

**AFFECT, ORGANIZATIONAL JUSTICE,  
AND INNOVATIVE PERFORMANCE:  
THE MEDIATING IMPACT OF LEADER-MEMBER EXCHANGE**

**by**

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## ABSTRAK

Inovasi telah menerima banyak tumpuan hari ini. Kajian mengenai punca-punca yang boleh meningkatkan perlakuan inovasi telah banyak dijalankan. Kajian ini bertujuan untuk menyumbang kepada hasil-hasil kajian mengenai topik ini. Dalam kajian ini, perlakuan inovasi merupakan pembolehubah bersandar manakala keadaan emosi pekerja and keadilan organisasi adalah pembolehubah tidak bersandar, dan hubungan ketua-ahli sebagai pembolehubah penyederhana. Data telah dikumpul daripada 304 pasangan ketua-ahli yang bekerja di sektor perkilangan di Pulau Pinang. Tujuh hipotesis utama telah dibentangkan. Hasil daripada kajian ini separuh menyokong hubungan antara (a) keadaan emosi dan perlakuan inovasi (b) keadilan organisasi dan perlakuan inovasi (c) keadaan emosi dan hubungan ketua-ahli (d) keadilan organisasi dan hubungan ketua-ahli, dan (e) hubungan ketua-ahli dan perlakuan inovasi. Selain itu, kajian ini juga separuh menyokong hubungan ketua-ahli sebagai penyederhana antara (a) keadaan emosi dan perlakuan inovasi dan (b) keadilan organisasi dan perlakuan inovasi. Keadaan emosi, terutamanya ciri emosi negatif, adalah behubung dengan perlakuan inovasi menerusi hubungan ketua-ahli. Begitu juga dengan keadilan organisasi, yang mana keadilan pengagihan dan keadilan antaraporseorangan adalah didapati mempunyai hubungan dengan perlakuan inovasi melalui hubungan ketua-ahli. Implikasi kajian ini memperingatkan organisasi-organisasi di Malaysia untuk mengambil langkah supaya ciri emosi negatif pekerja dapat dikurangkan manakala keadilan pengagihan and keadilan antaraporseorangan dapat dikekalkan atau dipupuk demi mempertingkatkan perlakuan inovasi.



## ABSTRACT

Innovation has received great attention from organizations nowadays. A growing body of research has been carried out to study the antecedents leading to increased innovative performance. This study is intended to contribute to the pool of literature (Malaysian and Western) pertaining to this subject. In this research, innovative performance is the dependent variable, while affect and organizational justice were chosen as the independent variables of interest. Affect was studied from two perspectives--trait and state. Each of them was conceptualized along two dimensions--Positive Affectivity (PA) and Negative Affectivity (NA). Organizational justice consisted of four dimensions--procedural justice, distributive justice, interpersonal justice, and informational justice. Leader-member exchange (LMX) was chosen as mediator and was conceptualized as multidimensional having four dimensions--contribution, loyalty, affect, and professional respect. Data were collected by means of structured questionnaire from 304 supervisor-subordinate dyads who worked in the manufacturing industry in Penang. Seven major hypotheses were formulated. Results obtained partially supported the direct impact of (a) affect on innovative performance (b) organizational justice on innovative performance (c) affect on LMX (d) organizational justice on LMX, and (e) LMX on innovative performance. Partial support was also obtained for the mediating impact of LMX on affect-innovative performance and organizational justice-innovative performance relationships. Implications of the findings highlight the importance of NA as a trait, distributive justice, interpersonal justice, and social currencies of LMX in contributing to innovative performance. Henceforth, Malaysian organizations are recommended to undertake necessary steps to reduce employees' negative affectivity and to promote

distributive and interpersonal justice as well as good social exchange relationships between supervisors and subordinates to raise the level of innovative performance.

## **Chapter 1**

### **INTRODUCTION**

#### **1.1 Background**

In today's rapidly changing environment, innovation is not only necessary for a competitive advantage, but is also key to the survival of organizations (Amabile, 1988). The central role of innovation in the long-term survival of organizations (Ancona & Caldwell, 1987) provokes continuing interest from most of the researchers. Managers are also interested in knowing how to develop and promote innovative performance continuously to keep up to the pace of rapidly changing competitive environment. Since the foundation of innovation is ideas, and it is people who develop, carry, react to, and modify ideas (Van de Ven, 1986), the study of what motivates or enables individual innovative performance is critical. Nevertheless, according to West and Farr (1989), there has been scant attention paid to innovation at the individual and group levels.

