RESEARCH ARTICLE

WILEY

Explaining the relational mechanisms and outcomes of multi-modal leader–member-exchange differentiation

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Abstract

Research suggests that multi-modal leader–member-exchange (LMX) differentiation could be the most problematic pattern of differentiation. Therefore, we outline a conceptual model to explain how multi-modal LMX differentiation can manifest as an LMX faultline—a special type of group faultline representing leader-sourced social divides between a leader's preferred subgroup and nonpreferred subgroup(s) within a specified collective. LMX faultlines have dimensions of perceived multi-modal LMX differentiation as well as faultline potency components of compositional diversity, unfairness of differentiation, and faultline agreement. We use LMX faultlines to explain how group members coalesce into subgroups based on concurrent forces of intra-subgroup cohesion and inter-subgroup polarization. Cohesion and polarization explain group-level outcomes (coordination, performance, and viability), subgroup-level insulation, and individual-level outcomes (performance, well-being, and conformity to the subgroup).

KEYWORDS

cohesion, group faultlines, justice, leader–member-exchange (LMX) differentiation, polarizing, teams

Résumé

D'après les recherches, la différenciation multimodale leader-membre-échange (LMX) est probablement le modèle de différenciation le plus problématique. C'est pourquoi nous présentons un modèle conceptuel qui permet d'expliquer comment la différenciation multimodale LMX peut se manifester sous la forme d'une ligne de fracture LMX—un type particulier de ligne de fracture de groupe représentant les divisions sociales que le leader crée entre son sous-groupe préféré et son ou ses sous-groupes non préférés au sein d'un ensemble précis. Les lignes de fracture LMX ont des dimensions de différenciation multimodale LMX perçues ainsi que des composantes de puissance

de ligne de fracture de diversité compositionnelle, d'injustice et d'accord de ligne de fracture. Nous utilisons les lignes de fracture LMX pour expliquer comment les membres du groupe se rassemblent en sous-groupes en fonction des forces simultanées de cohésion intra-sous-groupe et de polarisation inter-sous-groupe. La cohésion et la polarisation permettent de rendre compte des résultats au niveau du groupe (coordination, rendement et viabilité), de l'iso-lement au niveau du sous-groupe et des résultats au niveau individuel (ren-dement, bien-être et conformité au sous-groupe).

1 | INTRODUCTION

How do leaders become a source for the social rifts that develop within the groups they lead and what are the effects of these rifts? Such leader-induced divides, or LMX faultlines, emerge in part from leaders' differential treatment of members or subgroups within a larger col-lective. Indeed, understanding how leaders differentially relate to and treat followers is important for explaining leader–member exchange (LMX) and specifying group leadership processes (Henderson et al., 2009; Koopman et al., 2020; Li & Liao, 2014). LMX differentiation is defined as "a process by which a leader, through engaging in differing types of exchange patterns with subordinates, forms different quality exchange relation-ships (ranging from low to high) with them" (Henderson et al., 2009, p. 519). LMX differentiation is proposed to help leaders manage resources like time and attention more effectively by investing resources into more pro-ductive relationships (Liden et al., 2006). However, research on the topic remains conflicted, as LMX differ-entiation can benefit group performance at multiple levels (Kauppila, 2016; Yu et al., 2018) but can also lead to negative group processes and outcomes (Li & Liao, 2014; Yu et al., 2018). In this regard, a meta-analysis by Yu et al. (2018) found that, while LMX differentiation posi-tively correlated with objective group performance, it also positively correlated with group conflict, negatively correlated with group processes and states, and had sig-nificant negative indirect relationships with group per-formance through group processes or state mechanisms. Moreover, research on the topic is trending to suggest that multi-modal LMX differentiation (i.e., when groups have two or more subgroups with different levels of LMX quality) has especially conflicting and problematic

implications for teams and individuals (Li & Liao, 2014; Seo et al., 2018).

Herein, we explain the potential that multi-modal LMX differentiation has to create social rifts between subgroups of a leader's followers. We apply group faultline theory (Lau & Murnighan, 1998, 2005) to explain the interplay between multi-modal LMX differ-entiation and subgroup rifts. Group faultlines represent the "hypothetical dividing lines that may split a group into subgroups based on one or more attributes" (Lau & Murnighan, 1998, p. 328). While research on diversity and group faultlines has traditionally focused on demographic characteristics (Lau & Murnighan, 1998), perspectives on group diversity also considers differ-ences in peoples' status and treatment within groups (Chrobot-Mason et al., 2009; Harrison & Klein, 2007). Thus, a group faultline approach helps explain how leaders, through differentiation, divide their groups into subgroups of varying LMX quality, and how the magnitude and characteristics of these divisions be-tween subgroups influence subgrouping mechanisms and concurrent positive or negative outcomes.

We propose that LMX faultlines represent a special type of group faultline that is focused on multi-modal LMX differentiation. This application accommodates traditionally studied demographic differences and other diversity characteristics, yet its focus on the social context and meaning of differentiation patterns helps explain how leader–member interactions affect the formation of subgroups and social rifts within groups. It also specifies how members are bonded within subgroups, and how subgroups are polarized from each other, to explain subsequent cooperation and coordination within these groups and subgroups. Prior research suggests that multi-modal LMX differentiation can benefit group

performance and threaten individuals' identification and belonging within groups (Li & Liao, 2014; Seo et al., 2018; Yu et al., 2018). We extend these findings to explain how and why multi-modal LMX differentiation impacts positive and negative group outcomes through subgrouping mechanisms of cohesion and polarization.

2 | THEORETICAL MODEL

We propose that leaders differentiate, whether intentionally or unintentionally, among their followers in ways that create social divides (i.e., LMX Faultlines) between subgroups within collectives. These faultlines occur in groups of three or more people that have multi-modally differentiated LMX, whereby two or more subgroups have members that share similar LMX relationships with the leader and have different quality LMX relationships than the members of other subgroups.[1] The faultlines will be more impactful in groups that started with more members and that have moderate diversity, as these conditions ensure a balance of diversity and similarity that enables clusters of similarity within an otherwise diverse group (Lau & Murnighan, 1998). These LMX faultlines represent inputs that can influence intra-subgroup cohesion mechanisms and inter-subgroup polarization mechanisms in ways that impact subsequent multi-level performance and viability outcomes (Ilgen et al., 2005; Mathieu et al., 2008). The theoretical model (Figure 1) outlines the LMX faultline construct, and explains how LMX faultlines influence subgroup cohesion and polarization mechanisms and subsequent multilevel outcomes. The theoretical development concludes by outlining intragroup configurations of cohesion and polarizing mechanisms.

