Leadership in a Changing Business World

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2015

document version
Publisher's PDF, also known as Version of record

Link to publication in VU Research Portal

citation for published version (APA)
Rosenauer, D. (2015). *Leadership in a Changing Business World: A Multilevel Perspective on Connecting Employees to Organizational Goals.*

CHAPTER 4

NEUTRALIZING LEADERSHIP EFFECTIVENESS: THE INTERACTIVE EFFECT OF SUPERVISORS' CYNICISM ABOUT CHANGE AND CONTINGENT REWARD LEADERSHIP[*]

Abstract

Frontline supervisors' contingent reward leadership is crucial for the successful implementation of change. Yet, we propose that even appropriate leadership behavior may become ineffective when supervisors are cynical about change. We tested this hypothesis in a sample of 71 supervisors with 340 employees. When supervisors' cynicism about change was low, contingent reward was negatively related to employees' cynicism about change and positively related to their performance. However, these relationships were nonsignificant for cynical supervisors. Moreover, employees' cynicism about change acted as a mediator for this interaction effect on employees' performance. In sum, our research extends our theoretical understanding about the interplay of supervisors' cynicism about change and leadership. From a practical perspective, enabling supervisors to become successful change agents requires to address their cynicism about change as well as their leadership competencies in parallel.

Although change requires involved and committed organizational members (Fedor, Caldwell, & Herold, 2006; Herscovitch & Meyer, 2002; Hill et al., 2012), change projects may ironically make supervisors, who need to implement the change, highly cynical about it (Balogun, 2003). Pioneering research regarding this issue investigated whether cynical supervisors refrain from leadership behaviors altogether (Atwater, Waldman, Atwater, & Cartier, 2000; Bommer, Rubin, & Baldwin, 2004; Rubin, Dierdorff, Bommer, & Baldwin, 2009). Taking this field a step further, we propose that the effects of supervisors' cynicism might be even more severe, such that even if supervisors exhibit appropriate leadership behaviors, the effectiveness of these behaviors during change may be neutralized when supervisors are cynical.

In this regard, we focus on frontline supervisors who need to keep the business going while simultaneously integrating and consolidating new work routines (Balogun, 2003). During this implementation phase, contingent reward leadership provides guidance and transparency (Podsakoff et al., 2006; Walumbwa et al., 2008) and establishes a trustful relationship with the supervisor (Jung & Avolio, 2000; Wayne et al., 2002). These mechanisms help to reduce cynical employee reactions toward change and to foster employee performance (Podsakoff et al., 2006).

However, when *supervisors* are cynical about change, employees may perceive their supervisor and the organization as disconnected entities. Supervisors' cynicism about change may affect the way in which employees respond to supervisors' contingent reward leadership. In light of the discrepancy between the organization and the supervisor, the reassuring effects of contingent reward behavior may not generalize toward the change project, and thus, may not alleviate employees' cynicism about change. In a similar vein, employees may not consider performance as adequate to reciprocate supervisors' contingent reward behavior (Wayne et al., 2002). Moreover, we propose that employees' cynicism will act as a mediator

for the interactive effect of supervisors' cynicism and contingent reward leadership as this attitude reflects the employees' loss of faith that their efforts will be worthwhile (Wanous, Reichers, & Austin, 2000).

In sum, we add a new perspective on the interplay between supervisors' cynicism and leadership behaviors. We propose that cynicism about change may not universally reduce leadership behaviors, but may affect how *followers react to these behaviors.* This approach promises a better understanding of the role, which supervisors' play during change through their attitudes *and* behaviors. It is still unclear why change projects often fail, even if appropriate measures are taken (Herold et al., 2007). Research needs to identify boundary conditions that may limit the effectiveness of leadership behavior during change (Herold, Fedor, Caldwell, & Liu, 2008). Supervisors' cynicism about change may be one piece to this puzzle, which helps to explain why contingent reward may not universally attenuate employees' cynicism and sustain performance. Moreover, practitioners often find it difficult to alter supervisors' cynicism about change and put more emphasis on training supervisors' leadership competencies instead (Rubin et al., 2009). However, this strategy may fall short to lead to substantial improvements: Although promoting contingent reward behaviors might be very effective during change, supervisors' cynicism might limit the effectiveness of this type of leadership behavior.

Supervisors' Contingent Reward Behavior during the Implementation of Change

Sustainable changes need to be integrated and consolidated in daily work routines to avoid that change initiatives fizzle out without any sustainable impact (Kotter, 1996; Lewin, 1947). In this respect, contingent reward behaviors may be especially effective during times of change. Contrasting the differential functions of leadership styles, Battilana and colleagues (2010) found that leadership competencies with greater task focus are particularly beneficial for the sustainable integration of changes into work routines. Moreover, Vera and Crossan

(2004) noted that whereas transformational leadership sets the stage for changes, transactional leadership helps to institutionalize adaptations (Zand & Sorensen, 1975). Therefore, contingent reward is an important tool for frontline supervisors. As change intermediaries, they need to maintain business performance while implementing new adaptions (Balogun, 2003).

In this regard, contingent reward leadership helps to prevent that employees become cynical about change (Podsakoff et al., 2006). People who are cynical about change are pessimistic that change projects will lead to any desirable improvements in the future and blame dispositional characteristics of those who are in charge rather than controllable situational circumstances for the anticipated failure (Wanous et al., 2000) – as such, they lose faith in management (Reichers et al., 1997). As proposed within the transactional-transformational leadership framework (Bass, 1985), contingent reward constitutes a basic mechanism to build the fundament for a reliable exchange relationship between supervisors and employees. When supervisors consistently use positive reinforcement, employees develop trust in their supervisor (Jung & Avolio, 2000; MacKenzie, Podsakoff, & Rich, 2001). Thus, supervisors who engage in contingent reward may (re-)gain employees' confidence, which is called into question through change (Morgan & Zeffane, 2003), and thereby alleviate employees' cynicism about change. Moreover, when supervisor use contingent reward leadership, they enhance transparency and procedural fairness perceptions (Walumbwa et al., 2008), which attenuate cynicism in times of change (Bernerth, Armenakis, Feild, & Walker, 2007).

Furthermore, contingent reward is highly effective in sustaining employees' in-role performance and even outperforms other leadership styles in this regard (Podsakoff, Todor, & Skov, 1982; Vecchio, Justin, & Pearce, 2008; G. Wang, Oh, Courtright, & Colbert, 2011). As contingent reward contributes to a satisfying high quality relationship with the supervisor,

employees are motivated to reciprocate their supervisor's favorable behavior through increased performance (Wayne et al., 2002). In addition, path-goal leadership theory states that employees work motivation depends on the instrumentality perception that a specific behavior will lead to desirable consequences for the employee (House, 1971; House, 1996). In accordance with this approach, contingent reward reduces role ambiguity (Podsakoff et al., 2006), such that employees clearly understand what they are expected to do. Moreover, when employees feel that good performance will be acknowledged, they may consider their effort as in investment to achieve long-term goals (House, 1996; Podsakoff et al., 2006).