In the contemporary business world, where change and innovation are central to economic success, creativity is of utmost importance (Baumol, 1993, Birch, 1979). Workers are encouraged to generate new ideas, challenge old assumptions, and invent new ways of seeing old products, technologies, people, and ideas (Sutton, 2002). Malaysia as one of the developing country certainly needs more innovation to compete in the global economy. Nevertheless, factors that govern Malaysian's innovative performance have not been studied in the past. Thus determining the nature of the link between factors that will impact innovative performance would provide valuable information to managers and practitioners regarding ways to foster innovation in the workplace.

This volume critically reviews the concept of affect and organizational justice and their role in the occupational environment to promote innovative performance. It then examines the mediating effect of leader-member exchange (LMX) on affect-innovative performance and organizational justice-innovative performance relationships.

## **1.2 Problem Statement**

Rising competition as a result of globalization has created the need for organizations to remain competitive in the market. The key success factor to this is through innovation. Studying individual innovative performance in a natural work context is a complex and difficult task because the criterion is often difficult to validate. However, as organizations face increasingly turbulent environments and innovation becomes part of every employee's job description, the need for this kind of research is ever increasing.

Research has shown that there were a number of antecedents that lead to increased innovative performance. For instance, Scott and Bruce (1994) in their study of determinants of innovative behavior found that leadership, support for innovation, managerial role expectations, career stage, and systematic problem-solving style to be significantly related to individual innovative performance. There were also numerous research that demonstrated the effect of affect and organizational justice on LMX (George, 1992; Cropanzano, Prehar, & Chen, 2002; Liew, 2003; Ruth, 2003) and the effect of LMX on job performance (Graen & Scandura, 1987; Scott & Bruce, 1994). However, the mediating effect of LMX has received relatively little focus by past researchers (Cropanzano et al., 2002), especially on its impact on both affect-

innovative performance and organizational justice-innovative performance relationships.

In the study of affect as an antecedent to LMX or job performance, past research used to focus mostly on affect (more specifically, mood) as a trait (Watson, Clark, & Tellegen, 1988; George, 1992; George & Zhou, 2002; Ruth, 2003; Liew, 2003), i.e., the stable individual personality (compared to mood state--feeling at a given time and can change over time). The present study aims to focus on the effect of both mood as a trait and as a state on LMX and innovative performance.

Moreover, most studies on innovative performance have been conducted in the Western context. This study adds to the literature by testing the relationship of affect, organizational justice, and LMX on innovative performance in the Malaysian context.

### **1.3 Research Objectives**

To date there has been limited research to provide a comprehensive model of the effect of affect and organizational justice on innovative performance, mediated by LMX. The purpose of this study is to develop a model which can better explain these relationships.

Specifically, the purpose of this study is to determine the effect of affect and organizational justice on innovative performance, and that LMX plays a mediating role in this relationship. In short, the objectives of this study are:

- (1) To investigate the relationship between affect and innovative performance.
- (2) To investigate the relationship between organizational justice and innovative performance.
- (3) To examine if mood as a trait or as a state has stronger impact on innovative performance.

- (4) To examine the mediating effect of LMX on the relationship between affect and innovative performance.
- (5) To examine the mediating effect of LMX on the relationship between organizational justice and innovative performance.

#### **1.4 Research Questions**

In order to achieve the above research objectives, the present study addresses the following research questions:

- (1) Is there any relationship between affect and innovative performance?
- (2) Is there any relationship between organizational justice and innovative performance?
- (3) Does mood as a trait has stronger impact on innovative performance than mood as a state?
- (4) Is there any relationship between affect and LMX?
- (5) Is there any relationship between organizational justice and LMX?
- (6) How does LMX influence innovative performance?
- (7) Does LMX serve as a mediator of the relationship between affect (trait and state) and innovative performance?
- (8) Does LMX mediate the relationship between organizational justice and innovative performance?

#### **1.5 Significance of the Study**

This study would offer some insight into the organizational behavior and leadership literature. As indicated in the literature review, many researchers (Carlson, Charlin, & Miller, 1988; George & Brief, 1992; Abbey & Dickson, 1983) suggested

that individual innovative performance is affected by emotional component and justice in organizations. By assessing one's mood affect and promoting organizational justice, organizations may better predict means to develop and promote innovative performance.

Besides, by setting a background of the study of affect, organizational justice, LMX, and innovative performance, future researchers may just utilize the useful information obtained from this study to further research into wider aspects that will enhance innovative performance. In other words, this study will provide many potential paths for future research in organizational behavior and leadership areas.