3 | LMX FAULTLINES

An LMX faultline is the social divide between a leader's preferred subgroup and nonpreferred subgroup(s) within a specified collective. Here, leaders' preferred and non-preferred subgroups distinguish leaders' respective "in-groups" (comprised of followers who share strong mutual trust, respect, and obligations with their leader) from the leader's "out-groups" (comprised of followers who share weaker mutual trust, respect, and obligations with their leader) (Graen & Uhl-Bien, 1995). The multi-modal LMX differentiation inherent in LMX faultlines is expected to co-occur with configural group properties that might already form a dormant, or even activated, faultline (for descriptions of faultline activation see Jehn & Bezrukova, 2010; Lau & Murnighan, 1998).

In this regard, multi-modal LMX differentiation is expected to trigger dormant faultlines according to the general salience of the leader in most work contexts. LMX faultlines are then manifest through an interactive combination of perceived multi-modal LMX differentiation and LMX faultline potency (comprised of compositional diversity, perceived unfairness of differentiation, and agreement subcomponents).

3.1 | Perceived multi-modal LMX differentiation

Perceived multi-modal LMX differentiation captures the degree to which group members recognize an LMX faultline as a salient social divide between a leader's preferred subgroup and one or more nonpreferred subgroups within the broader collective. This differentiation can often take the specific form of a leader's favoritism toward certain group members or subgroups (Hsiung & Bolino, 2018). Group faultlines represent social divides that can be more or less salient for group members (Hooper & Martin, 2008; Jehn & Bezrukova, 2010; Lau & Murnighan, 1998); and perceived multi-modal LMX differentiation is expected to reflect salient group-member perceptions that their leader is engaging in differentiated leader behavior that at least partially categorizes members into preferred subgroups and nonpreferred subgroups. In this regard, the social forces principal of social impact theory suggests that LMX faultlines would impact a target group or subgroup differently according to the strength, immediacy, and number of social forces acting on the group or subgroup's members (Latané, 1981). Thus, perceived multi-modal LMX differentiation represents an important source of faultline activation according to its focus on the leader (a salient and immediate work contact).

3.2 | LMX faultline potency

LMX faultline potency captures the impact of the faultline according to elements that increase the strength, number, and immediacy of its social forces (Latané, 1981). It is a function of intercorrelated sub-dimensions of compositional diversity, perceived unfairness of differentiation, and faultline agreement.

3.2.1 | Compositional diversity

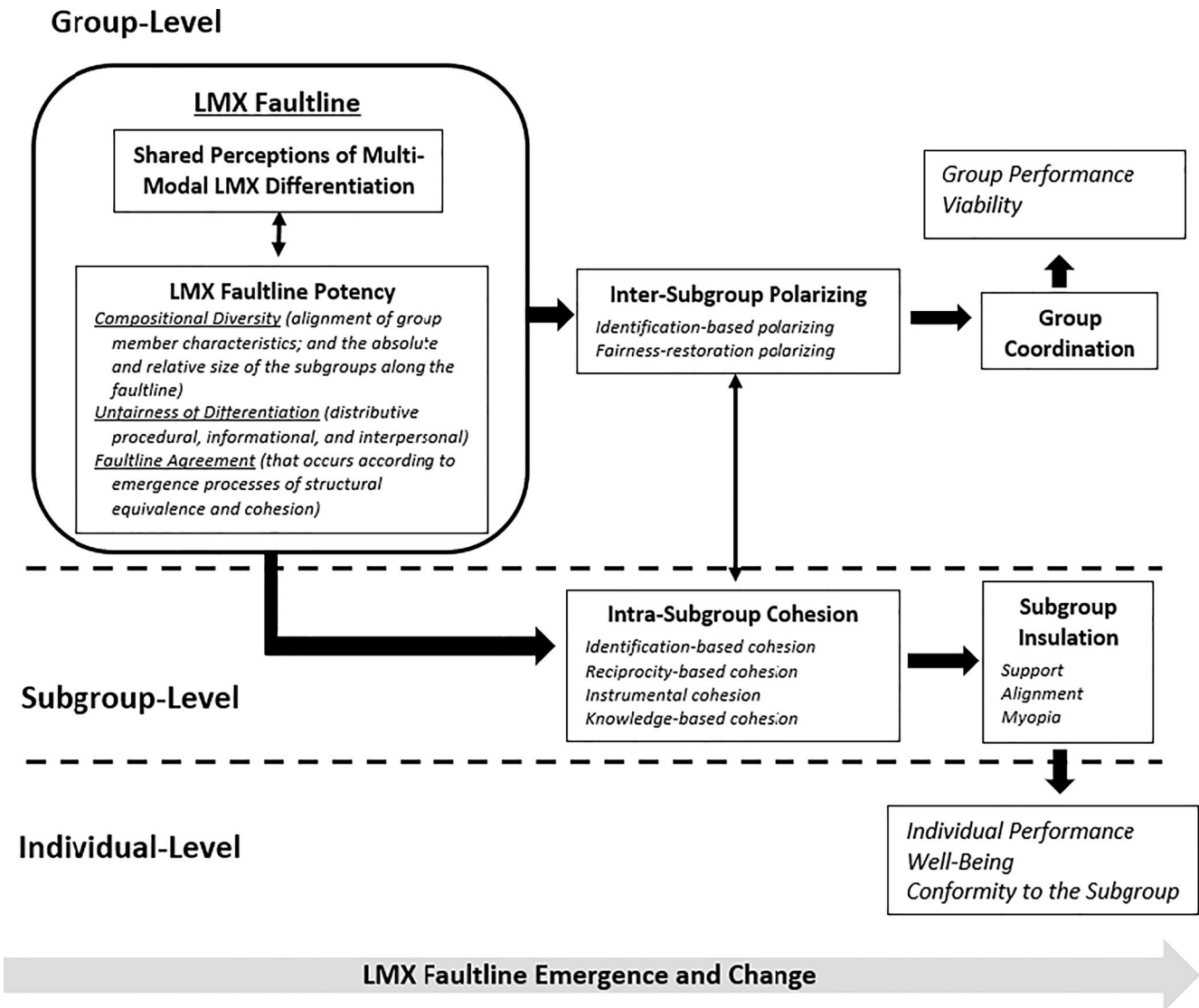LMX subgroupings can involve different degrees of alignment that the pattern of LMX relationships within

FIGURE 1 A model of leader–member-exchange (LMX) faultline cohesion and polarization

groups and across subgroups has with other group member characteristics. Consistent with Lau and Murnighan's (1998) original conceptualization, LMX faultline compositional diversity captures the degree to which salient group member characteristics (such as demographic characteristics and other personal characteristics) align to differentiate subgroups. For example, a leader might treat some followers better than others based on their annual performance. This differentiation could be purely based on performance and might not have clear alternative explanations. Although there may be a faultline, it is relatively weak. A more potent faultline develops when differential treatment aligns with more clearly identifiable group characteristics, such as age and education. In general, these compositional diversity elements of faultline potency are expected to amplify the effects of group faultlines (Lau &

Murnighan, 1998, 2005). Nishii and Mayer (2009) found that group conditions predicting the highest levels of turnover involved both high demographic diversity and high LMX differentiation, suggesting that differentiated LMX might be more troubling for employees in more diverse groups.