In sum, contingent reward will have favorable effects on employees' cynicism about change and performance because it establishes a trustful relationship with the supervisor and strengthens the instrumentality perception that efforts will be worthwhile eventually. However, when supervisors are cynical about change themselves, contingent reward leadership may become ineffective for the implementation of change.

Supervisors' Cynicism about Change

Supervisors at lower organizational levels represent a risk group to become cynical. With increasing hierarchical distance to the top management, communication about the underlying reasons for change is perceived as less effective and the possibilities to actively participate through feedback and suggestions are constrained (Hill et al., 2012). As a consequence, frontline supervisors often find it difficult to make sense of the profound purposes of change initiatives (Balogun & Johnson, 2005). However, when they do not recognize that the change projects will solve important problems, they are likely to become cynical about change (Reichers et al., 1997). Indeed, previous research has found negative correlations between leaders' hierarchical level and cynicism about change (Bommer et al., 2004; Bommer, Rich, & Rubin, 2005; Rubin et al., 2009), reflecting supervisors' proneness to become cynical.

In addition, change projects often increase frontline supervisors work load considerably. As supervisors represent the interface between management and the operative employees, they need to get used to a new work protocol themselves, while they are simultaneously responsible for integrating adaptations in existing work routines and maintaining high performance levels (Balogun, 2003). Fedor, Caldwell, and Herold (2006) demonstrated that this combination of work unit and personal job change results in less favorable attitudes towards change initiatives. When this straining situation persists without visible improvements for a longer period of time, frontline supervisors may develop cynical attitudes towards change (Balogun & Johnson, 2004).

The few previous studies on supervisors' cynicism about change mostly focused on the consequences for their leadership behavior. For instance, Bommer et al. (2004) and Rubin et al. (2009) found that supervisors who are cynical about change refrain from transformational leadership. As cynical supervisors are less likely to act against their principles (Andersson & Bateman, 1997), they may abandon transformational leadership and cease to motivate employees to support a vision and strategy, in which they do not honestly believe themselves.

However, Atwater and colleagues (2000) found a more complex pattern for employee ratings of person-focused leadership, which is conceptually similar to consideration. In their longitudinal study, supervisors' cynicism was only negatively associated with their subsequent leadership behaviors when they had received unfavorable feedback from their employees. Moreover, this effect appeared to be rather small (β = -.21) in comparison to the high constancy of leadership ratings over time (β = .61). In light of this stability, other mechanisms, besides withdrawal from transformational leadership, may account for the decrease in supervisor effectiveness as a consequence of their cynicism about change (Rubin et al., 2009). Specifically, we propose that supervisors' cynicism may affect how employees

react to leader behavior by limiting the effectiveness of contingent reward leadership.

The Interactive Effect of Supervisors' Cynicism about Change and Contingent Reward Behavior on Employee Outcomes

Supervisors are usually perceived as agents of the organization who represent and transmit the organizational goals to the employees (Rhoades & Eisenberger, 2002). Due to this representative function, employees assume that their supervisors' behaviors also characterize the organization and its goals on a larger scale (Eisenberger et al., 2002; Naumann & Bennett, 2000). For instance when supervisors are perceived to be supportive, the organization is perceived to be supportive as well (Eisenberger et al., 2002), or when supervisors consistently reinforce procedures, they shape more general procedural justice climates (Naumann & Bennett, 2000; Walumbwa et al., 2008). Thus, when supervisor and organization are perceived as a unity, employees' reactions to supervisors' contingent reward behavior ultimately coincide with favorable consequences for the organization (Walumbwa et al., 2008), such that these generalization tendencies help to attenuate employees' cynicism about change and benefit performance (Podsakoff et al., 2006; Wayne et al., 2002).

However, these generalization tendencies only occur when employees believe that their supervisor represents and is aligned with the organization (Eisenberger et al., 2010; Koivisto et al., 2013; Rhoades & Eisenberger, 2002). When supervisors are cynical about change, they are clearly disconnected from the organizational strategy and, consequently, employees may not perceive them as committed agents of the organization. Therefore, rather than generalizing supervisor behaviors to the organization, employees may evaluate the supervisor and the organization as distinct entities (Eisenberger et al., 2010; Neves, 2012). Contingent reward strengthens first and foremost the employees' relationship to the supervisor rather than to the organization in general (Wayne et al., 2002). Thus, when there is a misalignment between the supervisor and the organization, contingent reward leadership

may primarily motivate employees to trust and reciprocate towards the supervisor rather than towards the organization (Wayne et al., 2002).

While supervisors' contingent reward may contribute to a trustful relationship with the supervisors, employees may only generalize this trustworthiness to top management when supervisors advocate the organizational strategy with full conviction. However, when cynical supervisors distance themselves from management, contingent reward leadership may not resolve doubts about top management's credibility, which constitute major sources of employees' cynicism about change (T. Kim, Bateman, Gilbreath, & Andersson, 2009; Reichers et al., 1997). In line with this reasoning, Eisenberger and colleagues (2010) reported that favorable leader behaviors only translate into increased commitment towards the organization when the supervisor identifies with the organization. Following this argument, cynical supervisors clearly demonstrate that they do *not* identify with the change project and their behaviors are therefore unlikely to attenuate employee's critical attitudes towards organizational change.

Moreover, contingent reward instigates social exchange processes that target the supervisors rather than the organization and encourages employees to "reciprocate in terms of behaviors that are valuable to the supervisor" (Wayne et al., 1997; Wayne et al., 2002, p. 593). In work contexts, employees usually express their loyalty by increasing performance in order to attain the organizational goals, which matter to their supervisor. Yet, employees may think that working hard to support a strategy, which is not endorsed by their cynical supervisor, will be inadequate to show their appreciation for their supervisor. It may even be a sign of solidarity to maintain just sufficient performance instead of supporting the "rival camp." In this vein, when supervisors feel estranged from the organization, their employees still value a positive relationship with their supervisor, as reflected by high levels of job satisfaction; yet they do not respond with high levels of performance (Erdogan & Enders,

103

2007). Therefore, when supervisors are cynical, contingent reward may not increase employees' performance.

Hypothesis 1: Contingent reward and supervisors' cynicisms about change have an interactive effect on employees' cynicism about change. Contingent reward will be only negatively related to employees' cynicism about change when supervisors' cynicism about change is low.

Hypothesis 2: Contingent reward and supervisors' cynicisms about change will have an interactive effect on employees' performance. Contingent reward will be only be positively related to employees' performance when supervisors' about change cynicism is low.