## **1.6 Scope**

The scope of this study is to explore the extent of innovative performance being impacted by affect, organizational justice, and LMX. This is a quantitative study that has been done among employees of manufacturing sectors in Bayan Lepas Free Industrial Zone.

## **1.7 Definition of Key Terms**

The terms used are mainly for the purpose of this study. The terms that are consistently used in this study are innovative performance, mood state, mood trait, positive affect, negative affect, organizational justice (procedural justice, distributive justice, interpersonal justice, and informational justice), and LMX.

### *1.7.1 Innovative Performance*

Innovative job performance can be defined as the intentional generation, promotion, and realization of new ideas within a work role, work group, or

organization in order to benefit role performance, a group, or an organization (Kanter, 1988; Scott & Bruce, 1994; West & Farr, 1989).

### *1.7.2 Affect*

Affect, more specifically is called mood. Moods are defined as generalized feelings not typically identified with a particular stimulus and that do not demand one's complete attention (Shoenfelt & Battista, 2004). Mood state refers to how a person feels at a given time and can change over time, whereas mood trait represents stable individual personality differences (George & Brief, 1992). The two affect elements defined by Watson et al. (1988) are as follows:

- (1) Positive Affect (PA) refers to the extent to which individuals feel positive and engaged in their environment and tend to experience favorable emotions.
- (2) Negative Affect (NA) refers to the extent to which an individual is sad, disengaged, or feeling distressed by the environment, exposing their inclination to experience destructive emotions.

### *1.7.3 Organizational Justice*

The four elements of organizational justice in this study defined by Colquitt (2001) are as follows:

- (1) Distributive justice refers to the extent to which employees perceive their work outcomes as fair.
- (2) Procedural justice refers to the extent to which employees perceive the system that determines work outcomes as fair.



- (3) Interpersonal justice refers to the extent to which employees are treated with respect and dignity.
- (4) Informational justice refers to the extent to which explanations concerning work-related decisions have been provided to employees.

#### *1.7.4 LMX*

Graen and Uhl-Bien (1995) defined LMX as the quality of the relationship between a superior and a subordinate and has been related to a number of organizational outcomes. Subordinates who have high quality exchanges with the leader enjoy relationships based on mutual contribution, loyalty, liking, and respect (Graen & Uhl-Bien, 1995). Liden and Maslyn (1998, p. 50) defined the four dimensions of LMX as follows:

- (1) “Affect refers to the mutual affection of the dyad members for each other based primarily on interpersonal attraction rather than work or professional values;
- (2) Loyalty refers to the expression of public support for the goals and personal character of the other member of the LMX dyad;
- (3) Contribution refers to the perception of the amount, direction, and quality of work-oriented activity each member puts forth toward the mutual goals (explicit or implicit);
- (4) Professional respect refers to the perception of the degree to which each member of the dyad has built a reputation, within or outside the organization, for excelling in his or her line of work.”

## **1.8 Organization of Chapters**

This research paper comprised of five chapters. The remaining chapters of this study have been organized as follows: Chapter 2 presents an overview of the past literature on innovative performance, affect, organizational justice, and LMX. This chapter also presents the theoretical framework and formulation of the hypotheses for this research. Chapter 3 focuses on the research methodology that comprises research site and sample, procedure, measures, and statistical analyses employed. In Chapter 4, the results of the various statistical analyses are presented while Chapter 5 covers the conclusions part of this study, discusses the survey findings, highlights the limitations of the study, and provides suggestions for future studies in this field.

## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is divided into 13 sections. First, it discusses past literature for each construct that forms the foundation of the current research--affect, LMX, organizational justice, and innovative performance; as well as the relationships among these variables. The section that follows covers the theoretical framework developed for this study. Next, the hypotheses formulated are discussed. Chapter 2 ends with a summary section to conclude the review of the literature.

#### **2.2 Innovative Performance**

Sutton (2002) defined creativity as (a) bringing old ideas to people who have never seen them before, (b) finding new uses of old ideas, and (c) inventing new combinations of existing ideas. The terms “creativity” and “innovation” are often used interchangeably in empirical studies, and the distinction between the two concepts may be more one of emphasis than of substance (West & Farr, 1990). Nonetheless, some agreement about the terms’ definitions has emerged recently. Creativity has to do with the production of novel and useful ideas (Mumford & Gustafson, 1988), whereas innovation has to do with the production or adoption of useful ideas and idea implementation (Kanter, 1988; Van de Ven, 1986).