The compositional diversity subdimension also addresses the degree to which the absolute and relative size of the subgroups make the faultline more salient and impactful. Lau and Murnighan (1998) assert that subgroups that are larger in absolute size are likely to exert a stronger social influence on the subgroup members in ways that could enhance intra-subgroup insulation and agreement. This aligns with social impact theory because the influence experienced by members of larger subgroups would come from more numerous sources, have greater salience, and be more socially immediate

(Ashforth & Mael, 1989; Latané, 1981). Moreover, larger collectives could have more prominent compositional diversity due to their greater potential to have large subgroups. Lau and Murnighan (1998) also assert that subgroups similar in size and social power could have more overt conflicts because neither subgroup could suppress or dissuade the other quickly enough to avoid conflict (Latané, 1981; Lau & Murnighan, 1998).

3.2.2 | Unfairness of differentiation

Unfairness of differentiation captures whether members of groups and subgroups perceive the differentiated LMX relationships as conforming with rules of organizational justice. Perceived unfairness derives from workers' perceptions that leaders act in an unjust manner in situations where leaders evaluate, reward, and punish individuals' contributions differently (Graen & Scandura, 1987; Scandura, 1999). The rules underlying distributive, procedural, informational, and interpersonal justice (Colquitt, 2001) could be jeopardized when leaders behave differently toward group members. For example, leaders' differential relationships might result in the perception of inequitable, unequal, or in some cases inadequate outcomes for some subgroups of members. These subgroup-based differential treatments might also be perceived as not adhering to procedural justice criteria that capture whether decision-making processes are fair, such as voice, correctability, or bias suppression (Colquitt, 2001). The leader's interpersonal interactions and information transparency could also be perceived as differing for members of leaders' preferred or non-preferred subgroups in a manner that is not necessary within the particular context. Leader–member relationships can inequitably benefit some employees (Ma & Qu, 2010), and favored group members can benefit from more positive interpersonal treatment, heightened motivation, and access to resources (Li & Liao, 2014; Vidyarthi et al., 2010) when compared to less favored group members (Bolino & Turnley, 2009; Chen et al., 2014; Kauppila, 2016).

At the group level, justice perceptions can be either commonly shared or different and variable where group members display little agreement in their perceptions (He et al., 2017; Roberson & Colquitt, 2005). While shared climates of justice can be considered pre-existing environmental conditions (Erdogan & Bauer, 2010), they could also represent collective reactions to shared experiences in the form of LMX differentiation (Erdogan & Bauer, 2010; Haynie et al., 2014; Roberson & Colquitt, 2005). Erdogan and Bauer (2010) found that LMX differentiation had moderately strong negative bivariate correlations with both procedural and distributive justice climates, suggesting that groups with more differentiated LMX have lower perceptions of shared justice.

3.2.3 | Faultline agreement

This component of LMX faultline potency captures whether group or subgroup members agree on the shared group properties involved in the LMX faultline (i.e., perceived multi-modal differentiation and unfairness of differentiation). Faultline agreement complements the level of perceived multi-modal LMX differentiation, similar to how justice climate strength complements the level of justice of climates (Colquitt et al., 2002). LMX faultlines become more potent when there is greater agreement between group members on the presence of the faultline and the fairness of the differentiation. This agreement refers to the level of consistency amongst group members regarding the perceptions of multi-modal LMX differentiation and unfairness elemes.[2] Faultline agreement therefore captures how much the faultline converges or is perceived similarly across groups or subgroups (Kozlowski & Klein, 2000; Roberson & Colquitt, 2005). While agreement is not likely to be absolute, higher agreement will increase the consistency (i.e., potency) of the perceptual aspects of the faultline within the group or subgroup(s).

According to this agreement subcomponent, LMX faultlines represent an aggregate construct that is shared by group members. Shared collective constructs develop through emergence, a process whereby lower-level phenomena become manifest in aggregate over time and interaction (Kozlowski & Klein, 2000). Faultlines are traditionally viewed as configural group properties (such as gender, race, age; Lau & Murnighan, 1998). However, LMX faultlines will become more potent as member perceptions emerge to become more collectively shared across groups and within subgroups. Roberson and Colquitt (2005) suggest that structural equivalence and network cohesion promote convergence (i.e., the development of a shared group property). Structural equivalence occurs when people are more likely to discuss the phenomena with those holding a similar position within a network. Network cohesion occurs when group or subgroup members' perceptions of a given phenomenon converge according to the frequency and intensity of their interactions. Thus, perceptual properties of multi-modal LMX differentiation and unfairness will emerge to become shared properties at the subgroup level and group level according to structural equivalence and network cohesion. Here, individuals within a subgroup

could experience similar interactions with the leader through direct exchange and observation. They might then share these experiences with their close subgroup colleagues. While interactions are more likely to occur between subgroup members (Lau & Murnighan, 1998), they could also occur between a wider range of members within more interdependent and cohesive groups. Over time and interaction, contagion will occur and shared perceptions will emerge within the group and its subgroups.

> **Proposition 1** *LMX faultlines will be represented as dimensions reflecting activation and potency. LMX faultline activation will manifest as shared perceptions of multi-modal LMX differentiation. LMX faultline potency will manifest in three different subdimensions: compositional diversity (the alignment of group members' demographic characteristics and the absolute and relative size of subgroups), unfairness of differentiation (according to subdimensions of distributive, procedural, informational, and interpersonal justice), and faultline agreement (that emerges according to structural equivalence and cohesion).*

3.3 | Distinguishing LMX faultlines from similar constructs

LMX faultlines are differentiated from other relevant constructs to clarify their conceptual role and avoid redundancies. LMX faultlines are conceptually distinct from LMX differentiation and favoritism (Erdogan & Bauer, 2010; Henderson et al., 2009; Hsiung & Bolino, 2018; Li & Liao, 2014). Favoritism represents follower perceptions that a supervisor has a stronger or more protective relationship with certain employees (Hsiung & Bolino, 2018), and represents a specific type of LMX differentiation. Previous applications of LMX differentiation are distinct from LMX faultlines because they do not address the contextual (potency) components of LMX faultlines, which help predict proximal group states and outcomes. LMX faultlines are also distinct from laissez-faire leadership, whereby the leader "exhibits frequent absence and lack of involvement during critical junctures" (Eagly et al., 2003, p. 571). At least some LMX relationships will be active and involved by nature of the differentiated leadership interactions, and sometimes all their interactions will be active and involved, with some being more positive and others more negative.