Finally, we propose that *employees'* cynicism about change will act as a mediator between the interactive effect of supervisors' cynicism about change and contingent reward on employees' performance. Cynical supervisors who engage in contingent reward leadership may not be able capitalize on performance improvements that are otherwise gained through increased employees' instrumentality perceptions (House, 1971). When supervisors are cynical, contingent reward leadership may not attenuate employees' cynicism. In this respect, employees' cynicism about change is associated with decreased instrumentality perceptions, so that employees do not assume that their performance will pay off eventually (Wanous et al., 2000). Thus, the potential positive gains associated with contingent reward are compensated by unfavorable consequences of cynicism about change. Instead, as a further negative side effect, employees' cynicism about change seems to promote deviant workplace behaviors. Although identified as distinct constructs, cynicism "appear[s] to have something in common" (Naus, Van Iterson, & Roe, 2007, p. 705) with neglecting behaviors, such as sloppiness and tardiness. In the long run, these breaches of obligation may impair overall performance. Consequently, when contingent reward leadership by cynical supervisors is

insufficient to manage employees' cynicism, the latter may thwart employees' performance over time (T. Kim et al., 2009).

Hypothesis 3: Employees' cynicism about change will mediate the interactive effect of contingent reward and supervisors' cynicism about change on employees' performance.

Methods

Sample and Procedure

We collected data embedded in a broader organizational survey at a German facility management company. Next to the administrative staff, the company was structured in two major divisions, building cleaning and technical maintenance. At the time of the data collection, the company underwent a fundamental reorganization of their work procedures and communication flows, starting from the acceptance of orders through the planning and provision of the services to the administrative completion processes. This change project required the redefinition of work roles (e.g., who does what), procedures (e.g., how things are done), and related IT systems. Although the change project affected both divisions, the technical division experienced the most pronounced alterations in their workflow through the introduction of new IT tools, which employees used for reporting.

We surveyed vocational job starters (trainees) who participated in an apprenticeship, which is a unique vocational training system in Germany,[1] as well as their company supervisors. We chose this sample for several reasons: First, the change project involved the supervisors and their work, so that they were prone to hold salient attitudes toward organizational change. Second, the job starters were quite new at the organization, so that their current experiences, rather than previously acquired perceptions of the organization, should shape their attitudes and behaviors. Finally, trainees' developmental progress was monitored on a regular basis through standardized performance reviews, which we could access upon participants' consent.

Trainees and supervisors were invited to separate meetings on company site during working hours, in which two researchers informed them about the procedure and background of the study. After participants were guaranteed confidentiality, they could participate by completing the questionnaire on a voluntary basis and chose whether they permitted access to their performance review by checking this option on the consent form. Overall, 74% of the company's trainees joined the meetings and 95% of those who attended participated in the study, so that we obtained a total of 389 trainee questionnaires, including 319 permissions to collect performance reviews from company records, as well as 91 supervisor questionnaires. We excluded two supervisors who did not provide cynicism ratings. In order to ensure a reliable and representative measurement of group-level leadership, we further excluded supervisors when less than 60% of their trainees rated contingent reward behavior ($n = 5$), and when a supervisor worked with less than two trainees ($n = 13$).[2] Due to varying missing values patterns for outcome variables, we were able to use data from 70 supervisors and 340 trainees pertaining to the analysis for trainee's organizational cynicism and a sample of 71 supervisors and 291 trainees pertaining to the analysis for performance.

Trainees in the final sample were mostly male (85%) and of German nationality (73%) with an average age of 20.40 years ($SD = 3.69$). They had worked at the company for two years ($SD = 0.95$) on average. Most of them were employed in the technical division in occupations such as electrician or mechanic (65%), 27% in the cleaning division as qualified building cleaners, and 9% were administrative staff for clerical tasks. Unfortunately, demographic information for nonparticipants was unavailable but our sample was representative for all trainees at the company in terms year of apprenticeship ($M = 2.05$, $SD = 1.00$) and distribution across divisions (67% technical, 27% cleaning, 6% administrative).

Supervisors were mostly male (87%), of German nationality (92%), and on average 43.10 years ($SD = 10.37$) old. They had a profound understanding of the organization as the

majority of them had spent their own apprenticeship and subsequent career exclusively at this company (61%). Similarly, they were experienced at the supervision of trainees ($M = 5.73$ years, $SD = 5.59$). On average, they were responsible for 8.38 trainees within their respective division ($SD = 6.57$; range: 2-24), which they supervised throughout the whole duration of the apprenticeship. While 79% belonged to the technical division, 11% belonged to the building cleaning division and 10% were administrative staff.

Measures

All scales were measured on a scale ranging from 1 (*"strongly disagree"*) to 5 (*"strongly agree"*). Table 4.1 summarizes the descriptive statistics and zero-order correlations of the following variables.

Cynicism about organizational change. Trainees and supervisors respectively rated the *Cynicism About Organizational Change Scale* (Wanous et al., 2000). This scale consists of seven items, such as "Most of the programs that are supposed to solve problems around here will not do much good" and "The people responsible for making improvements do not know enough about what they are doing." The measure showed good reliabilities for both trainees (six items,[3] $\alpha = .91$) and supervisors (seven items, $\alpha = .88$).

Table 4.1

Means, Standard Deviations, and Zero-Order Correlations

Individual-Level Variables	Mean (SD)	1.	2.	3.	4.	5.	6.	7.	8.
1. Employees' Cynicism	2.91 (.90)	(.91)							
2. Employees' Performance	2.71 (.45)	-.01	(.90)						
3. Year of Apprenticeship	2.01 (.95)	.30**	.16**						
4. Contact with Supervisor	2.48 (1.46)	.01	.21**	.26**					
5. Low Education[a]	.29 (.46)	.01	-.28**	-.18**	-.23**				
6. Medium Education[a]	.54 (.50)	.04	.02	.24**	.21**	-.96**			
7. High Education[a]	.17 (.38)	-.08	.39**	-.14	-.02	-.71**	-.88**		
8. Employees' Age	20.40 (3.69)	.10**	.05	.19**	-.02	.04	-.17*	.18**	
9. Employees' Gender[b]	.15 (.35)	-.05	.01	-.01	-.03	.18	-.29**	.19	.10
Between- Level Variables	*Mean (SD)*	10.	11.	12.	13.	14.	15.		
10. Contingent Reward	2.82 (.68)	(.82)							
11. Supervisors' Cynicism	2.75 (.77)	.01	(.88)						
12. Cleaning division[c]	.11 (.32)	-.06	-.04						
13. Technical division[c]	.79 (.41)	-.15	.36**	-.89**					
14. Administrative division[c]	.10 (.30)	.32	-.63**	.00	-.86**				
15. Supervisors' Age	43.10 (10.37)	-.13	-.06	.10	-.00	-.12			
16. Supervisors' Gender[b]	.89 (.32)	.33	-.42**	.04	-.76**	0.89**	-.47**		