Although creativity is often viewed as “doing something for the first time anywhere or creating new knowledge” (Woodman, Sawyer, & Griffin, 1993), innovation encompasses the adaptation of products or processes from outside an organization. Researchers exploring innovation have explicitly recognized that idea

generation is only one stage of a multistage process on which many social factors impinge (Kanter, 1988).

Given this perspective, individual innovation begins with problem recognition and the generation of ideas or solutions, either novel or adopted. During the next stage of the process, an innovative individual seeks sponsorship for an idea and attempts to build a coalition of supporters for it. Finally, during the third stage of the innovation process, the innovative individual completes the idea by producing “a prototype or model of the innovation ... that can be touched or experienced, that can now be diffused, mass-produced, turned to productive use, or institutionalized” (Kanter, 1988, p.171).

Thus, innovation is viewed as a multistage process, with different activities and different individual behaviors necessary at each stage. Since innovation is actually characterized by discontinuous activities rather than discrete sequential stages (Schroeder, Van de Ven, Scudder, & Polley, 1989), individuals can be expected to be involved in any combination of these behaviors at any one time.

Innovation requires a broad variety of cognitive and sociopolitical efforts from individual innovators (Kanter, 1988). Moreover, innovation involves change that may give rise to resistance because of the insecurity and uncertainty it may bring (Frost & Egri, 1991; Janssen, 2003; Jones, 2001). Hence, innovative employees are likely to meet resistance from other workers in their work environment who want to prevent innovative change. Convincing those workers of the benefits of innovation can be difficult and demanding. An organization has to find the right balance between using rules and procedures to make work performance predictable and giving employees the freedom to spontaneously innovate to adapt to problems, opportunities, and unusual situations (Jones, 2001; Katz, 1964).

A growing body of research has studied on the factors related to innovative performance. Rogers (1954) suggested that the cohesiveness of a work group determines the degree to which individuals believe that they can introduce ideas without personal censure. Others (e.g., Amabile & Gyskiewicz, 1987; Sethia, 1991) have suggested that collaborative effort among peers is crucial to idea generation. In Kirton's (1976) work on cognitive style as antecedent of innovative performance, he proposed that individuals can be located on a continuum ranging from those who have an ability to do things "better" to those who have an ability to do things "differently" and reflecting the qualitatively different solutions they produce to seemingly similar problems.

Scott and Bruce (1994) in their study related to determinants of innovative behavior tested a model in which leadership, work group relations, and individual attributes were hypothesized to affect individual innovative performance directly and indirectly. They found that leadership, support for innovation, managerial role expectations, and systematic problem-solving style were significantly related to individual innovative performance, and the hypothesized model from them explained almost 37 percent of the variance in innovative performance.

In a recent study on task-related diversity and innovation, Doris (2005) tested the moderating effect of team processes on the professional diversity-innovation relationship in two independent samples of health care teams. Results showed that professional diversity was positively related to the quality of team innovation if teams had good team processes. There was no significant interaction when looking at the quantity of innovations as a dependent variable.

In the present study, we tested how affect, organizational justice, and LMX will impact innovative performance.

### **2.3 Affect**

Affect, more specifically, mood is considered to be either a trait or a state. Mood as a state captures how a person feels at a given time and can change over time, whereas mood as a trait represents stable individual personality differences (George & Brief, 1992). For the purposes of the current study, the focus is on both mood state and mood trait since most of the past research focused on the study of only one particular aspect--instead of both.

Moods capture day-to-day feelings and provide the affective context for thought processes and behaviors. Positive Affectivity (PA) and Negative Affectivity (NA) are the two dimensions of affect. According to Watson and Tellegen (1985), PA and NA are independent dimensions, such that individuals can be high on both, low on both, or high on one and low on the other.

PA reflects the extent to which individuals feel positive and engaged in their environment (Watson et al., 1988) and tend to experience favorable emotions. High PAs view themselves as active and alert, and consider themselves efficacious (George, 1992). Individuals low in PA are less active, lower in efficacy, and possess a weaker overall sense of well-being relative to high PAs (Watson & Clark, 1984).

NA indicates the extent to which an individual is sad, disengaged, or feeling distressed by the environment (Watson et al., 1988), exposing their inclination to experience destructive emotions (Watson & Clark, 1984). Watson and Clark (1984) explained that high NAs tend to view the world through negative lens. Their default perspective is to view conditions with disdain, especially when facing ambiguous stimuli. Conversely, low NAs are not likely to view phenomena as unsettling and anxiety provoking. Instead, they possess a consistently non-negative view of themselves and their immediate surroundings (Watson & Clark, 1984).

