

# **PERCEIVED ORGANIZATIONAL POLITICS AS A MODERATOR IN LEADERSHIP-OUTCOME RELATIONSHIP**

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## **ABSTRACT**

The purpose of this study is to examine the interactive effects of the perceived organizational politics and three leadership types (Transactional, Transformational and LMX) on three organizational outcomes (Job Satisfaction, Organizational Commitment and Job Performance). It is proposed that transactional leadership will have strong positive relationship with outcomes when perceived organizational politics is low whereas transformational leadership will have a strong positive relationship with outcomes when perceived organizational politics is high. It is also proposed that high quality LMX will have a strong positive relationship with outcomes when perceived organizational politics is high whereas the relationship between low quality LMX and outcomes will be stronger when perceived organizational politics is low.

Keywords: Transactional Leadership, Transformational Leadership, LMX, Perceived Organizational Politics, Job Satisfaction, Organizational Commitment and Job Performance

## **INTRODUCTION**

Leadership is an important organizational and management concern (Richard, 1972). For over half a century, leadership has been an active area of scientific investigation, with scholars developing different perspectives on antecedents, processes, and outcomes (Ammeter, Douglas, Gardner, Hochwarter & Ferris, 2002).

Leadership is considered as a factor that has a major impact on the performance of organizations, managers and employees (Wang, Law, Hackett, Wang & Chen, 2005). Early theories categorized effective leadership into different styles (democratic or autocratic, socially oriented or target PR oriented etc.) and related them with various organizational outcomes (e.g., Blake and Mouton, 1964; Lewin, Lippit & White, 1939).

Considerable research has shown that leaders can significantly influence individual, group, and organizational performance (Gerstner & Day, 1997; Judge, Piccolo, & Ilies,

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2004; Lowe, Kroeck & Sivasubramaniam, 1996). The different leadership theories demonstrate three possible streams of research through which leaders have such influences. Firstly, some researchers have focused on the stable dispositions of leaders (Judge, Bono, Ilies & Gerhardt, 2002). Secondly, others have examined what leaders actually do (Bass & Avolio, 1990; Yukl, 1994). Lastly, some researchers have examined how the effectiveness of leader actions depends on the situational or contextual factors (Fiedler, 1967; Fiedler & Garcia, 1987).

Leadership research literature for the past two decades have focused mainly on the subordinates' perspective and proposed three main facets of leadership: transactional and transformational (e.g., Bass, 1985; Burns, 1978) and LMX (Dansereau et al., 1975; Graen, 1976; Graen & Cashman, 1975). These theories have been the focus of attention for most of the researchers for many years.

Transactional and Transformational leadership are considered as the core concepts in the leadership literature. However, Transformational leadership is considered to be the most popular leadership type among the modern theories of leadership (Wang et al., 2005). Transactional and Transformational leadership theories were first introduced by Burns (1978) and developed by Bass and Avolio to encompass the "full range model of leadership" (Avolio & Bass, 1991; Bass, 1985; Bass & Avolio, 1993).

An examination of the leadership literature reveals that the consideration of the political aspects of leadership is often missing. The studies examining the impact of leadership and outcomes have not attempted to clearly identify the role of moderating variables (Krishnan, 2005; Pawar & Eastman, 1997). In addition, connections between leadership and a broad range of relevant contextual variables usually are not made. Although theory suggests that perceived organizational politics is an important contextual variable but no study so far has examined the impact of perceived organizational politics in leadership-follower outcome relationship. These shortcomings indicate that leadership is a more complex phenomenon than it seems.

This article addresses this gap in the literature by proposing perceived organizational politics as a moderator in the leadership and follower outcome relationship. This study expects to contribute to our knowledge in this area by examining the relationship between leadership and follower outcomes and argues that organizational politics moderates this relationship. One of the most significant contributions of the present paper is its examination of the influence of perceived organizational politics on leadership-outcome relationship.

The purpose of the present study is to use the perceived organizational politics as a moderator in the leadership-outcome relationship. In the first section the leadership literature is reviewed with regard to transactional, transformational and LMX theories of leadership. In addition, the relationship of the three leadership types with the three organizational outcomes is examined. In the second section, perceived organizational politics is introduced as a moderator. Here, the question is explored as to what kind of contextual moderators have been used so far in the leadership-outcome research and why

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is there a need to study the perceived organizational politics as a potential moderator. In the last section, the propositions are presented whereby the perceived organizational politics is sought to moderate the effects of leadership-outcome relationship. In addition, research limitations and future research directions are discussed.