The prominence of leadership interaction and the inclusion of the unfairness of differentiation dimension distinguishes LMX faultlines from more generalized group faultlines (Lau & Murnighan, 1998) that tend to focus predominantly on intra-group characteristics. Instead, it represents a new application, extension, and integration of the established (bimodal) LMX differentiation and group faultline constructs. The unfairness of LMX differentiation subdimension differs from other organizational justice concepts (Colquitt, 2001) in its specific focus on leaders' differentiation.

LMX faultlines are distinct from concepts of contagion within social networks (Gibbons, 2004), behavioral contagion (Felps et al., 2009) and emotional contagion (Barsade, 2002). Social network concepts of contagion capture the degree to which psychological phenomena like perceptions and evaluations spread from one person to another through network ties (Gibbons, 2004). While these ties could explain the emergence of shared perceptions, a component of faultline agreement, they do not explain the broader LMX faultline concept. Emotional and behavioral contagion capture the transfer and modeling of affective experiences and behaviors between people, which might help foster agreement, but do not account for most of the LMX faultline construct. LMX faultlines also differ from cohesion and conflict because faultlines capture diversity and perceived multi-modal differentiation, which predict cohesion and conflict (Lau & Murnighan, 2005; Li & Liao, 2014).

4 | FAULTLINE MECHANISMS AND SUBGROUP FORMATION

Leaders differentiate, whether intentionally or unintentionally, amongst their followers. We propose this differentiation can create a faultline between two or more subgroups when LMX has a multi-modal distribution, whereby two or more distinct subgroups of members have recognizably higher and lower LMX. LMX faultlines can become more pronounced as differentiation becomes more salient, important, and agreed upon. These LMX faultlines influence subgroup mechanisms that both cohere (bind) and polarize group members. Cohesion mechanisms increase subgroup insulation and subsequent individual-level performance, well-being, and conformity. Polarizing mechanisms decrease group coordination and subsequent group performance and viability.

The degree of cohesion or polarity depends on various group factors. To explain these bonds, we draw on Carton and Cummings' (2012) theory of subgroups, which outlines three general types of subgroups: identity-based subgroups, resource-based subgroups, and knowledge-based subgroups. We complement this framework with

research on psychological bonds (Bruning et al., 2018; Klein et al., 2012) and reactions to the perceived injustice of LMX differentiation (Bolino & Turnley, 2009; Scandura, 1999) to explain a broader set of cohesion and polarization mechanisms. Individual-level perceptions of these mechanisms can emerge within groups to represent shared group properties that constitute forces of cohesion and polarization over time and interaction (Kozlowski & Klein, 2000; Roberson & Colquitt, 2005). Indeed, people will have more positive relationships with colleagues who have more similar LMX relationships with the leader (Sherony & Green, 2002); and a person's stronger social ties can increase their relational bonds (Lawler & Yoon, 1996), which can be characterized by identification, reciprocity, and instrumentality (Bruning et al., 2018).

Cohesion and polarization represent two general mechanisms of subgroup formation, development, and maintenance. Cohesion mechanisms bring compatriot subgroup members together and polarizing mechanisms repel subgroups from each other. We propose four types of subgroup cohesion: identification-based cohesion, reciprocity-based cohesion, instrumental cohesion, and knowledge-based cohesion; and two types of subgroup polarizing: identification-based polarizing and fairness-restoration polarizing. This notion of cohesion and polarizing is consistent with social identity theory and optimal distinctiveness (Brewer, 1991), as groups or subgroups seek balance between distinguishing themselves from other groups (distinctiveness) and socially identifying with other groups (cohesion).

Some cohesion and polarizing mechanisms could be intercorrelated, as implications of one mechanism could predict another. Indeed, identification-based, reciprocity-based, and instrumentally based network bonds can correlate positively (Bruning et al., 2018). Similarly, social identity theory suggests that cohesion and polarizing identification mechanisms can correlate positively (Tajfel & Turner, 1979). Moreover, Kulkarni (2015) found that language based-faultlines, a social manifestation of knowledge-based cohesion, had implications for team members' identity-based cohesion and polarizing.

4.1 | Cohesion mechanisms

4.1.1 | Identification-based cohesion

Identification-based cohesion mechanisms are affect-laden bonds that adhere individuals to the other members of their subgroup (Lau & Murnighan, 1998). These bonds are derived from the broader predictions of social identity theory (Carton & Cummings, 2012; Klein

et al., 2012; Tajfel & Turner, 1979), and are similar to subgroup-focused affective network commitment (Bruning et al., 2018; Lawler & Yoon, 1996). They occur as group members associate specifically with their subgroup and act in accordance with the subgroup's guiding principles to enhance subgroup social support, cooperation, altruism, loyalty, commitment, pride, and positive evaluations (Ashforth & Mael, 1989; Bruning et al., 2018; Lau & Murnighan, 2005). They are also expected to occur for both preferred and nonpreferred subgroups and could strengthen over time as subgroups coalesce to exert stronger influence on individuals.

Perceived multi-modal LMX differentiation and faultline potency will promote these cohesion mechanisms within subgroups by making subgroups' unique shared norms, values, and practices more distinct and by promoting stronger identification (Ashforth & Mael, 1989). Perceived multi-modal LMX differentiation could cue the subgroups' status and facilitate a clear explanation for this status to influence subgroup values. Brewer (1991) states that "social identity can be viewed as a compromise between assimilation and differentiation from others, where the need for deindividuation is satisfied within in-groups, while the need for distinctiveness is met through inter-group comparisons" (p. 477). Identification-based cohesion mechanisms represent the subgroup assimilation that satisfies individuals' deindividuation needs. For example, preferred subgroup members might hold values supportive of the leader as a result of their higher group status, whereas nonpreferred subgroup members might value their subgroup colleagues and independence from the leader as a response to their lower group status. In this regard, group status could be a benefit of subgroup cohesion (Ashforth & Mael, 1989) and nonpreferred subgroup members might coalesce as a collective defense to their lower external group status. LMX faultline potency could also influence these cohesion mechanisms, as greater initial agreement about group members' relative relationships with the leader could increase the distinctiveness of subgroup values by strengthening the social impact of this information (Latané, 1981). As demographic characteristics, cultural values, and personality combine with subgroup identities, the distinctiveness of the two subgroups could become highlighted. This could further integrate the subgroup values into members' self and social identities to strengthen their bonds with the subgroup.