A growing body of research within the emotion literature has focused on the effects of affect or mood on information processing. Some research has demonstrated that a person's mood can influence his or her subsequent judgment. For example, people who are experiencing positive mood may evaluate objects and people in a more positive light, while people experiencing negative mood will evaluate the same things in more negative or critical ways (Forgas & Bower, 1987).

Further supporting this is the broaden-and-build theory advanced by Fredrickson (2001). He predicted on the idea that people use their mood to make inferences about their environments, and these inferences influence their subsequent cognitive processes. When people experience positive mood, they interpret their emotions as a signal that the environment is safe, and therefore, in subsequent situations, their minds can wander and exploration is possible (Fredrickson, 2001). On the other hand, negative mood signal that the environment could be dangerous, so individuals in a bad mood will demonstrate more careful cognitive processing in subsequent situations (Martin, Achee, Ward, & Harlow, 1993; Schwartz, 2002).

The same process has been identified in relation to more specific emotion as well. Lerner and Keltner (2001) argued that emotions associated with risk, such as fear, can serve as a signal that the environment is risky, and therefore people experiencing fear will choose more cautious options in subsequent situations. Tiedens and Linton (2001) demonstrated that emotions related to certainty, such as anger or contentment, signal that the environment is certain; so systematic processing is not necessary in future situations.

George and Zhou (2002) also supported the above argument by stating that the key determinant of people's perceptions of the adequacy of their efforts while engaged in a task is their mood. Positive moods lead people to evaluate more

positively what they have done so far, and negative moods lead to lower confidence in the adequacy of their efforts to date (Martin & Stoner, 1996). Compared with people in negative moods, people in positive moods may be more likely to perceive that they have achieved their goals or have made good progress on a project or task (Johnson & Tversky, 1983; Kavanagh & Bower, 1985). While PA signals that good progress has been made, NA signals that more needs to be done (Frijda, 1988; Martin, Ward, Achee, & Wyer, 1993).

The “mood as input” theory also argued that individuals interpret their (positive or negative) moods as signals about whether or not they have attained their goals (Martin et al., 1993).

Affect influences work behavior and job performance (Watson & Tellegen, 1985; George & Brief, 1992). Day and Crain (1992) found that high PA members who appear zealous and enthusiastic contribute positively to LMX. Shaw, Duffy, Abdullah, and Singh (2000) showed that high PA workers who enjoy job satisfaction have lower level of frustration and tendency to quit.

Conversely, Hui, Law, and Chen (1999) in their study concluded that NA affects negatively on the quality of exchange with supervisors as well as employees’ perception of mobility but has no direct impact on Organizational Citizenship Behavior (OCB). Ruth (2003) in her study found partial support on the interaction between affect and sex as well as affect and LMX in predicting OCB, particularly altruism.

Thus, the forementioned studies have demonstrated that the nature of the emotions that we are experiencing can influence or shape the way we view and act in our environments. In this study, the focus will be on the influence of mood affect on



individual job performance, in particularly the innovative performance. Section 2.5 will review the relationship between affect and innovative performance.

## **2.4 Organizational Justice**

A vast amount of research in recent years has been devoted to the topic of organizational justice that refers to employee perceptions of fairness in the workplace or organizational setting (Cropanzano & Greenberg, 1997; Greenberg, 1990). Cropanzano and Greenberg (1997) have noted that organizational justice has been one of the primary topics during the 1990s for scientists in industrial-organizational psychology, human resources management, and organizational behavior.

Since the concept of “organizational justice” was coined by Greenberg (1987), interest in this area has grown tremendously, especially among social psychologists and organizational behavior scholars (Beugue, 1998). According to Greenberg (1990), organizational justice refers to the perceptions of people with regard to fairness in organizational settings. Justice in this context revolves around the issue of how fairly an individual perceives he or she was being treated rather than what actually took place. An assessment of unfairness will occur when individuals believe that their expectations about treatment or outcome are not met.

Much of the early organizational justice research focused on distributive justice, which reflects the perceived fairness of pay and other rewards received. Because of its focus on outcome fairness, Adams’ (1963; 1965) equity theory has been commonly used to operationalize the construct (Tornblom, 1990). In Adams’ (1965) work related to organization justice, the concept of inequity in distributive situations was introduced, whereby the fairness of pay or outcomes in work settings is the main focus. The Adam’s theory explained that employees always look at the ratio

of inputs and outputs, and if the ratios are similar, then there is an equity. If the ratios are different, the inequity occurs.

