relationship between PA, NA, and cynicism with psychological contract violation. The data supported both the existence of the relationship and whether the effect was positive or negative. All of the parameter estimates were significant and had the hypothesized sign. PA was negatively related to psychological contract violation (-0.28), NA was positively related to psychological contract violation (0.39), and cynicism was positively related to psychological contract violation (0.18). All estimates are standardized.

Comparison of Subordinate Rated LMX and Supervisor Rated LMX

The hypothesized model was specified once each with subordinate rated LMX, and then supervisor rated LMX. The two models were then compared. Because not all supervisors volunteered to be in the study, the N was smaller for supervisor rated LMX at 231 complete cases. The supervisor rated LMX model had a slightly better fit as demonstrated in Table 3.

An examination of the squared multiple correlations for the models' endogenous variables, LMX and psychological contract violation, revealed that the proportion of variance explained for supervisor rated LMX was substantively lower than for subordinate rated LMX: .10 versus .26.

Table 3: Comparison of LMX Models

Model	χ^2	df	p	RMSEA	GFI
Subordinate Rated LMX	156.79	106	0.00099	0.042	0.94
Supervisor Rated LMX	146.34	106	0.0058	0.038	0.93

Table 3 shows a comparison of fit indices between models containing LMX measured from the subordinates' perspectives and then supervisors' perspectives respectively. The χ^2 statistic tests the null hypothesis that the specified model fits exactly in the population. Smaller differences between χ^2 statistics and degrees of freedom indicate better fit of a model. P values greater than .05 are desirable. A root mean square error of approximation (RMSEA) of less than .05 is indicative of good approximate fit, as is a goodness of fit index (GFI) greater than 0.90. While p values are larger than desirable for these two models, when considered together, these indices signal an overall acceptable fit.

What is particularly interesting about these complementary models is that the greatest difference in parameter estimates for the paths between NA and the LMX variable and PA and the LMX variable, occurs in the model in which supervisor rated LMX is used. Possibly subordinate NA has a greater influence than subordinate PA on the way that a supervisor views the relationship. Standardized parameter estimates for these two models appear in Table 4.

Table 4: Parameter Estimates between Exogenous and Endogenous Variables

Model	PA to LMX	PA to Psychological Contract Violation	NA to LMX	NA to Psychological Contract Violation	Cynicism to LMX	Cynicism to Psychological Contract Violation
Subordinate rated LMX	0.28*	-0.28*	-0.33*	0.39*	-0.01	0.18*
Supervisor rated LMX	0.15	-0.27*	-0.22*	0.37*	-0.01	0.17*

Table 4 contains standardized parameter estimates for paths between the exogenous variables and the endogenous variables for the two structural models containing LMX as rated by subordinates versus LMX as rated by their supervisors. The magnitude of the absolute value of parameter estimates indicates the strength of the relationship between the two constructs as noted in the column heading. * indicates significance of $-1.96 < t < 1.96$ (the t-value is the ratio of the parameter estimate to its standard error).

DISCUSSION

The results of this study indicate that the affective components of employees' personality exert an influence on leader-member exchange (LMX) and psychological contract violation. Employees higher in PA did in fact tend to perceive their relationships with their supervisors as higher quality and they tended to have positive feelings regarding the degree to which the organization had fulfilled its promises to them. Employees higher in NA exhibited the opposite pattern of perceptions; they perceived their relationships with the supervisors to be of lower quality and they felt a greater degree of anger and dissatisfaction toward their organization regarding unfulfilled promises, indicating a higher degree of psychological contract violation. The hypothesis that LMX partially mediates the relationships between affect and psychological contract violation was not supported.

The finding that NA is negatively related to LMX replicates and extends previous findings (Engle and Lord, 1997; Hui, Law, & Chen, 1999). The present study differs from previous studies in that it is a field study and in that fact that LMX was measured from both the subordinates' and the supervisors' perspectives rather than only the subordinates' perspectives. While previous studies found that supervisors tend to like subordinates high in PA more than those low in PA (Dockery & Steiner, 1990), the results for the influence of PA on LMX in our study was less definitive. The finding that PA exerts a more modest effect on LMX is plausible in light of the fact that negative information is more salient to

humans than is positive information (Pratto & John, 1991). Opinions of others based on negative verbal and non-verbal behavior are formed rapidly and are resistant to change (DePaulo & Friedman, 1998; Gilbert, 1998) and it is likely that supervisors would form higher-quality relationships with those who exhibit either neutral or positive verbal and non-verbal behaviors.