Note: When both variables are continuous, Pearson correlations are reported. When both variables are categorical, polychoric correlations are reported. When one variable is continuous and the other variable is categorical, polyserial correlations are reported. Cronbach's α is reported in brackets on the diagonal. [a]dummy coded, 1 = belongs to this educational group, 0 = belongs to other educational group , reference group: low education. [b]dummy coded, 1 = female, 0 = male. [c]dummy coded, 1 = belongs to this division, 0 = belongs to other division, reference group: cleaning. * $p < .05$, ** $p < .01$

Contingent reward. Trainees rated their supervisor's contingent reward behavior with four items from Podaskoff, MacKenzie, Moorman, and Fetter (1990), such as "My supervisor always gives me positive feedback when I perform well." After omitting one item that impaired reliability ("My supervisor frequently does not acknowledge my good performance," reversed coded), we obtained a Cronbach's α of .82.

As leaders tend to offer contingent reward to their employees in consistent ways (Walumbwa et al., 2008), it can be considered a contextual, group-level construct that is reflected in converging team members' perceptions (Chan, 1998; Klein & Kozlowski, 2000). Several agreement indices provided support for this team-level conceptualization. ICC(1) = .09, $F(70, 263)$ = 1.83, $p < .001$, showed that team member ratings varied significantly for different supervisors. Although the rather moderate ICC(2) = .45 value indicated that it might be difficult to detect group differences, it does not principally question the validity of a theoretical group-level construct (Chen & Bliese, 2002). Finally, the median $r_{wg(J)}$ = .75 was above the recommended cutoff of .70 (Bliese, 2000) and reflected that team members agreed about their supervisor's contingent reward behavior. Therefore, we aggregated team members' responses to group means for further analyses.

Employees' individual performance. The personnel department provided performance ratings about six month after the survey. These performance reviews are updated every three months and assessed trainees' performance, technical knowledge, and social skills. The seven-item scale had excellent reliability (α = .90).

Control variables. We distinguished two broad categories of control variables, personal characteristics and structural, work context variables. The first category includes supervisors' and trainees' age and gender, as well as trainees' educational background (low secondary education, medium secondary education, or high education including university entrance degrees and above). In addition, structural variables characterize how trainees

experience the organization. For instance, the division (technical, cleaning, administrative) may create a unique context, which affects the outcome variables in different ways. In a similar vein, contact with the supervisor, which we measured with a single item ("How often do you interact with your supervisor?"), may affect trainees' cynicism and performance. Finally, over the duration of the apprenticeship, trainees may gain profound personal and professional experiences, which may shape their organizational perceptions and their performance respectively. Therefore, we included the duration of the apprenticeship as well.

Analytic Strategy

We predicted an interaction effect of two group-level variables, supervisors' cynicism about change and contingent reward leadership, on individual-level outcomes, employee's cynicism and performance.[4] Mediated moderation models like ours (Thoemmes, MacKinnon, & Reiser, 2010) require quite demanding analyses, especially when they involve interaction effects of continuous (Shieh, 2008) and group-level variables (Snijders, 2005). However, field research on organizational teams is often subject to sample size restrictions, which limit the power to detect interaction effects (McClelland & Judd, 1993). Thus, we undertook several analyses to preserve as much power as possible. First, we conducted the analyses including only our focal predictors. Subsequently, we investigated the relationship of the proposed controls and outcome variables in order to identify the most important control variables for employees' cynicism and performance (Becker, 2005; Kraimer et al., 2011) and repeated the analyses including these relevant control variables.

Results

Main Analyses

In a first step, we checked whether employees' group membership accounted for differences in the outcome variables. Although between-group variation for employees' cynicism ($ICC[1] = .03$, $F[69, 270] = 1.22$, $p = .13$) and performance ($ICC[1] = .09$, $F[70,$

220] = 1.83, *p* < .001) were modest, even small between-group variations can have important implications (Bliese, 2000). Nezlek (2008, p.857) further suggested that if "there is a meaningful nested hierarchy to the data, my advice is to use multilevel modeling, irrespective of distracting arguments about [small] ICCs and so forth." Following this recommendation, we applied a multilevel model in a step-wise procedure (Aiken & West, 1991) to assess whether the interaction effect improved the overall model fit beyond main effects of the predictors (Table 4.2).

Table 4.2

Multilevel Analyses for the Interactive Effect of Contingent Reward and Supervisors'

Cynicism on Employees' Cynicism and Individual Performance

	Employees' Cynicism		Individual Performance	
Model:				
$Y_{ij} = \gamma_{00} + \gamma_{01}(Contingent\ Reward) +$				
$\gamma_{02}(Supervisors'\ Cynicism) +$				
$\gamma_{03}(Contingent\ Reward\ X\ Supervisors'$				
$Cynicism) + r_{ij} + u_{0j}$				
γ_{01}(Contingent Reward)	-.19*	-.13	.10	.05
	(.10)	(.09)	(.06)	(.06)
γ_{02}(Supervisors' Cynicism)	.12*	.08	-.02	.00
	(.05)	(.09)	(.04)	(.03)
γ_{03}(Contingent Reward X Supervisors'		.32**		-.21**
Cynicism)		(.10)		(.08)
$\sigma^2(r_{ij})$	.77**	.77**	.17**	.17**
$\sigma^2(u_{0j})$	.02	.00	.03**	.02*
Deviance	885.38	879.41	336.95	330.08
Scaling Correction Factor	.93	.85	1.24	1.16
Deviance Difference Test[a]		13.90**		9.10**

Note: Unstandardized coefficient and standard errors (in brackets) are reported. Grand-mean centered variables were used for the analysis and the calculation of the interaction term (Aiken & West, 1991). [a]Satorra-Bentler corrected difference test (χ^2-distributed, df = 1), recommended by Muthén and Muthén (1998-2010). * $p < .05$, ** $p < .01$