### **THEORETICAL BACKGROUND- A BRIEF REVIEW OF TRANSACTIONAL, TRANSFORMATIONAL AND LMX LEADERSHIP RESEARCH**

Leadership is an influencing process that results from follower perceptions of leader behavior and follower attributions of leader dispositional characteristics, behaviors, and performance (Bass, 1990; Conger & Kanugo, 1998; Waldman & Yammarino, 1999).

One of the most popular theories of leadership is Bass and Avolio's (Bass, 1985; Bass & Avolio, 1994, 1997) transformational, transactional, and laissez-faire leadership theory, which has played a salient role in shifting the current paradigms of leadership towards neo charismatic and transformational leadership (Conger, 1999; Hunt, 1999; Yukl, 1999). The leadership model presented by Bass & Avolio (1990) distinguished between transactional and transformational leaders.

#### **Transformational Leadership**

Transformational leaders are the ones who exert additional influence by broadening and elevating follower's goals and providing them with confidence to perform beyond the expectations specified in the implicit or explicit exchange agreement (Bass & Avolio, 1990).

Transformational leadership raises the employees' awareness of their need to grow, validates their self-expression, and motivates them to perform at new and higher levels. A transformational leader influences the expectations of his subordinates, changes their beliefs and values, and raises them in the hierarchy of needs. Transformational leadership is a result of the leader's character, the strength of his belief, and his/her ability to express a compelling vision (Avolio & Bass, 1991; Bass, 1985; Bass & Avolio, 1993).

Bass (1985, 1998) identified four dimensions of transformational leadership consisting of idealized influence, inspirational motivation, intellectual stimulation and individual consideration. Idealized influence and inspirational motivation dimensions due to their high correlation are sometimes combined to form a measure of charisma (Bass, 1998).

Idealized influence refers to leaders who have high standards of moral and ethical conduct, who are held in high personal regard, and who engender loyalty from followers (Bass, 1985). Inspirational motivation refers to leaders who have a strong vision for the future based on values and ideals. These leaders by virtue of their symbolic actions and persuasive language stimulate enthusiasm, build confidence, and inspire followers (Bass, 1985).

Intellectual stimulation refers to leaders who have the ability to challenge organizational norms, encourage divergent thinking, and push followers to develop innovative strategies

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(Bass, 1985). Individual consideration refers to leader behaviors aimed at recognizing the unique growth and developmental needs of followers as well as coaching followers and consulting with them (Bass, 1985).

### **Transactional Leadership**

Transactional leaders are the ones who exert influence by setting goals, clarifying desired outcomes, provide feedback, and exchanging rewards for accomplishments (Bass & Avolio 1990).

Bass (1985) identified four dimensions of transactional leadership consisting of contingent reward, management by exception–active, management by exception–passive and laissez-faire. Contingent reward refers to leaders who provide tangible or intangible support and resources to followers in exchange for their efforts and performance (Bass, 1985).

Management by exception–active refers to setting standards, monitoring performance, identifying deviations from these standards and taking corrective action as necessary (Bass, 1985). Management by exception–passive leaders takes a passive approach and intervenes only when problems become serious. Finally, laissez-faire leadership can be thought of as non leadership or the avoidance of leadership responsibilities (Bass 1985).

Although conceptually the eight dimensions of transactional and transformational leadership each represent a unique set of leader behaviors. However, the independence of these sub-dimensions has been a topic of some debate (Avolio, Bass, & Jung, 1999; Bycio, Hackett & Allen, 1995). According to a meta-analytical review by Lowe et al. (1996) the dimensions of transformational leadership are found to be highly correlated and a single transformational leadership factor appears to represent the data well (Judge & Bono, 2000).

### **The Leader-Member Exchange (LMX)**

LMX theory was first proposed by Graeri and colleagues (Dansereau et al., 1975; Graen, 1976; Graen & Cashman, 1975). LMX is distinguished from other leadership theories by its focus on the dyadic relationship between a leader and a member (Dansereau et al., 1975).