Subsequently, research efforts recognized the need to consider other aspects of work justice, such as the fairness of the formal policies or procedures used for decision-making. As a result, procedural justice (Folger & Greenberg, 1985; Lind & Tyler, 1988) has been established as an additional component of justice that has important influences on employee outcomes.

In contrast to distributive justice, procedural justice focuses on the fairness of the decision-making procedures (Folger & Konovsky, 1989). In comparative studies (e.g., Lind & Tyler, 1988), individuals have been found to be more concerned with the fairness of procedures than with the actual outcome of the interaction. It has also been found that people are less likely to steal in response to pay cuts when these appear to be the result of fair procedures than unfair procedures (Greenberg, 1990). These findings illustrate that the individual's perception of the fairness of the procedure--procedural justice--is more important than the equity of the outcome in the process (Greenberg, 1990; Lind & Tyler, 1988).

Leventhal (1980) proposed that employees see a procedure as fair when they are implemented (a) consistently, (b) without self-interest, (c) on the basis of accurate information, (d) with opportunities to correct the decision, (e) with the interests of all concerned parties represented, and (f) following moral and ethical standards. Lind and Tyler (1988) also reported that individuals put a lot of emphasis on the fairness of procedures.

Although research on the organizational justice has been extensive (Adams, 1965; Beugue, 1998; Bies & Moag, 1986; Greenberg, 1987), disagreement still exists among researchers concerning the elements that make up this construct. The

distinctions between the justice elements were always not clear (Bies & Moag, 1986). Most researchers only understood fairness in terms of two broad justice categories--procedural justice and distributive justice. At the same time, researchers also noted that these research streams had not considered the social-interactional context in which formal procedures and decisions are implemented.

Considering this argument, the third element--interactional justice--was then added to the two-factor model of organizational justice by Bies and Moag (1986). Interactional justice is an important consideration in the workplace. It is defined as the interpersonal treatment employee received as procedures are enacted (Bies & Moag, 1986). It is associated with the beliefs about sincerity, respectfulness, and consistency of persons in authority (Bies & Moag, 1986). While some researchers (e.g., Masterson & Taylor, 1996; Malatesta & Byrne, 1997; Posthuma, Dworkin, & Swift, 2000) treated interactional justice as a third element of justice, Niehoff and Moorman (1993) considered it a subset of procedural justice.

However, Greenberg (1993) again came up with the suggestion of a four-factor structure of organizational justice by proposing two "new" classes of justice that stress on socially fair treatment--informational justice and interpersonal justice. Informational justice refers to the adequacy of information used to explain how decisions are derived. Interpersonal justice on the other hand is treated as the social interaction among individuals in an organizational setting (Greenberg, 1993). According to Bobocel, McCline, and Folger (1997), a person in authority will be considered as being interactionally fair to the extent that he or she (a) treats employees with dignity and (b) provides individuals with important information.

The research by Colquitt (2001) and Farouk (2002) supported the four-factor structure with distributive, procedural, informational, and interpersonal as distinct

dimensions of organizational justice. The recent study by Tritzschler and Steiner (2005) further validated the measure of organizational justice using Colquitt's (2001) four-factor model in a French setting. The four-factor measure was tested with outcome variables including performance appraisal satisfaction, self-esteem, leader-member exchange, and collective esteem. Findings showed that the four-factor structure appeared to be relevant in the French field setting.

Among a number of studies conducted to examine the impact of fair treatment in organizations, Moorman (1991) has found that the true key to employees' motivation is through organizational justice. Many researchers have examined the antecedents and consequences of people's perceptions of fairness in organizational setting. For example, Colquitt, Conlon, Wesson, Porter, and Ng (2001) in a meta-analytic study confirmed that organizational justice is very important in influencing employees' motivation and behavioral choice. Thus, it is an important variable in the study of organizational behavior. This study focuses on how organizational justice will influence an individual's innovative performance. Section 2.6 will review the relationship between organizational justice and innovative performance.

## **2.5 Affect and Innovative Performance**

Employees in organizations often need to use their own discretion to identify a problem, take initiative to try to conceive something new, persist when faced with obstacles, and evaluate whether the new ideas they have generated are indeed useful, and if not, decide whether to continue with their efforts (Staw, 1995). The extent that mood provides people with information, which may cause them to either continue putting forth effort in a certain direction or stop, has the potential to influence innovation.