For employees' cynicism, we found a significant interaction effect between supervisors' cynicism and contingent reward (γ_{03} = .32, *SE* = .10, *p* = .001, Step 2), which significantly improved the model fit ($\chi^2[1]$ = 13.90, *p* < .001). This result supported Hypothesis 1. We explored the interaction in greater depth with interaction plots (Figure 4.1) and multilevel simple slope analyses (Preacher, Curran, & Bauer, 2006). In line with our reasoning, contingent reward leadership was negatively related to employees' cynicism when supervisors' cynicism was low (*b* = -.39, *SE* = .10, *p* < .001), yet unrelated to employees' cynicism when supervisors' cynicism was high (*b* = .13, *SE* = .93, *p* = .35).
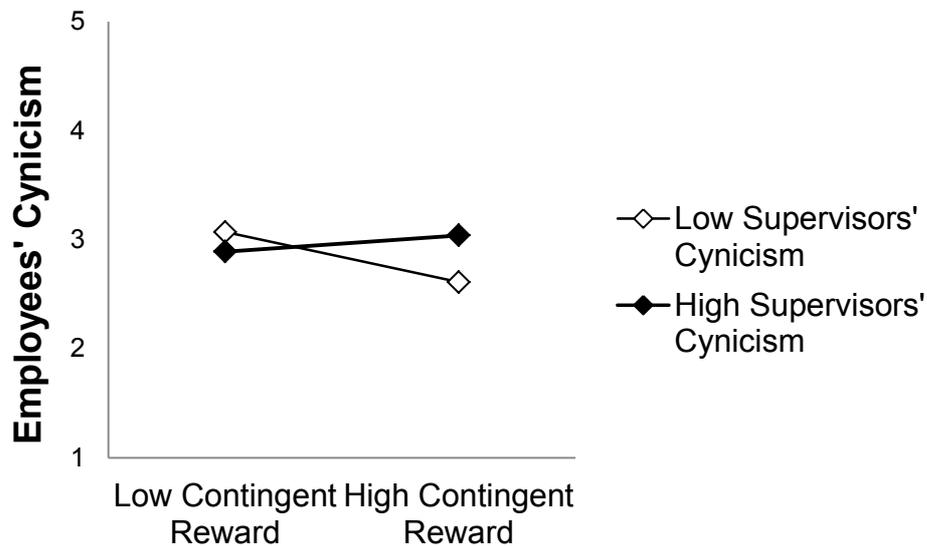

Figure 4.1. Effects of supervisors' cynicism and contingent reward on employees' cynicism. High/low values correspond to one standard deviation above/below the mean.

Lending support to Hypothesis 2, the interaction between contingent reward and supervisors' cynicism (γ_{03} = -.21, *SE* = .08, *p* = .007) significantly improved the fit of the model that predicted employee's performance ($\chi^2[1]$ = 9.10, *p* < .001). As visualized in Figure 4.2, contingent reward was associated with higher performance when supervisors' cynicism was low (*b* = .22, *SE* = .04, *p* < .001). However, this relationship was nonsignificant for highly cynical supervisors (*b* = -.12, *SE* = .09, *p* = .19).
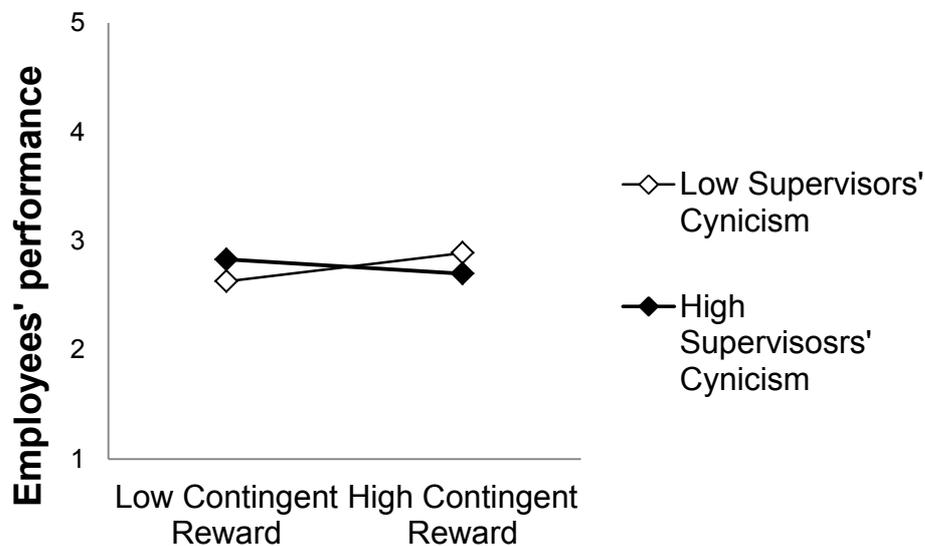

Figure 4.2. Effects of supervisors' cynicism and contingent reward on employees' performance. High/low values correspond to one standard deviation above/below the mean.

Finally, we proposed that the interaction effect on performance was mediated by employees' cynicism (Hypothesis 3). We examined this hypothesis using a mediated moderation model, which includes the main and interaction effects of two between-level variables on the individual-level outcome via a mediating individual-level variable. Importantly, however, between-level predictors can only account for between-group variance in the mediating and outcome variables but not for individual-level variations. Therefore, an indirect effect at the between level, while controlling for within-group variations of the

mediator, is necessary to provide support for a 2-1-1 mediation model (Figure 4.3). Preacher, Zyphur, and Zhang (2010) developed a technique to accurately test such models in order to obtain a precise estimate of the indirect effect. Whereas traditional analyses intermingle between- and within-level effects of the mediator, this technique models the between- and within components of the mediator separately as independent latent variables at both levels. We adopted this approach and used Monte Carlo simulation to obtain confidence intervals for the indirect effect (Selig & Preacher, 2008). In line with Hypothesis 3, the confidence interval of the indirect effect excluded zero ($ab = -.30$, $SE = .16$, 95% CI [-.71; -.01]), indicating that employees' cynicism mediated the interaction effect of supervisors' cynicism and contingent reward leadership on employees' performance.

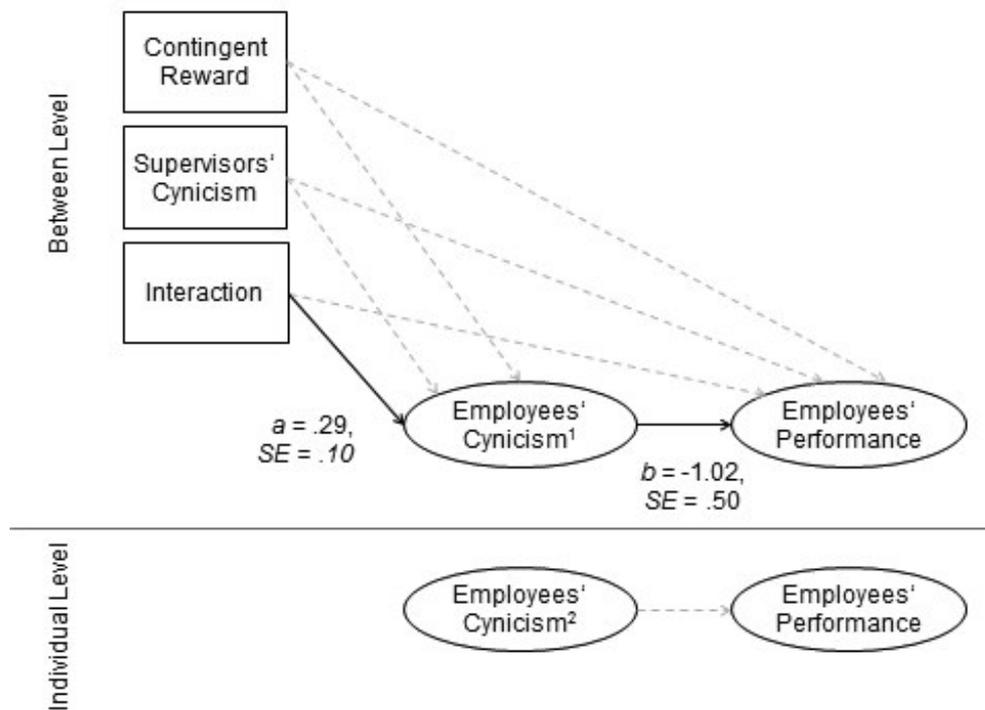*Figure 4.3.* Multilevel 2-1-1 mediation model (Preacher et al., 2010). Black solid lines indicated significant paths ($p < .05$); gray dashed lines indicate nonsignificant paths ($p > .09$). [1]latent between-level component of employees' cynicism [2]latent within-level component of employees' cynicism.