The importance of LMX lies in the fact that the quality of the relationship that develops between a leader and a follower is predictive of outcomes at the individual, group, and organizational levels of analysis (Gerstner & Day, 1997).

The main purpose of leader–member exchange (LMX) theory is that leaders develop different types of exchange relationships with their followers and that the quality of these relationships affects important leader and member attitudes and behaviors (Gerstner & Day, 1997; Graen & Scandura, 1986; Liden, Sparrowe & Wayne, 1997; Sparrowe & Liden, 1997).

The leader–member exchange relationship is classified as either high quality LMX or low quality LMX. High quality LMX relationships are characterized by high levels of trust,

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interaction, support, and formal and informal rewards (Dienesch & Liden, 1986). Liden et al., (1997) and Liden & Graen (1980) suggested that such relationships include the exchange of material and nonmaterial goods which extends beyond the formal job description. Furthermore, in high LMX relationships, followers receive support and encouragement from their leader, are given more responsibility, and receive more challenging, or developmental, assignments.

In case of low LMX relationships, work is performed according to a formal set of rules and the employment contract; information is communicated downward, and relationships are characterized by distance between the leader and follower (Dansereau et al., 1975).

### **LEADERSHIP-OUTCOME RELATIONSHIP**

Most scholars have paid considerable attention to the relationship between leadership and performance. Many studies have found a positive relationship between transformational leadership and job performance (Bycio et al., 1995; Avolio, Waldman & Einstein, 1988; Barling, Weber & Kelloway, 1996). However, Lowe et al. (1996) found that transformational leadership had a stronger impact on job performance than transactional leadership.

Transformational leadership has a profound effect on follower's development and performance (Bass & Avolio, 1990). According to the study by Bycio et al. (1995) Transformational leadership found to have strong positive relationships with subordinates' extra effort, satisfaction with the leader and subordinate-rated leader effectiveness (Bass, 1985; Bass & Avolio, 1990).

Gerstner and Day (1997) in their meta-analytical review of leader-member exchange (LMX) literature examined the relationships between LMX and its correlates. They found significant relationships between LMX and job performance, satisfaction with supervision, overall satisfaction and commitment.

LMX is generally found to be associated positively with performance-related and attitudinal variables. These include (a) higher performance ratings (e.g., Liden et al., 1993), (b) better objective performance (e.g., Graen et al., 1982; Vecchio & Gobdel, 1984).

Despite considerable support for Graen's theory of Leader-Member exchange (Liden et al., 1997), studies linking LMX with subordinate performance have not produced uniformly positive results (Jensen, Olberding, & Rodgers, 1997).

Numerous studies report that higher quality exchanges resulted in higher performance from subordinates (e.g., Dansereau et al., 1975). Other studies reporting the relationship between LMX and performance have found weak (Rosse & Kraut, 1983), mixed (Vecchio & Gobdel, 1984; Wayne & Ferris, 1990), or not significant results (Liden et al., 1993). According to Vecchio & Gobdel (1984) these inconsistent relationships of LMX with performance may be the result of a possibility that moderating variables could be

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affecting this link and studies that adopted contingency approach found significant interactions (Dunegan, Duchon & Uhl-Bien, 1992; Graen et al., 1982).

Krishnan (2005) found that transformational leadership was significantly positively related to affective commitment. Transformational leadership was found to have a strong positive and significant relationship with affective commitment but small positive correlation was also observed with normative commitment (Bycio et al., 1995). Nystrom, (1990) and Gerstner and Day (1997) found a strong positive correlation between LMX and organizational commitment.

### **MODERATORS IN THE LEADERSHIP-OUTCOME RELATIONSHIP**

Numerous studies have examined moderators in the leadership-outcome relationship. For instance, Howell and Hall-Merenda (1999) conducted a study in which they gathered measures of LMX, transformational leadership, transactional leadership, and rated performance of followers, and found that physical distance moderated the effectiveness of leadership behaviors.

Krishnan (2005) reported that relationship duration moderated the relationship between transformational leadership and follower's terminal value system congruence and identification (cognitive outcomes).