The relationships of affect to perceptions of psychological contract violation tend to parallel the relationship of affect to LMX and are consistent with the broader prior research findings linking trait affect to attitudes (Judge, Heller, Mount, 2002; Thoresen et al., 2003). Raja et al. (2004), found neuroticism, a correlate of NA, to be positively related to perceived psychological contract breach, a correlate and precursor of violation. However, they found no significant relation between extraversion, a correlate of PA, and perceived breach. This difference may be partially due to differences in sample characteristics since their study was conducted in Pakistan among a narrower range of respondents in terms of organizational level of employees surveyed.

The hypothesized negative relationship between cynicism and LMX was not supported by the data. The hypothesized positive relationship between cynicism and psychological contract violation was supported, although the effect was comparatively small. Due to the fact that some measures of cynicism are contaminated by a NA bias (Hart & Hope, 2003), we performed a post-hoc analysis in which the effects of NA were partialled out of the correlations between cynicism and LMX, and between cynicism and psychological contract violation. The resulting correlation between cynicism and LMX then became insignificant. Therefore, it may be that the effects of cynicism on LMX relationships are mostly manifestations of NA.

While the relationship between cynicism and psychological contract violation remained significant after controlling for the effects of NA, the effect was lower in magnitude. Therefore, as the structural model indicates, cynicism does exert an effect on psychological contract violation independent of the effects of NA. Those individuals who are higher in cynicism may suspect that the organization cannot be trusted to follow through on its promises, and when their suspicions are confirmed, they become angry.

LMX and Psychological Contract Violation

Although previous research has linked LMX to psychological contract breach (Suazo, 2002)—a precursor of violation—and aspects of personality have been linked to both LMX and psychological contract breach (Johnson & O’Leary-Kelly, 2003; Hui, Law, & Chen, 1999; Raja et al., 2004), none have examined the linkages between these factors in a unified model as does the present study. While the hypothesized relationship between LMX and psychological contract violation was supported by the zero-order correlations, this relationship shrinks and becomes insignificant when all variables were entered into the structural model.

Likewise, the correlation coefficient between LMX and psychological contract violation became insignificant, both statistically and substantively, after controlling for the effects of NA. Possibly, a subordinate’s perceptions of both LMX quality and psychological contract violation are a function of his or her level of NA. High trait NA increases a person’s sensitivity to negative stimuli present in the environment (Penney & Spector, 2005; Rusting & Larsen, 1998) and exerts an influence on his or her mood across both time and environments (Diener et al., 2002). Individuals high in neuroticism, a correlate of NA, are more likely to cognitively perceive a breach of the psychological contract as more serious and have a stronger emotional response to these perceptions, than are those lower in neuroticism (Ho, Weingart, & Rousseau, 2003).

The findings of the present study raise the question of how much of the LMX/performance relationship is due to the supervisor’s lack of skill or desire in developing high quality relationships with his or her

subordinates and how much of it is due to relatively stable characteristics of the subordinates themselves. The fact that, on average, individuals tend to behave similarly across their intimate relationships (Robins et al., 2002) suggests that the same phenomenon is occurring in the work situation. This is a concern for the organization as a whole since low-quality LMX has been linked to negative organizational outcomes such as lower in-role and extra-role performance (Hui, Law, & Chen, 1999) as well as subordinate retaliatory behaviors (Townsend, Phillips, & Elkins, 2000).

Similarly, psychological contract breach has been associated with a number of negative organizational attitudes and outcomes, including lower in-role and extra-role performance and increased absences (Johnson & O'Leary-Kelly, 2003; Suazo, 2002). Implicit in researchers' suggestions for improvement is an assumption that these relationships are the result of situational factors and that if these were changed, employees would not perceive their contracts as having been breached or violated, their perceptions of LMX would improve, and, therefore, the organization would experience more favorable outcomes. The findings of this study in no way negate the suggestions these researchers have put forth; however, they do suggest that we take into account that some employees do not come to the organization as happy, productive workers and become unhappy and unproductive because of the environment.