Mood may impact behavioral outcomes including judgment, prosocial behavior, performance, and withdrawal intentions (Brief & Weiss, 2002). Specifically, numerous studies (Carlson et al., 1988; George, 1991; George & Brief, 1992) have indicated that mood influences organizational citizenship behavior, which includes offering creative and constructive suggestions to the organization.

The idea that an individual's emotions influence creativity has already been researched, but little has been done on innovative performance. According to Isen, Daubman, and Nowicki (1987), individuals in a good mood perform better on creative problem solving tasks and generate more unusual word associations (Isen, Johnson, Mertz, & Robinson, 1985) than individuals in control conditions. Isen and her colleagues argued that, compared to individuals in a neutral mood, individuals in a good mood are more cognitively flexible, as evidenced by their tendency to categorize stimuli more inclusively (Isen & Daubman, 1984; Isen, Niedenthal, & Cantor, 1992; Murray, Sujan, Hirt, & Sujan, 1990), which is an important component of creativity.

Despite the extensive literature that links positive emotions and creativity, the possibility that other types of emotional states that can lead to increased creativity also exists. For example, some research suggests that negative moods can also promote creativity (George & Zhou, 2002; Kaufmann & Vosburg, 1997). Frijda (1988) and Martin, Achee et al. (1993) further argued that negative moods signal that the status quo is problematic and that additional effort needs to be exerted to come up with new and useful ideas. Hence, under these conditions, negative moods may be positively associated with innovation because individuals in negative moods are exerting more effort and trying harder to come up with truly new and useful ideas. The study from George and Zhou (2002) also found other linking mechanisms such as the role of context and clarity of feelings that can foster creativity in individuals' with

bad moods. In this study, we focus on LMX as the linking mechanism to explain how affect impacts innovative performance.

Given that mood affect could be an emotional state that is quite prevalent in organizations, and that innovative performance is an important factor in organizational success, it will be useful to explore the relationship between mood affect and innovative performance, that is the application of creative ideas.

## **2.6 Organizational Justice and Innovative Performance**

In the study of Deutsch (1986) and Brickman (1975), it was proposed that perception of pay equity produces beliefs about distributive justice, which then will affect behavior (Adams, 1965; Leventhal, 1976). These studies suggested that the patterns of reward distribution will determine the type of behavioral choice of an employee. It also implied that the procedures by which rewards are allocated may also determine behavioral choice.

Perceived inequity resulting from job effort-reward discrepancies provides an unpleasant emotional state requiring the worker to reduce this tension (Deutsch, 1986; Brickman, 1975). According to Deutsch (1986) and Brickman (1975), an employee who judges that effort does pay will be driven to perform well. However, when job efforts are perceived as not being proportional to job rewards, employees will be inclined to restrict job investments. In such an unfair situation, the performance is expected to be impaired. Employees who feel fairly treated are likely to perform better than employees who are underrewarded by their organization (Deutsch, 1986; Brickman, 1975).

Justice is likely to affect job performance directly or indirectly. Tyler, DeGoeij, and Smith (1996) and Brewer and Kramer (1986) have indicated that fair

interpersonal treatment leads to pride and feelings of respect and these, in turn, lead to individual or group-serving behaviors. Therefore, it appears reasonable to assume that greater perceived fairness, due to fair personal treatment, would be predictive of increased work performance.

In the often cited Abbey and Dickson's (1983) study of innovative performance among R&D units, it was found that performance-reward dependency and flexibility, were consistently correlated with measures of innovation. In this study, we focus on the organizational justice as the factor that will affect the innovative performance.

## **2.7 LMX**

LMX model of leadership (Dansereau, Graen, & Haga, 1975) is based on the view that leaders have different kinds of relationships with subordinates within work groups and therefore exhibit different leadership styles. Basu and Green (1997) defined exchange as mutually influencing transactions between leaders and members leading to the establishment of social relationship.

According to Graen and Uhl-Bien (1995), relationship between leaders and members has been researched for over 30 years in an exchange framework. This leadership model was originally conceptualized as a vertical dyad linkage (VDL) model (Dansereau et al., 1975). Dansereau, Yammarino, and Markham (1995) defined VDL as a concept consisting of the characteristics of leaders, members, and the relationship between leaders and members. Later on, it was labeled the leader-member exchange or LMX model (Graen, Liden, & Hoel, 1982; Graen, Novak, & Sommerkamp, 1982). The model states that a leader uses varying styles to deal with individual subordinates. Stated differently, leaders develop different types of

relationship or exchange with different subordinates (Bhal & Ansari, 2000; Dansereau et al., 1975; Graen & Cashman, 1975; Graen & Scandura, 1987; Graen et al., 1982). The relationship is based on social exchange, whereby each must offer something the other party considers valuable and each party must see the exchange as reasonably fair (Graen & Scandura, 1987).