Dunegan et al. (2002) conducted a study in which they found that role conflict, role ambiguity, and intrinsic task satisfaction moderate the relationship between leader-member exchange (LMX) and subordinate performance. They collected data from a field study of 146 supervisor-subordinate dyads and their results indicated that low conflict, high ambiguity, and high intrinsic satisfaction enhance the link between LMX and performance. (Dunegan et al., 2002).

### **PERCIEVED ORGANIZATIONAL POLITICS AS A MODERATOR IN THE LEADERSHIP-OUTCOME RELATIONSHIP**

Politics is actually an inherent part of every organization (Chen & Fang, 2008; Gandz & Murray, 1980; Medison et al., 1980), but there are major differences among organizations in the level and intensity of politics. According to Molm (1997) organizations are social entities that involve a struggle for resources, personal conflicts, and a variety of influence tactics executed by individuals and groups to obtain benefits and goals in different ways (Molm, 1997). In order to better understand organizational functioning, it is crucial to estimate the political climate of a work unit (Vigoda, 2000).

A significant body of literature (e.g., Ferris, Adams, Kolodinsky, Hochwarter, & Ammeter, 2002; Kacmar & Baron, 1999) examining politics in organizations has adopted the view that workplace politicking is an inherently disruptive phenomenon that leads to a host of adverse outcomes for both individuals and organizations. The term organizational politics from the perspective of an average individual generates a host of

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reprehensible images that include backroom manipulation, behind-the-scenes maneuvering, and self-serving posturing (Ammeter et al., 2002).

According to another definition politics, aspects of political behavior include actions that are self-serving, not officially sanctioned by the organization, and often have detrimental effects (Ferris, Frink, Galang, Zhou, Kacmar, & Howard, 1996; Ferris & Kacmar, 1992; Randall et al., 1999).

Many studies (e.g., Ferris & Kacmar, 1992; Ferris, Russ, & Fandt, 1989; Gandz and Murray, 1980; Medison et al., 1980) defined Organizational Politics as behavior strategically designed to maximize short-term or long-term self-interest, advantages, and benefits at the expense of others and which is against the collective organizational goals or the interests of other individuals. This perspective reflects a generally negative image of workplace politics in the eyes of most organization members (Vigoda-Gadot, 2006).

According to the view point of many theorists (Gandz & Murray, 1980; Kacmar, Bozeman, Carlson, & Anthony, 1999) it is not *actual* politics or political behavior that effects organizational outcomes rather, it is the subjective *perception* of workplace politics, whether *actual* or not, that results in typically adverse reactions and behaviors. This conception is consistent with Lewin's (1936) point of view that individuals respond based on perceptions of reality rather than on any objective reality.

How do individuals react to organizational politics? To answer this question, Ferris, Russ, and Fandt (1989) presented a model of perceived organizational politics that detailed the antecedents and consequences of perceived organizational politics. According to Kacmar and Ferris (1991), perceptions of organizational politics consist of an individual's perceptions of others' political activities (not one's own), such as favoritism, suppression of competing entities, and the manipulation of organizational policies.

Perceived organizational politics represent the reality in the eyes of key stakeholders and thus are more expressive of players' views and behavioral intentions (Ferris & Kacmar, 1992). Finally, perceived organizational politics are assumed to have a greater impact on the attitudes and behaviors of employees than actual politics (Ferris & Kacmar, 1992).

Bryson and Kelley (1978) suggest that the relevance of a more political perspective on leadership is apparent in many situations. The literature on leadership suggests that organizations can be viewed as political systems (Baldrige, 1971; Bardach, 1972). Although the political implications of leadership positions and appeals for such a theory are already recognized (e.g., House & Aditya, 1997) but the attempts to conceptualize leadership from a political perspective are noticeably absent in the literature. Therefore, the study of perceived organizational politics as a contextual variable is of extreme importance if leaders want to achieve organizational outcomes efficiently and effectively.

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### PROPOSITION SECTION

#### **Politics As A Moderator In Transactional Leadership-Outcome Relationship**

The relationship between leadership types and outcomes is expected to be different when perceived organizational politics are high or low. Politics tend to flourish in ambiguous and uncertain work environments (Ferris & Kacmar, 1992; Ferris et al., 1989). When perceived organizational politics is high there will be no clarity regarding performance standards and reward structures that in turn will create a system that will lead employees to engage in political behaviors as a means to acquire desired employee outcomes (Ferris et al., 1989; Randall et al., 1999).