4.1.2 | Reciprocity-based cohesion

Reciprocity-based cohesion mechanisms bind individuals to a given subgroup on the basis of normative pressure or

a sense of obligation. These cohesion mechanisms operate according to the norm of reciprocity (Blau, 1964; Cropanzano & Mitchell, 2005) and align with concepts of normative commitment, volition, dedication, and responsibility (Bruning et al., 2018; Klein et al., 2012). Perceived multi-modal LMX differentiation is expected to cue and reinforce individuals' preferred- or nonpreferred-subgroup status as well as the social power associated with this status (Emerson, 1962; Sparrowe & Liden, 1997, 2005). These cues could prompt individuals to engage in exchange relationships with group members of equal power from whom they can receive benefits (Lawler & Yoon, 1996). Over time, subgroup members could develop reciprocity with other members regarding the provision and receipt of interpersonal favors (Bowler & Brass, 2006; Bruning et al., 2018). These favors can take the forms of interdependent exchanges, beliefs that one will get what they put into their subgroup relationships, or commitments to the subgroup's norms (Cropanzano & Mitchell, 2005). Subgroups will eventually establish more formal norms that guide members' contributions (Barker, 1993), further binding individuals to the subgroup. LMX faultline potency could exacerbate the power difference between the two subgroups, increasing the social forces of its influence (Latané, 1981). This could increase people's engagement of favors with members of their own subgroup (Lawler & Yoon, 1996) or compliance with influence attempts (Bruning et al., 2018).

4.1.3 | Instrumental cohesion

Instrumental cohesion mechanisms represent bonds that bring subgroup members together based on self-interest and goal accomplishment. While these mechanisms do not necessarily rely on processes of social dominance, as suggested by Carton and Cummings (2012), they are resource based. Furthermore, they involve bonds that are based on the calculated avoidance of loss, or the recognition that equal or better alternatives do not exist (Bruning et al., 2018; Klein et al., 2012). These mechanisms could be influenced by perceived multi-modal LMX differentiation, which could signal a threat to individuals' access to resources and prompt their alignment with other group or subgroup members who have similar relationships with the leader (Sherony & Green, 2002). These cues could also prompt the formation of coalitions that members can use to defend themselves from potential social threats (Jehn & Bezrukova, 2010), erase power deficits (Emerson, 1962), or access insulated support (Lau & Murnighan, 2005). Nonpreferred-subgroup members might form a distinct subgroup even when low-quality relationships with a leader have negative

social connotations, as these coalitions could enable the lower-status members to voice concerns, access resources, and protect their self-interests. Conversely, preferred subgroups could also bind together as a defensive response to the perceived threats of a nonpreferred-subgroup coalition (Emerson, 1962). Thus, LMX faultline potency is expected to magnify the threat of perceived multi-modal LMX differentiation and also promote instrumental cohesion mechanisms.

4.1.4 | Knowledge-based cohesion

These mechanisms are based on information processing and emerge from shared knowledge bases and modes of communication within different subgroups (Carton & Cummings, 2012). Diversity in knowledge and communication patterns can impair information transfer (Carton & Cummings, 2012; Kulkarni, 2015), possibly representing a barrier to convergence of shared group properties (Roberson & Colquitt, 2005). This detriment to information transfer presents a challenge and possible deterrent for cross-faultline communications (Triandis, 1960a, 1960b). These challenges could influence individuals to direct important communications within their own subgroup (Carton & Cummings, 2012), leading to greater interaction and subgroup cohesion (Lawler & Yoon, 1996). In this regard, leaders might distinguish amongst employees by emphasizing two functional cohorts that use different knowledge bases and language (Carton & Cummings, 2012). Leaders might also informally favor group members with the same cultural background, who could have similar knowledge on cultural values, traditions, and even informal language that members from other cultural groups might not have (Kulkarni, 2015). These mechanisms can involve task-related knowledge, cultural knowledge, language, gender-related knowledge, professional knowledge, and institutional knowledge, as examples.

> **Proposition 2** *LMX faultlines will have positive relationships with the prevalence of identification-based, reciprocity-based, instrumental, and knowledge-based cohesion mechanisms.*

4.2 | **Polarizing mechanisms**

4.2.1 | Identification-based polarizing

In addition to cohering subgroups together, identification is also expected to polarize subgroups. Here, individuals attempt to dissociate themselves from alternate

subgroups as part of the subgroup identification process of differentiating themselves from others to address personal needs for distinctiveness (Brewer, 1991). Polarization will also help individuals avoid identity threats and identity fragmentation (Ashforth & Mael, 1989; Carton & Cummings, 2012; Lau & Murnighan, 1998). Identity threat occurs when "members of one subgroup feel that the prominence of another subgroup undermines their ability to comfortably express their distinctiveness" (Carton & Cummings, 2012, p. 445). In this regard, preferred-subgroup members might refrain from interacting with nonpreferred-subgroup members to avoid association with that subgroup and maintain the superior position denoted by their preferred-subgroup status. Avoiding the nonpreferred subgroup could also minimize negative distinctions associated with preferred-subgroup membership such as being a "chameleon" or "traitor". Conversely, nonpreferred-subgroup members might avoid contact with the preferred subgroup to minimize cues to their lower status. They might even actively counter the preferred subgroup by deriding preferred-subgroup norms, customs, and actions to bolster a negative distinction (Ashforth & Mael, 1989). Similar to identification-based cohesion mechanisms, these polarizing mechanisms are expected to occur as a result of perceived multi-modal LMX differentiation and faultline potency.

4.2.2 | Fairness-restoration polarizing

These mechanisms represent a collective set of thoughts and behaviors that operate as a result of perceived injustice. Individuals who perceive a sense of inequality or general unfairness resulting from the differential status ascribed by leaders could react in ways that impact their interactions with other group members (Erdogan & Bauer, 2010; Scandura, 1999; Vidyarthi et al., 2010). Indeed, perceived leader favoritism can exacerbate the negative implications of LMX differentiation (Hsiung & Bolino, 2018). Thus, individuals could attempt to restore the balance of fairness through various restoration mechanisms (Adams, 1965; Bolino & Turnley, 2009). Some forms of fairness-restoration polarizing could divide subgroups by directing social interactions within the subgroup. Here, individuals could reduce their indirect contributions to the leader through decreased contributions to the members of the preferred subgroup (Vidyarthi et al., 2010). This could take the form of decreased citizenship, social support, and other discretionary interactions with preferred-subgroup members. These employees might see a better return on their social

investments in the form of social compensation (such as status, support, and other social resources) through their investments into their own informal cohort of nonpreferred-subgroup members. Conversely, preferred-subgroup members who perceive that they are over-compensated might focus substantial attention toward the leader and other preferred-subgroup members in response to a perceived unearned or unequal status. Additionally, group members experiencing unjust LMX differentiation could attempt to withdraw themselves from the situation (Adams, 1965; Bolino & Turnley, 2009) by physically and psychologically avoiding the leader and the members of the other subgroup. Nonpreferred-subgroup members could feel under-compensated (Bolino & Turnley, 2009) and experience shame or neglect through their perceived low status. Preferred-subgroup members might avoid contact with nonpreferred-subgroup members to avoid the guilt associated with being in an unjustified position of privilege. Finally, both preferred- and nonpreferred-subgroup members could focus comparisons on others less likely to reflect unfair treatment (Adams, 1965), such as members from their own subgroup.