Some LMX studies suggest that the quality of the exchanges that developed between employees and their leaders are predictive of performance-related and attitudinal job outcomes (Gerstner & Day, 1997; Graen & Uhl-Bien, 1995). LMX theory is unique among leadership theories in its focus on the dyadic exchange relationships between supervisors and each of their subordinates (Gerstner & Day, 1997). Based largely on role and exchange theories (Liden, Sparrowe, & Wayne, 1997), LMX research suggests that supervisors develop unique relationships with subordinates that are based on a series of interactions, both positive and negative.

According to Liden et al. (1997), high-quality exchange relationships are characterized by mutual trust, respect, and obligation that generate influence between an employee and his or her supervisor. Low-quality exchange relationships, on the other hand, are characterized by formal, role-defined interactions, and predominantly contractual exchanges that result in hierarchy-based downward influence and distance between the parties. High LMX subordinates represent the “in-group” (characterized by privileged communication), whereas those who do not have a high quality LMX relationship form the “out-group” (Liden et al., 1997).

LMX evolved from a single dimensional construct to a multidimensional construct. Dienesch and Liden (1986) introduced the multidimensionality of LMX. They conceptualized it into three dimensions--perceived contribution, loyalty, and affect. Bhal and Ansari (1996) empirically demonstrated that measuring the quality of



interaction in LMX could be translated into just two dimensions: perceived contribution and affect. Subsequently, Liden and colleagues (Liden & Maslyn, 1998; Liden et al., 1997) came up with a four-dimensional LMX model, incorporating contribution (perception of the current level of work-oriented activity each member puts forth toward the mutual goals of the LMX dyad), loyalty (the expression of public support for the goals and the personal character of other member of the dyad), affect (the mutual affection leader-member dyads have for each other based primarily on interpersonal attraction), and professional respect (perception of the degree to which each member of the dyad has built a reputation within and/or outside the organization).

Maslyn and Uhl-Bien (2001) further proposed that affect, loyalty, and professional respect dimensions are more social currencies that focus on social exchange between leader and member, whereas contribution dimension is more work-related currency. They included socially related currencies on the ground that exchange between leader and members is not only based on the work-related elements (Bhal & Ansari, 1996; Liden et al., 1997). The dyad members could build high quality of relationship through mutual liking, expressing loyalty, contributing more to the dyad goal, and displaying professional respect to the other partner.

## **2.8 Affect and LMX**

The topic of affect and LMX has received great attention from past researchers (e.g., Watson et al., 1988; Day & Crain, 1992; George, 1992; Liew, 2003).

Watson et al. (1988) noted that if a person tends to view life negatively, this person may be less likely to build effective work relationships with others. In other words, person who is high in NA will have low LMX quality with their supervisors.

Day and Crain (1992) also gathered that high PA members contribute positively to LMX but less evidence was found for negative relation between low PA and LMX. On the other hand, low NA (calm and relaxed) facilitates exchange quality whereas high NA poses significant negative affect on LMX. Subordinates who are high in NA may strain their working relationship with their superiors.

According to George (1992), individuals high in PA prefer demanding jobs and as such increases in LMX quality are often coupled with concurrent increases in task complexity (Townsend, Da Silva, Mueller, Curtin, & Tetrick, 2002), which is likely viewed positively. Hence, the performance expectations in low LMX settings are inconsistent with high PAs' need for challenge (Duffy, Ganster, & Shaw, 1998). Viewing this, individuals with high positive affect will tend to establish high-quality LMX with their supervisors.

Lately, Liew (2003) examined the impact of LMX and affectivity (positive and negative) on the leader's use of influence tactics (as rated by subordinates). She found that there were some significant relationships between LMX and affectivity. Among other findings she found that PA had a strong positive impact on rational persuasion and showing expertise, and NA correlated strongly with personalized exchange, showing expertise, instrumental dependency, upward appeal, and hard influence tactics.

## **2.9 Organizational Justice and LMX**

The implications of social exchange relationships for workplace justice have been well established. Some researchers (e.g., Konovsky & Pugh, 1994; Lee, 1995; Moorman, 1991) have suggested that organizational justice facilitates the formation of social exchange relationships. As a consequence of these relationships, individuals are