When perceived organizational politics are high there will be a negative relationship between transactional leadership and outcomes (job performance, job satisfaction and organizational commitment) since this leadership style encourages the development of interest-based relationships between employees and managers, which is at the heart of the political process. Transactional leadership encourages negotiation about interests and puts a price tag on everyone and everything which in turn will lead employees to promote their interests more aggressively in an environment struggling for limited resources (Vigoda-Gadot, 2006). Therefore, under conditions of high perceived organizational politics, even when a transactional leader seems to be promoting his/her subordinate's interests, the subordinate may be tempted to interpret this support as strategic in nature. Such an interpretation may have a negative effect on the employee's outcomes (Vigoda-Gadot, 2006).

When employees perceive a high level of workplace politics, they cannot be certain that they will be rewarded for their efforts as their trust in the leader is low (Poon, 2006). Since the transactional leader is characterized by an ability to create a system of rewards and punishments that are necessary for economic and social interactions within the organization (Vigoda-Gadot, 2006), we suggest that transactional leader will be more effective under conditions of low perceived organizational politics.

Under conditions of high perceived organizational politics employees tend to minimize their interaction with co-workers by involving themselves in their required tasks (Witt, Hochwarter & Kacmar, 2000) and since (Wang et al., 2005) suggested that for transactional leader the interactions between supervisors and employees are frequently interest based so transactional leader would not be effective under conditions of high perceived organizational politics. Therefore we propose that transactional leader would have more profound effect on the outcomes when perceived organizational politics is low.

*Proposition 1: Perceived organizational politics would moderate the relationship between transactional leadership and outcomes (Job Satisfaction, Organizational Commitment and Job Performance) such that the relationship will be stronger when perceived organizational politics is low.*



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### **Politics As A Moderator In Transformational Leadership-Outcome Relationship**

In case of high perceived organizational politics the transformational leader may create a positive organizational climate that supports professionalism and excellence, resulting in increased job satisfaction, organizational commitment and job performance.

In case of high perceived organizational politics, transformational leader may reduce the perceptions of politics in an organization because he/she offers a vision, a mission, and an operative plan for goal achievement (Bass, 1985). Transformational leader can play important role by reducing ambiguity and professional uncertainty created by high perceived organizational politics and validate the feeling that it is possible to deal with organizational challenges in a decent way based on justice and fairness (Vigoda-Gadot, 2006). The transformational leadership style is effective as it reinforces moral values, contributes positively to feelings of fairness and justice and reduces feelings of inferiority that derive from a lack of recourse to political alternatives (Kacmar & Ferris, 1991).

In addition, when perceived organizational politics are high the transformational leader provides transparency in decision-making processes and strengthens the belief that both the leader and the organization are fair and trustworthy (Ferris et al., 1989; Ferris & Kacmar, 1992; Ferris et al., 1996; Kacmar and Ferris, 1991; Pillai et al., 1999; Witt et al., 2000) which in turn will lead to enhanced job satisfaction, organizational commitment and job performance.

Therefore, when perceived organizational politics are high the transformational leader is expected to create a better understanding among employees as to what is expected from them in the framework of their jobs (Vigoda-Gadot, 2006). As a result, employees will have a more positive outlook on their workplace and will put extra effort in their work (Vigoda-Gadot, 2006), be more satisfied and more committed to their jobs and the organization as a whole.

Under conditions of high perceived organizational politics since the transformational leader is by definition an exemplar and a role model of doing the right things (e.g., Avolio and Bass, 1991; Pillai et al., 1999) will mitigate the harmful effects of political behavior and enhance employee satisfaction, commitment and performance. In addition, a transformational leader tends to educate, guide, and treat every employee to personal attention in his effort to motivate them to perform above and beyond what is required of them which in turn will reduce the adverse effects of high perceived organizational politics and will lead to better organizational outcomes. Therefore we propose that transformational leader would have more profound effect on the outcomes when perceived organizational politics is high.