Other forms of fairness restoration polarizing might divide subgroups by amplifying real and perceived negative relationships between subgroups. In this regard, nonpreferred-subgroup members might engage in cognitive distortion (Adams, 1965) to downplay the importance of being part of the leader's preferred subgroup, which could precipitate negative attributions about preferred-subgroup members. Conversely, preferred-subgroup members could over-justify the leader's differentiation, possibly concluding that the nonpreferred subgroup's status is justified, which would make its members less attractive interaction partners. This polarizing could involve a withdrawal of cross-faultline support and interaction and could attach a social stigma to the dissociated subgroup members. This mode of fairness-restoration is more active in countering the other subgroup than the previously described modes and could leave members of both subgroups primed for conflict. Finally, group members perceiving unfair LMX differentiation and thus experiencing envy might also act against the members of the opposite subgroup to restore the inequity (Adams, 1965; Kim & Glomb, 2014). These behaviors are more likely to be engaged by members of the nonpreferred subgroup, who could feel slighted by the leader and take their frustrations out on perceived complicit preferred-subgroup members. Nonpreferred-subgroup members could have less discretion and autonomy (Graen & Scandura, 1987), giving them fewer options when attempting to restore equity.

Proposition 3 *LMX faultlines will have a positive relationship with the prevalence of identification-based and fairness restoration polarizing mechanisms.*

4.3 | Outcomes of LMX faultlines

There are multiple group-level outcomes discussed within the faultline research. Group faultlines can relate to lower coordination (Jehn & Bezrukova, 2010; Li & Hambrick, 2005; Thatcher & Patel, 2011), lower performance (Jehn & Bezrukova, 2010; Li & Hambrick, 2005; Rico et al., 2007; Thatcher & Patel, 2011), and less group viability (Li & Hambrick, 2005; Rico et al., 2007; Thatcher & Patel, 2011). These results suggest that faultlines can polarize group members in ways that decrease group coordination, performance, and viability.

LMX faultlines will also influence individual-level performance, well-being, and conformity to the subgroup through intra-subgroup cohesion, as well as insulation aspects of support, alignment, and myopia. Subgroups could form through subgroup-level insulation, where members are supported by the subgroup (i.e., instrumentally helped, emotionally supported, and socially embraced) in a way that provides them with a comfortable social environment. Indeed, members of subgroups within larger groups with strong faultlines have more positive evaluations of subgroup members' group process and affect ratings (Lau & Murnighan, 2005). These subgroups will also develop shared subgroup properties as a result of rich internal communication and limited external contacts (Lau & Murnighan, 2005). This insulation within subgroups could promote positive manifestations of convergence such as alignment and synchrony, where members think and act in ways that are conducive to interdependent and collective work. Insulation could also promote negative forms of convergence like myopia, where the group imposes informal standards that limit individualized thought and action.

Cohesion represents a bond amongst group members (Beal et al., 2003) and individuals with stronger and more cohesive relationships tend to provide more support to and receive more support from these contacts (Bowler & Brass, 2006; Lawler & Yoon, 1996). This interpersonal support will influence performance (Beal et al., 2003) and well-being (Chiaburu & Harrison, 2008). Group members could also experience increased performance and well-being from greater social alignment, interdependent collaboration, and feedback (Chiaburu & Harrison, 2008; Humphrey et al., 2007). However, insulation could also make individuals more likely to conform to normative

pressures from the subgroup (Barker, 1993; Bruning et al., 2018; Granovetter, 1985). They could become embedded within their network of social ties (Granovetter, 1985), whereby they commit to the members of their subgroup and increase their conformity to collective ideologies and initiatives (Bruning et al., 2018; Lawler & Yoon, 1996).

Proposition 4 *Groups with greater polarization between subgroups will experience less group coordination, performance, and viability.*

Proposition 5 *Subgroups with greater cohesion will experience more insulation (i.e., subgroup-level support, alignment, and myopia). Individuals within these subgroups will experience higher performance, well-being, and conformity to the subgroup.*

4.4 | Group configurations of subgrouping mechanisms

The cohesion and polarizing mechanisms that emerge from leadership faultlines are expected to act concurrently to increase the cohesion and polarizing within subgroups in ways that create divides between subgroups. These configurations result from differences in groups' experience of LMX faultlines that are presented by their leaders under different group conditions. The cohesion and polarizing mechanisms emerging from LMX faultlines will act concurrently to create divides between subgroups. However, not all mechanisms have to operate at a high or even noticeable level within any given group. For example, fairness restoration polarizing mechanisms might not operate in groups with LMX faultlines that are highly active and very strong where differentiation is based on member contributions, is procedurally fair, is transparent, and is free from abusive treatment. Given the possibility that different patterns of cohesion and polarizing mechanisms occur within groups, we present four possible configurations of high/low subgroup cohesion and polarizing: collaborative subgroup, conflicting subgroup, toxic workgroup, and centralized group configurations.

4.4.1 | Collaborative subgroup configuration (high-cohesion/low-polarizing)

These groups develop the configuration of high subgroup cohesion and low subgroup polarizing as a result of the LMX-faultline-based cohesion and polarizing

mechanisms. They are characterized as containing identifiable and cohesive subgroups that are amenable to cross-subgroup collaboration. In these groups, faultlines are bridgeable and less detrimental to group functioning. These groups will encompass the positive elements of high subgroup support and insulation but will not experience the negative outcomes of higher group conflict and asynchrony. They could even experience less myopia given the possibility of more frequent subgroup boundary spanning activities. These groups will also benefit from the presence of subgroups that provide support for all members and that complement the leader's finite resources. Lower subgroup polarizing makes these groups amenable to inter-subgroup interactions, reducing group conflict, group asynchrony, and subgroup myopia.

4.4.2 | Conflicting subgroup configuration (high-cohesion/high-polarizing)

These groups experience both high subgroup cohesion and high subgroup polarizing as a result of the LMX-faultline-based cohesion and polarizing mechanisms. They are characterized by insular factions that are in conflict with each other. In these groups, the faultline is difficult to bridge and the group has two or more distinct and autonomous subgroups operating within it. This situation represents an extreme case of subgroup formation and aligns with the propositions of group faultline theory (Lau & Murnighan, 1998). Due to the inter-subgroup conflict and communication barriers, groups with this configuration would experience more group conflict and asynchrony, as well as subgroup support, alignment, and myopia.