Some individuals will enter the employment relationship predisposed to accentuate negative events and respond in a negative fashion and will engage in negative work behaviors as a result of their perceptions of rejection and poor treatment. The results of this study suggest that efforts to improve the subordinate/supervisor relationship and the subordinate's perceptions of psychological contract violation may be met with limited success unless we understand the individual's role in creating these perceptions.

Contributions and Limitations

The present research has begun the disentanglement of the complex relationship between personality, LMX, and psychological contract violation. Previous research established a link between LMX and breach of the psychological contract; however, it failed to elucidate the mechanisms through which the linkage occurred. In the present research, we tested the relationship between LMX and psychological contract violation rather than psychological contract breach. This is important in that there is evidence that psychological contract violation is more proximally associated with organizational outcomes than is psychological contract breach (Zottoli, 2003).

The two primary limitations of this study are that first, it is cross sectional in design, which is a threat to the generalizability of the findings, and second, common method bias is a concern due to the fact that both the exogenous variables and endogenous variables were measured at the same time and with the same technique. With cross sectional designs, it is not possible to establish temporal precedence of one variable over another, a fundamental requirement for the establishment of causality. It is also difficult in cross sectional designs to investigate relationships that may be reciprocal rather than unidirectional. Repeated measurements over time would provide data that would shed more light on the nature of the relationships.

The fact that both the exogenous variables and endogenous variables were measured at the same time and with the same technique raises the possibility of inflated estimates of the relationships between the constructs. Monomethod research also increases the chance of masking non-linear relationships between constructs (Baltes, Bauer, Bajdo, & Parker, 2002). To minimize the possibility of common method bias in this study, we collected data from several different organizations and from both supervisors and their subordinates. The data from the supervisors were used as a check on the subordinate reports of LMX.

While there were differences, the parameter estimates for the relationships in both sets of data were in the same direction, that is, positive or negative, and similar in magnitude. The exception to this was the

relationship from PA to LMX. It was much weaker in the model which included supervisor rated LMX. However, this is consistent with previous findings regarding the propensity of people to give more weight to negative information than to positive information in attribution making (Fiske, 1998).

While the pooling of data from different organizations may be considered as a strong point of this study in the sense that it serves to reduce common method bias, it also represents a limitation in that group-specific variables may be operating in the samples from the different organizations (Byrne, Shavelson, & Muthen, 1989). Covariance matrices can be tested for homogeneity of structure between groups, however, in the present study the small sample size per group imposes a limitation on the potential for this test since the individual sample sizes are too small to provide the necessary power.

Practical Implications

Broad exhortations to better train supervisors to develop high-quality LMX with all of their subordinates in hopes of positive organizational outcomes tend to ignore that portion of the relationship that is influenced by the subordinate. Likewise, while blatant violation of promises on the part of the organization represents a case of a strong situation, more subtle violation is often unintended and unavoidable. This is not to say that organizational interventions will not have net positive effects. Supervisor training which increases contact and feedback between the supervisor and subordinate has been found to increase subordinate positive affect and job satisfaction (Norman, 2003). Conversely, negative experiences with supervisors have been associated with poorer employee-client relationships and employee career disillusionment (Ramos-Sanchez, Esnil, Goodwin, Riggs, Touster, Wright, Ratanasiripong, & Rodolfa, 2002). It is easier to induce NA than it is to induce PA (Nummenmaa & Niemi, 2004) and evidence suggests that supervisors who respond to subordinates with positive messages and individual consideration will improve subordinate job performance (Dvir, Eden, Avolio, & Shamir, 2002).

As Wright, Cropanzano, and Meyer (2004) note, from the organization's perspective there are two routes to increase worker PA while decreasing NA: manage it or select for it. As they also point out, the selection of employees based on the probability that they are predisposed to high PA or high NA, raises serious ethical questions. If we discount the selection avenue based on ethical objections, the question then becomes: "How do we manage it?"

Social relationships have been found to be a necessary condition for the presence of PA (Bocchino et al., 2003), and *leadership* development may be one method of strengthening social ties within the organization. Leadership development involves groups and focuses on building people's capacity to learn and prepare themselves for unseen challenges in the context of the group, while leader development is focused on a single individual and is intended to develop and hone leadership skills (Day, 2001). In this manner, employees across organizational levels are provided an opportunity to develop skills that could facilitate higher quality relationships with their supervisors.