Control Variables

We regressed employees' cynicism and performance on the grand-mean centered control variables at the appropriate level of analysis (Enders & Tofighi, 2007) in order to determine the relative importance of the proposed controls (Kraimer et al., 2011). As our analyses are prone to suffer from underpowerment, it is especially important preserve as much statistical power as possible and to carefully select those variables of substantial relevance. While none of the demographic variables were significantly related to employees' cynicism, we detected some differences for structural variables. Employees in more advanced stages of their apprenticeship (β = .34, SE = .08, p < .001), and those in the building division rather than in technical (γ = -.38, SE = .13, p = .003) or administrative occupations (γ = -.80, SE = .33, p = .02) were more cynical about organizational change. Moreover, more experienced employees at later stages of the apprenticeship (β = .06, SE = .03, p = .02) and those in the technical division (γ = .31, SE = .08, p < .001; reference group: cleaning division) received higher performance evaluations. Including these control variables in the models summarized in Table 4.2, made the interaction effect of leader's cynicism and contingent reward marginally significant for employees' cynicism (γ = .20, SE = .11, p =.07) and nonsignificant for performance (γ = -.11, SE = .07, p = .12).

As the direction of the effects did not change, it is possible that the additional variables may have reduced the power to detect the effects of our variables of interest. Moreover, scholars have warned that control variables can mask the effect of the variables of theoretical interest because they may remove not only nuisance but also true target variance that is shared with the predictor (Becker, 2005; Spector, Zapf, Chen, & Frese, 2000). Therefore, we investigated whether our predictor variables varied across divisions. While supervisors did not differ in their contingent reward behavior, $F(2, 68)$ = 1.03, p = .36, we found differences for supervisors' cynicism, $F(2, 68)$ = 4.66, p = .01. Somewhat

unexpectedly, however, the pattern was opposed to what we had obtained for employees. As can be seen in Table 4.1, technical supervisors were more cynical than nontechnical supervisors ($r = .36$, $p = .02$), whereas technical and administrative employees seemed to be less cynical than their counterparts in the cleaning division. If the variance explained by the division encloses variance that can be partially attributed to supervisors' cynicism, we would expect that contingent reward would be less effective in the division with highly cynical supervisors (e.g., technical division). Therefore, we reran the analysis for employees' performance and replaced supervisors' cynicism by the dummy variable technical vs. nontechnical division (Table 4.3). Mirroring the results for supervisors' cynicism, the interaction effect of technical vs. nontechnical division and contingent reward was significant ($\gamma_{03} = -.37$, $SE = .17$, $p = .03$), such that contingent reward was positively associated with performance in the nontechnical divisions with less cynical supervisors ($b = .41$, $SE = .16$, $p = .01$) but unrelated within the technical division with more cynical supervisors ($b = .04$, $SE = .04$, $p = .37$). These results indicate that the structural variables may indeed absorb some of the true target variance attributable to the effects of supervisors' cynicism, which is the primary research interest of our study. At the same time, the results demonstrate that structural variables can have different implications for cynicism towards change at different hierarchical levels.

Table 4.3

Multilevel Analyses for the Interactive Effect of Contingent Reward and Technical vs.

Nontechnical Division on Individual Performance

	Individual Performance	
Model:		
$Y_{ij} = \gamma_{00} + \gamma_{01}$*(Contingent Reward)* $+$		
γ_{02}*(Technical division)* $+$		
γ_{03}*(Contingent Reward X Technical*		
Division) $+ r_{ij} + u_{0j}$		
γ_{01}(Contingent Reward)	.10	.41*
	(.05)	(.16)
γ_{02}(Technical Division)[a]	.15	.18*
	(.10)	(.07)
γ_{03}(Contingent Reward X Technical		-.37*
Division)		(.17)
$\sigma^2(r_{ij})$	.17**	.17**
$\sigma^2(u_{0j})$	.02	.02
Deviance	333.19	324.93
Scaling Correction Factor	1.42	1.45
Deviance Difference Test[b]		5.24*

Note: Unstandardized coefficient and standard errors (in brackets) are reported. Grand-mean centered variables were used for the analysis and the calculation of the interaction term (Aiken & West, 1991). [a]dummy coded, 1 = belongs to technical division, 0 = belongs to other division [b]Satorra-Bentler corrected difference test (χ^2-distributed, df = 1), recommended by Muthén and Muthén (1998-2010). * $p < .05$, ** $p < .01$

Discussion

Contingent reward leadership is an important tool for the sustainable implementation of change (Vera & Crossan, 2004; Zand & Sorensen, 1975). However, frontline supervisors who need to integrate change in daily work routines are prone to develop cynical attitudes towards change (Balogun, 2003). We hypothesized that otherwise positive effects of contingent reward leadership during change would be neutralized due to the estrangement between cynical supervisors and the organization. Our findings generally supported our reasoning: While contingent reward by noncynical supervisors was negatively related to employees' cynicism about change and positively related to their performance, these relationships became nonsignificant when supervisors were cynical. Employees' cynicism mediated the interactive effect of supervisors' cynicism and contingent reward leadership on performance. Although not the primary focus of our study, the inclusion of the control variables revealed diverging cynicism ratings of supervisors and their employees within divisions. Moreover, we replicated the moderating effect of supervisors' cynicism for employees' performance by comparing the division with supervisors who were relatively higher on cynicism to the divisions with supervisors with relatively lower scores on cynicism.