*Proposition 2: Perceived organizational politics would moderate the relationship between transformational leadership and outcomes (Job Satisfaction, Organizational Commitment and Job Performance) such that the relationship will be stronger when perceived organizational politics is high.*

## POP as a Moderator in Leadership-Outcome Relationship

### Politics As A Moderator In LMX-Outcome Relationship

High-LMX subordinates are expected to receive more attention, nurturing, and support than their low-LMX counterparts. Subordinates in high quality LMX relationships are in a better position to receive additional information, support, and attention that could contribute to improved performance (Graen & Cushman, 1975).

According to the study by Dunegan et al. (2002) high-conflict was taken as a moderator in the LMX and outcome relationship in which they conceptualized that high-conflict situation is the one that offers the greatest opportunity for a leader's intervention to have the most profound effect.

Dunegan et al. (2002) argued that high conflict situation is the most appropriate for high quality LMX leader to intervene; we suggest that high perceived organizational politics would be characterized by high levels of conflict. Because in high conflict situations behaviors exhibited by employees are highly hostile and aggressive and since past research proves that organizational politics and hostile behaviors are linked (Kacmar & Baron, 1999).

High perceived organizational politics consumes time, restricts information sharing, and creates communication barriers (Eisenhardt & Bourgeois, 1988). A workplace that is rife with politics is stressful to work in and is not conducive for promoting positive job attitudes.

Therefore, we propose that under conditions of high perceived organizational politics high quality LMX leader would have a substantial impact on the follower's outcomes. Thus, higher perceived organizational politics may actually create a situation where differences in LMX have a greater opportunity to explain variance in employee outcomes (job satisfaction, organizational commitment and job performance).

*Proposition 3: Perceived organizational politics would moderate the relationship between high quality LMX and outcomes (Job Satisfaction, Organizational Commitment and Job Performance) such that the relationship will be stronger when perceived organizational politics is high.*

In case of low quality LMX the interactions between supervisors and employees are frequently interest based (Wang et al., 2005). Dunegan et al. (2002) argued that under conditions of subordinates experiencing lower conflict are faced with fewer situational obstacles and would, therefore, not have to rely as much on the leader to navigate through those obstacles. Thus, we propose that under conditions of low perceived organizational politics, low quality LMX relationship would have a more profound effect on follower's outcomes.

*Proposition 4: Perceived organizational politics would moderate the relationship between low quality LMX and outcomes (Job Satisfaction, Organizational Commitment and Job Performance) such that the relationship will be stronger when perceived organizational politics is low.*

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### **FUTURE RESEARCH DIRECTIONS**

The idea presented in this paper is unique in the sense that it has taken perceived organizational politics as a contextual moderator in the relationship between leadership and outcomes. This is a theoretical paper and the propositions presented in this paper can be tested empirically by researchers. For empirical examination of these propositions, the design of the study should be longitudinal instead of cross-sectional in order to be sure of the cause and effect relationship. Moreover, although we have taken perceived organizational politics as a moderator in the leadership-outcome relationship we propose that another possibility can be that leadership is taken as a moderator in the relationship between perceived organizational politics and outcomes.

### **LIMITATIONS**

Although the research literature shows the existence of many leadership theories however, we have chosen only three leadership theories (transactional, transformational and LMX) for many reasons. Firstly, in order to avoid complexity in the paper it was decided to limit our study to these three theories only. Secondly, for the past two decades the research on these three theories has dominated the leadership literature domain. Finally, these three theories are considered as the most popular among the currently existing leadership theories.

### **CONCLUSION**

The main purpose of this research paper is to advance the knowledge about the relationship between leadership style and employees' outcomes by introducing organizational politics as a moderator. The idea presented in this paper takes its inspiration from a number of studies which have moved in the same direction (e.g., Lowe et al., 1996; Pillai et al., 1999; Wang et al., 2005), but sought to extend them in light of suggestions by House and Aditya (1997) and Ammeter et al. (2002) to create a political theory of leadership.

More specifically, the study examined perceptions of organizational politics as a moderator in the leadership-outcome relationship. This paper also tried to advance our knowledge about organizational politics (e.g., Ferris et al., 1989; Ferris and Kacmar, 1992; Ferris et al., 1996a; Kacmar and Ferris, 1991; O'Connor et al., 2001; Witt et al., 2000).

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