4.4.3 | Toxic workgroup configuration (low-cohesion/high-polarizing)

These groups have low subgroup cohesion and high subgroup polarizing as a result of the LMX-faultline-based cohesion and polarizing mechanisms. They are characterized by high interpersonal conflict amongst individuals with no specific subgroup affiliation. These groups do not offer many positive outcomes when compared to other configurations. They are likely to experience high group conflict as well as low subgroup alignment and support. While there is not likely to be much asynchrony and myopia at the group and subgroup levels respectively, a lack of insulation could result from less interaction and agreement between group members. Thus, there is little or no collaboration,

which would produce low levels of asynchrony and myopia through critical thinking and debate. Conversely, the lack of collaboration also precludes the group from experiencing high levels of these characteristics. Thus, the prominent outcomes for groups characterized by this configuration of subgroup mechanisms include high group conflict as well as low subgroup insulation and support.

4.4.4 | Centralized group configuration (low-cohesion/low-polarizing)

This represents the classic leader–follower configuration discussed in theories on LMX where the leader is proposed to be the epicenter of all bonds within the group (Graen & Scandura, 1987; Graen & Uhl-Bien, 1995). It involves low subgroup cohesion but also low subgroup polarizing and conflict resulting from LMX-faultline-based cohesion and polarizing mechanisms. These groups are comprised of collegial individuals who work more directly with the leader and are not part of organized structures with strong lateral bonds. Thus, groups characterized by this configuration would experience low group conflict and asynchrony, as well as low subgroup insulation, support, and myopia.

> **Proposition 6** *Groups will have different configurations of cohesion and polarizing mechanisms that can take the form of collaborative subgroup configurations (high-cohesion/low-polarizing) that experience higher group coordination and subgroup insulation; conflicting subgroup configurations (high-cohesion/high-polarizing) that experience lower group coordination and higher subgroup insulation; toxic workgroup configurations (low-cohesion/high-polarizing) that experience lower group coordination and lower subgroup insulation; or centralized group configurations (low-cohesion/low-polarizing) that experience higher group coordination and lower subgroup insulation.*

5 | IMPLICATIONS

We describe how multi-modal LMX differentiation contributes to the formation of group faultlines. Here, we specify the LMX faultline construct and propose how multi-modal LMX differentiation drives subgroup formation to predict important multi-level outcomes. The general proposition of the paper is that leaders' differentiated relationships with their subordinates create divides within the groups that separate preferred subgroups

from nonpreferred subgroups. These divides will vary in levels of perception and potency based on characteristics of the leader, the group, and the differentiated leadership to influence subgrouping processes and multi-level outcomes.

The LMX faultline construct helps explain the varied effects of multi-modal LMX differentiation within groups and how leadership can interface with group characteristics, processes, and states to explain team effectiveness. The LMX differentiation research suggests the importance of follower subgroups (Li & Liao, 2014), differential justice (Erdogan & Bauer, 2010), how group diversity operates concurrently with LMX differentiation (Nishii & Mayer, 2009), as well as group conflict and coordination as proximal outcomes of LMX differentiation (Hooper & Martin, 2008; Li & Liao, 2014). Group faultline theory helps clarify how LMX differentiation influences the development of LMX faultlines that create pockets of cohesion within subgroups, but also polarization between subgroups. With the exception of preliminary evidence that differentiated treatment can trigger faultline activation (Chrobot-Mason et al., 2009), the faultlines literature has focused primarily on faultlines derived from demographic or functional characteristics (Lau & Murnighan, 1998, 2005; Li & Hambrick, 2005). Therefore, it would benefit from considering the social effects of differentiated LMX. Future research should explore the inputs that impact the relational subgroup structure of groups. This research could examine external forces such as organizational change, market forces, political forces, the dynamics of the groups' own successes and failures, and multiple-leader contexts. It is likely that multi-modal differentiation will be the most potent predictor of elements of the LMX faultline. However, other patterns of differentiation like fragmented or high-magnitude LMX differentiation could also predict LMX faultlines.

Our model outlines the mechanisms of LMX faultlines to explain the intersection of multi-modal LMX differentiation and team effectiveness. We propose six subgrouping mechanisms to explain outcomes at multiple levels. Extensions of this research should include assessments of how outcomes derived from identification-based cohesion might be similar to or different from those derived from reciprocity- or knowledge-based cohesion; how inter-subgroup cohesion occurs in multi-team systems; how mechanisms emerge over time; whether the propositions apply to three-person groups with triadic social structures (Lau & Murnighan, 1998); and whether preferred subgroups experience stronger cohesion than nonpreferred subgroups. The current integration also includes new outcomes not yet considered. For example, it considers new subgroup-level outcomes that explain subsequent

individual outcomes. It also explains myopia as a generalized outcome that could be a manifestation of social influence phenomena like groupthink (Janis, 1983). Future research should empirically assess the configurations of subgrouping mechanisms and the possibility for more nuanced configurations. It should also assess the LMX faultline characteristics, mechanisms, and conditions that predict certain configurations.

5.1 | Methodological considerations

We suggest a few different phases of research for testing and extending this model, some of which could be developed concurrently. Qualitative research would be ideal for the initial tests of the LMX faultline construct and subgrouping processes. Multi-level qualitative research should be conducted to assess the meaning and nuance of the components of LMX faultlines and subgrouping processes. This research should sample teams or workgroups and ask the group members to answer questions about the overall group, the subgroups, and their experiences within the group and any subgroup(s) they are members of. Two necessary aspects of this research would be to ensure that a high proportion of the groups sampled have experienced at least moderate LMX- or leadership-based subgroupings, and to sample group members that are nested within groups and subgroups. The questions asked of these participants should focus on a combination of group-level, subgroup-level, and individual-level aspects of the model.