Another possibility is to provide employees access to opportunities for self-development. Recent research indicates that there may be individual level interventions that, when consistently practiced, will increase positive emotionality for participants (Seligman, Steen, Park, and Peterson, 2005). One of these was merely a daily exercise in which subjects recalled and committed to writing three positive events and their causes. Six months after the subjects began this exercise they continued to experience elevated levels of PA versus their baseline PA.

While it may be difficult to exert a great deal of influence on a fairly stable trait such as NA, there is evidence that the negative feelings that are generated by such a trait can be mitigated. However, in some cases, the cost may exceed the benefit. Highly structured jobs may not provide the opportunities for high

quality relationships to develop between a supervisor and a subordinate, and therefore, interventions might have little effect on the employees' positive emotionality.

Future Research

Future research may focus on the inclusion of specific affect variables as well as situational variables. The higher order scales of NA and PA can be divided into more specific lower order affect scales to provide a more fine-grained investigation into the effects of PA and NA on LMX and psychological contract violation. If specific aspects of affect were shown to be responsible for the relationships that were found here, future research could focus on the relationships between these lower order variables and other variables of interest.

The present model can also be embedded in a larger model of subordinate and supervisor network relationships. There is evidence that LMX can be a double-edged sword in that subordinates who have high-quality relationships with their supervisors are subject to a "guilt by association" phenomenon and do not have the same access to organizational resources as their lower LMX cohorts (Sparrowe & Liden, 2005). The possible non-linearity of these relationships may be investigated by more in-depth data collection techniques such as interviews with employees and their supervisors, as well as repeated administrations of the instruments.

Lastly, various interventions may be examined to determine whether they will improve LMX and reduce psychological contract violation. These interventions may be borrowed from existing leadership development programs or adapted from those being currently investigated in the field of positive psychology (Seligman, Steen, Park, & Peterson, 2005).

CONCLUSION

Our goal in this study was to investigate the relationships between the enduring personality traits of positive affect, negative affect, cynicism, and the outcome variables of LMX and psychological contract violation. We developed a model based on theory drawn from the areas of social psychology, LMX, and the psychological contract. We hypothesized that PA would be positively related to LMX quality and negatively related to psychological contract violation, while NA and cynicism would show the opposite pattern. We also hypothesized that LMX would be negatively related to psychological contract violation and would partially mediate the relationships between PA, NA, cynicism, and psychological contract violation. Survey data was gathered from 278 subordinate and 72 supervisor respondents across five organizations. Two models, one incorporating subordinate-rated LMX and another incorporating supervisor-rated LMX were then tested using structural equation modeling, a technique that accounts for measurement error and allows a simultaneous comparison of the proposed relationships.

Our results indicate that higher levels of NA may predispose employees to develop less supportive relationships with their supervisors as well as be more likely to perceive that organizations do not fulfill the promises that the employees believe them to have made. Conversely, higher levels of PA are linked with higher quality LMX and a tendency to perceive that the organization has fulfilled its promises. The data did not support our hypothesis of LMX as a partial mediator between employee affect and their perceptions of psychological contract violation. A post hoc correlation analysis indicated that LMX and psychological contract violation are linked through the effects of negative affect.

The cross-sectional nature of our data does represent a limitation with respect to the strength of our conclusions. Future research may attempt to gather data at different points in time in order to establish temporal precedence of the independent variables. The model may also be developed further in that the relationships between personality constructs and the outcome variables may be deconstructed into finer

grained relationships based on lower-order sub-traits. Situational variables such as management style, job design, and organizational culture may also be included in order to determine the point at which these factors suppress the influence of personality.

It is our hope that the findings presented here are not taken as deterministic, in that individuals should lay blame for their present circumstances on conditions that are beyond their control. While initial conditions do exert an influence, the mere fact that we are aware that they exist is a step toward finding ways to either ameliorate or accentuate their effects. The model presented here is incomplete in that it does not explain 100% of the variance in LMX or psychological contract violation. There are other factors at play and these factors may be more amenable to alteration.

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