Theoretical Implications

Although change has become a ubiquitous phenomenon in modern organization, the literature on the relationship between supervisors' cynicism about change and leadership is still sparse and inconsistent. Possibly, cynicism about change may not uniformly affect all leadership behaviors, but needs to be explored with regard to the specific leadership behavior of interest. For instance, supervisors may withdraw from transformational leadership in order to avoid promoting a strategy in which they do not honestly believe (Bommer et al., 2004; Rubin et al., 2009). However, it is less obvious that cynical supervisors should automatically deny person-focused leadership (Atwater et al., 2000). Our research contributes to more

complete understanding about the complex interplay between supervisors' cynicism and leadership. Specifically, we move beyond a general withdrawal hypothesis and propose that cynicism may not necessarily affect whether or not supervisors exhibit leadership behaviors, but how employees react to these behaviors.

Although contingent reward is usually assumed to instigate employees' reactions that are beneficial for organizations undergoing change (Podsakoff et al., 2006), our results show that supervisors' cynicism can neutralize its effectiveness. Thus, the negative consequences of supervisors' cynicism about change may reach even further than previously assumed: Even if cynical supervisors display appropriate leadership behaviors, such as contingent reward, the organization may not benefit from it. Even more alarming, it might be problematic to enhance employees' performance otherwise, as indicated by research that contrasted the organization's and the supervisors' influences on employee outcomes. While favorable treatment by the organization entails some desirable employee reactions, such as organizational commitment, only favorable treatment by the supervisors seems to be able to foster employees' in-role performance (Settoon, Bennett, & Liden, 1996; Wayne et al., 1997; Wayne et al., 2002). Taken together, the adverse effect of supervisors' cynicism about change may not only be limited to the specific change project; it may also pose a serious threat to the organization's general functioning, which might be difficult to compensate for.

In contrast to previous research, our study seems not to support a pure main effect of supervisors' cynicism about change on their employees' cynicism about change (Rubin et al., 2009). Possibly, employees may use a broader range of information to evaluate top management's change efforts, which shape their personal attitudes towards organizational change. Thus, parallel to the information conveyed through their supervisor, they may also consider aspects of organizational fairness (Koivisto et al., 2013), or whether and how the change affects their personal work experiences (Fedor et al., 2006). Interestingly, when

supervisors seem nonrepresentative for the organization, their behaviors are unrelated to employees' perceptions of change, while employees are still receptive to organizational justice in order to evaluate change (Koivisto et al., 2013). Similarly, while cynical supervisors may not be considered representative agents of change, employees may additionally take into account their personal experiences with change, which will influence their attitudes towards it accordingly.

These personal experiences of the change process might also explain why supervisors' and employees' cynicism about change diverged across different divisions in our sample. Fedor and colleagues (2006) demonstrated that attitudes toward useful change projects result from a complex interplay of change at the work unit level as well as at the individual job level. When there is considerable change at both the unit and the job level, attitudes towards change become less favorable. In contrast, the most positive attitudes emerge when there is tangible change at the work unit level with low impact on the individual job level. With regard to our sample, supervisors in the technical division had to deal with considerable changes at both levels, whereas supervisors in the other divisions faced more moderate work unit adaptations. Thus, technical supervisors were at higher risk to develop cynicism about change than their peers in nontechnical divisions. With regard to employees, those in the technical division may have held the most positive attitudes because they witnessed tangible changes at the work unit level rather than at their personal job level. Conversely, those in the cleaning division may have been more disappointed as they did not experience a lot of change at any level, although extensive change projects had been announced (Fedor et al., 2006; Reichers et al., 1997; Wanous et al., 2000).

Our study provided somewhat mixed support for our hypothesis that employees' cynicism about change mediated the interactive effect supervisors' cynicism and contingent reward on performance. Acknowledging this caveat, we tentatively discuss some possible

implications. Interestingly, our multilevel mediation analysis indicates that employees' cynicism *at the group level* is negatively associated with employees' performance, while it is unrelated to performance at the individual level. This observation may help to integrate previous, inconsistent findings about the individual-level relationship between cynicism and performance (cf., Johnson & O'Leary-Kelly, 2003; T. Kim et al., 2009). Adopting a group perspective, DeCelles, Tesluk and Taxman (2013) proposed that cynicism about change may operate at different levels within teams. Shared perceptions of employees' cynicism may constitute a group-level cynicism climate, which was measured with aggregated individual responses (i.e., conceptually equivalent to our group-level component of employees' cynicism[5]). The authors found that cynicism climate was negatively related to employees' insubordination at the group level. Possibly, while individual perceptions may not be sufficient to trigger behavioral responses, a cynical climate at the group level is apt to culminate in performance losses. That is, the behavioral readiness inherent in cynicism may be gradually goaded when employees work with colleagues who also feel cynical about change, such that the team accepts and develops norms of neglectful behavior (DeCelles et al., 2013; Høigaard, Säfvenbom, & Tønnessen, 2006).

In this regard, our study underscores the crucial role of supervisors in influencing group-level climates (Zaccaro et al., 2001). As group-level contingent reward leadership affects employees in similar ways, they develop shared perceptions and norms, which characterize group climates (Walumbwa et al., 2008). Importantly, climates, as emergent constructs, can have unique effects of their own that go beyond the individual-level relationship (Firebaugh, 1978; Kozlowski & Klein, 2000). For instance, while individual-level cynicism may not be related to performance, a cynical climate may become detrimental. Thus, as supervisors can influence climates (Naumann & Bennett, 2000), which may have independent effects of their own, it is even more important maintain leadership effectiveness

during times of change.

Finally, our research also makes important contributions to leadership research. While contingent reward is considered an important tool to manage employees' performance, meta-analyses also indicate that third variables may moderate its effectiveness (Judge & Piccolo, 2004; Podsakoff et al., 2006). Supervisors' cynicism about change is one important boundary condition, which may explain the varying effectiveness of contingent reward. Specifically, alignment between the supervisor and the organization may be a prerequisite to evoke employee reactions that benefit the organization. Notably, contingent reward primarily seems to characterize the person of the supervisors, such that employees feel satisfied with and committed to their particular supervisor (Neves, 2012; Walumbwa et al., 2008). When supervisors are estranged from the organization, employees may evaluate them as disconnected entities and may be primarily motivated to reciprocate towards their supervisor. In such cases, employees may not deem performance to be an adequate response of high value for their supervisor and therefore seek alternative responses to show their appreciation (Erdogan & Enders, 2007).