> **Methodological Suggestion 1** *Multi-level qualitative research should be engaged to establish the presence and nuance of LMX faultlines and subgrouping processes.*

Measurement scales that cover an appropriate breadth of the construct should also be developed according to established scale development procedures (see Hinkin, 1995, 1998). These scales should capture the constructs at the appropriate level of aggregation (i.e., group, subgroup, or individual levels). Established scales could be used for aspects of the model that capture the central concept at the level of measurement the scales were designed to assess like group coordination, performance, and viability, as well as individual performance, and well-being. Perceptions of multi-modal LMX differentiation and unfairness of differentiation could be assessed using current scales (Colquitt, 2001; Hooper & Martin, 2008) modified to specifically capture multi-modal LMX differentiation or unfairness of differentiation respectively. Procedures derived from the social

networks research could also be adapted to assess conformity to specific subgroups (Gibbons, 2004; Zagenczyk et al., 2010). Subgroup insulation components of support and alignment could be adapted from measures of group social support, group affective tone, and shared mental models, as well as other measures of cognitive agreement. Measures of intra-subgroup cohesion and inter-subgroup polarizing might need focused scale development. Cohesion and polarizing could be assessed using extensions of network commitment measures (Bruning et al., 2018) focused on group members' intra-team networks and subgroups. Current measures account for identification-based, reciprocity-based, and instrumental cohesion. They would need to be extended to assess knowledge-based cohesion, as well as fairness restoration and identification-based polarizing.

> **Methodological Suggestion 2** *Scale refinement research should adapt measures for perceptions of multi-modal LMX differentiation, unfairness of differentiation, subgroup support, subgroup alignment, and conformity to the subgroup. Scale development research should establish measures for the cohesion and polarizing mechanisms.*

An important challenge for quantitatively testing the model will be assessing the characteristic alignment aspects of the compositional diversity subdimension and assigning people to subgroups for the purpose of measuring subgroup cohesion and polarizing mechanisms (Meyer & Glenz, 2013; Shaw, 2004). In this regard, measures of characteristic alignment will be based on LMX subgroups, which can be more or less aligned with other diversity characteristics. Scale instructions and items for subgroup-relevant measures (i.e., inter-subgroup polarizing, intra-subgroup cohesion, and subgroup insulation dimensions) would also need to be modified to focus responses on people's specific subgroups within larger teams.

There are multiple approaches that could be used for identifying and assigning people to these subgroups. First, research adopting Shaw's (2004) approach for assessing faultline strength could assess leadership differentiation categorically based on a combination of the leader's perspective of LMX differentiation and prior theory. For example, a leader's preferred and non-preferred contacts could be assessed by asking the leader to select go-to subordinates for challenging tasks from a team roster according to a dichotomous yes-or-no question. These categories could also be focused by empirically deriving categories from pretests within specific research contexts. For example, researchers might conduct preliminary interviews with leaders from the host organization or a similar organization to establish the general categories of employees according to the types of LMX relationships the leaders hold with these different subgroups of employees.

Second, research adopting Meyer and Glentz's (2013) average silhouette width (ASW) approach to measuring faultline-based subgroups could assess leadership differentiation and the resulting subgroups using cluster analysis to give the group members' perspective of LMX differentiation. This approach to detecting subgroups and assigning members to subgroups could identify emergent subgroup structures, reveal subgroup membership, allow more than two subgroups, and be sensitive to subgroup heterogeneity. For these inductive measures, we suggest using group member perceptions of LMX (instead of perceived LMX differentiation) when assessing the LMX faultline. Together, these approaches could be used to identify and assign members to specific subgroups according to the leader's perspective on a pre-defined theoretical distinction; the leader's perspective on a distinction deemed to be relevant from pilot research (Shaw, 2004); or the emergent configurations of group members' perceptions of LMX differentiation and subgroup membership.

> **Methodological Suggestion 3** *Subgroups could be identified, and people assigned to subgroups, according to (a) theoretical distinctions, (b) empirical distinctions, or (c) cluster-based emergent subgroupings.*

Using the measures and subgroups resulting from the previous suggestions, field research could be conducted with established groups to assess relationships between the constructs in the model and to assess the potential for causation. This research should sample groups that are led by a leader external to the group and that have at least a moderate degree of interdependence and diversity. Initially, this research might use descriptive or correlational designs that assess the relationships in the model. Randomized and quasi field experiments (Eden, 2017; Grant & Wall, 2009) could also help assess the direct and indirect effects of leadership interventions focused on either reducing multi-modal differentiation or increasing fairness of differentiation. Characteristic alignment could be operationalized as a measured component of LMX faultline potency according to the prior suggestions. This descriptive and experimental research should carefully consider the group, subgroup, and individual levels of aggregation because LMX faultlines and their subgrouping mechanisms are expected to be configural group properties.

Methodological Suggestion 4 *Multi-level correlational and experimental field research should assess how the dimensions of LMX faultlines interact to explain cohesion mechanisms, polarizing mechanisms, and subgrouping outcomes.*

5.2 | Managerial implications

The current framework has implications for managers based on group configurations of LMX faultline mechanisms. When leading a collaborative set of subgroups, a manager's goal should be to maintain the status quo and continue to foster cross-subgroup collaboration and reduce any potential for polarization and myopia. They should continue focusing on being fair whenever differentiation must occur; and they should continue fostering group self-management, unification, and positive interdependent relationships amongst members of different subgroups.

Managers leading groups with a conflicting subgroup configuration should specifically address the inter-subgroup polarization and intra-subgroup myopia. They should also maintain the positive intra-subgroup cohesion, implement fair leadership practices that can be recognizable and appreciated by all group members, and promote cross-faultline interdependence and unification. These leaders will need to promote identification-based cohesion instead of polarization. Focusing on group unification through increasing group goal and outcome interdependence could facilitate this process (Kauppila, 2016). Here, the leader should reduce the degree to which subgroups feel in competition with each other. Leaders should also emphasize each subgroup's value to integrate group membership and contribution with the subgroups' identities and align collaboration with these subgroup identities. A final step would be to ensure the continued cross-subgroup interactions and collaboration to reduce myopia.

When attempting to resolve a toxic workgroup, managers should address the inter-subgroup polarization and increase intra-subgroup cohesion within the group. These tasks should involve developing cohesion at the subgroup level before the group level, given its greater proximity to employees' individual identities (Ashforth & Mael, 1989). Here, one might first improve the fairness of leadership differentiation and then promote subgroup cohesion through emphasizing the value of each subgroup as it relates to the overall group to increase subgroup identification. They should also emphasize and reward interdependent collaborations to promote reciprocity and the value of group membership. Furthermore, they should promote shared mental models within the subgroup to reinforce knowledge-based cohesion.

When considering centralized group configurations, one should consider whether these configurations should be modified, as centralized leader influence is an important part of multiple leadership strategies. There might not be a need to activate or increase the potency of a seemingly dormant faultline. However, if a change is desired, leaders should follow the suggestions for increasing intra-subgroup cohesion within toxic workgroups and continue to promote inter-subgroup collaboration to guard against myopia.

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ENDNOTES
[1] At least one subgroup will have two or more members, but some subgroups might only have one member since coalition conflicts can occur in triadic social structures (Lau & Murnighan, 1998).

[2] A consistently shared understanding of the faultline between leaders and followers is not expected due to relatively low correlations between these perspectives (Sin et al., 2009).

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