Practical Implications

When change projects are on the verge of failure, management often blames allegedly reluctant, incompetent frontline supervisors (Balogun, 2003; Reichers et al., 1997). As scientific and practitioner literature emphasizes the importance of leadership competencies during change (Herold et al., 2008; Kotter, 1996), managers consider leadership trainings for frontline supervisors an adequate intervention (Rubin et al., 2009). However, our study demonstrates that these efforts may be misguided because cynical supervisors may already possess important leadership skills. In fact, frontline supervisors may not be effective in obtaining desired outcomes even when they display contingent reward behaviors. Supervisors may even feel offended and become more cynical when management seems to doubt their

leadership competencies instead of focusing on the change initiative at hand. Therefore, managers may be well advised to put more emphasis on addressing supervisors' cynicism about change. By facilitating sense-making processes of frontline supervisors throughout change implementation, managers may reduce supervisors' cynicism about change and thereby prevent that "intended strategies lead to unintended consequences" (Balogun & Johnson, 2005, p. 1).

Strengths, Limitations, and Future Research

The strengths and limitations of our study deserve a detailed discussion. While we acknowledge that only experimental research can establish causality, our study design addresses several shortcomings of purely cross-sectional research. First, we collected performance data with a time lag of about six months. Moreover, we developed and found empirical support for quite specific moderation hypotheses, which leave little room for alternative, theoretically plausible explanations. Finally, multiple data sources rule out common method bias as a hidden, underlying driver of our results.

The inclusion of four distinct data sources is a particular strength of our study. Supervisors rated their personal cynicism about change, whereas employees provided ratings about their cynicism about change and supervisors' contingent reward leadership. Notably, we obtained employees' performance ratings from company records, which were completely unrelated to the surveys. Usually, the relationship between leadership and more objective performance criteria tends to be smaller and thus harder to detect than subjective ratings (Judge & Piccolo, 2004; Podsakoff et al., 2006) because these indicators are not inflated by biases triggered by the mere execution of the study. That we were still able to detect the effects on more objective performance indicators speaks to the validity of these findings and their importance for the application in management.

In order to benefit from these advantages, we had to accept several limitations

associated with data collection within a single organization. First, the organization creates an overarching context for all participants, which might restrict the variance in our study variables. Moreover, our sample size was limited to the available trainee groups at the organization, so that our power to discover significant relationship was constrained. While our main analyses supported our theoretical reasoning, our findings became weaker when we included control variables. Accounting for this observation, the additional control variables may have further reduced statistical power. Moreover, the structural variables (e.g., division) may have removed not only nuisance but also true target variance (Spector et al., 2000). That is, by including division as control, we may have partly controlled for supervisors' cynicism. Our supplementary analysis for employee performance seems to support this possibility. Notwithstanding these considerations, additional research is definitely needed to replicate our findings in other contexts and multiple organizations in order to attest to their validity and generalizability.

In addition to the hypothesized effects, our sample also draws attention to a somewhat unexpected observation, which might have been missed before: Previous research has implied that employees are more prone to become cynical about change, the larger the hierarchal distance between them and top management becomes (Hill et al., 2012; Reichers et al., 1997). Possibly, this distance effect occurs across a larger span of hierarchical levels. However, within a microperspective on frontline supervisors and their employees, we found that supervisors sometimes may be more cynical than their employees. As we have outlined above, the personal experience and impact of change on the personal work reality may explain this pattern and may serve as an inspiration for future research on supervisors' cynicism.

In this vein, while our study focused on how supervisors' cynicism affects leadership effectiveness, it would be interesting for future studies to contrast how supervisors' cynicism

and organizational change management tools uniquely contribute to employees' cynicism about change. In this respect, we speculate that there might be some synergy effects when employees perceive a favorable alignment between supervisors and the organization (Koivisto et al., 2013; Neves, 2012), such that low supervisors' cynicism in combination with transparent change communication through top management should lead to the most positive employee reactions toward change. We would further hypothesize that active, effective organizational change management may buffer possible negative influences of cynical supervisors. For example, when organizations offer trainings and seminars for employees during change and provide direct top management communication, employees have an additional source of information to evaluate the change project more independently. Otherwise, employees can only rely on their supervisor to form their opinion about the change process, who conveys a pessimistic outlook on change. Besides advancing our theoretical understanding of multiple channels of change management, such research would be relevant for practitioners implementing change.

Finally, our study may stimulate further research on how supervisors' personal attitudes may affect how employees react to their leadership behavior. Importantly, supervisors need to display effective leadership in order to earn idiosyncrasy credits (Estrada, Brown, & Lee, 1995; Hollander, 2006). Thus, employees may be more willing to accept and support their supervisor's goals (Hollander, 1958; Hollander, 1992). Consequently, they may be motivated to reciprocate with behaviors that benefit the supervisor (Wayne et al., 2002), which may or may not coincide with favorable consequences for the organization. Future research may draw upon this reasoning to investigate moderating effects of leader attitudes that neutralize or even reverse leadership effectiveness across different domains. In extreme cases supervisors may consciously use leadership to manipulate employees exclusively for their own benefit and willingly undermine the organizations' interests. Effective leaders may

emphasize goal attainment to the extent that they are willing to make unethical decisions from time to time (Hoyt, Price, & Poatsy, 2013). Employees may be tempted to act unethically in order to support a supervisor who displays contingent reward behavior instead of honoring the organization's code of ethics (Sims & Brinkmann, 2003). Similarly, effective contingent reward leadership usually reduces turnover intentions (Podsakoff et al., 2006). However, when effective supervisors think about switching jobs, employees may consider leaving the organization as well in order to follow them. Thus, while leadership can be highly effective for organizations, it can become a risk factor, when supervisors' and organizational interests diverge.

Conclusion

Our research adds a new perspective on the complex interplay between supervisors' cynicism about change and their leadership behavior. Specifically, we demonstrate that cynicism about change is apt to neutralize the otherwise favorable effects of contingent reward leadership on employees' cynicism about change and performance. Thus, even if supervisors possess adequate leadership competencies and display contingent reward behaviors, they may not able to capitalize on them for the benefit of the organization when they are cynical about change themselves. Thus, interventions aiming to prepare supervisors to implement change need to address both leadership competencies and cynicism about change in parallel in order to be successful.

Footnotes

[1]The German apprenticeship system prepares graduates to practices non-academic professions such that they become certified skilled workers, who can independently execute a broad range of specialized, craft-specific tasks. Similar to regular employees, vocational trainees work at a company on three to four days a week in order to acquire the necessary skills that qualify them for the respective profession. In contrast to regular employees, trainees receive complementary theoretical education at special vocational schools on one or two days a week. Overall, trainees spent the largest proportion of their time as employees at the company.

[2]Results did not change when the analyses were conducted with excluded supervisors.

[3]The trainee questionnaire excluded one item that did not fit the context ("Suggestions on how to solve problems will not produce much real change."). In contrast to supervisor, trainees did not directly participate in change projects, in which they would have been able to make suggestions to the change program.

[4]As division only comprised three distinct categories, the data basis was too small to model a third level (Nezlek, 2008).

[5]The definition of climates requires sufficient agreement among team members (Chan, 1998). This criterion was satisfied for our sample as indicated by a median $r_{wg(J)} = .84$.