

Subordinate's Perception of LMX and Performance Proxies

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Abstract: Today, a global phenomenon in the organization is to achieve managerial efficiency and one of its most important determinants is its ability to influence subordinates to carry out requests and to implement decisions. This study mainly focuses on the one to one quality relationship formed between leader and his subordinate, called Leader Member Exchange (LMX). The current study has two objectives: Firstly, the study focused on impact of perceived quality relationship of subordinate's leader member exchange with their supervisor/manager on Performance Proxies i.e. Affective Commitment, Intention to leave and OCB. The study was conducted in Telecom and Textile sectors of Pakistan. The results have shown the positive association between LMX and performance Proxies.

Key words: Leader Member Exchange • Affective Commitment • OCB • Intention to leave

INTRODUCTION

Use of different strategies at managerial level, has been topic of interest for researcher and practitioners. The cause for such painstaking is to achieve organizational effectiveness through the skilled, experienced and trained employees, who defiantly, are the valuable intangible resources of the organization. Researchers have attributed organizational behavior as interdependent activity across different levels, e.g. managerial decisions depends on employees to carry out activities that are coordinated in order to accomplish organizational goals. But, only if the employees are satisfied, motivated and dedicated to the organization, then top management can think of collaborative success. Employees are committed when they are attached with their leader. Leader has been seen as focal to the interaction between leaders and followers as early work of Weber (1922). However, advance leadership has evolved into relational leadership [1]. The major advancement is leader-subordinate relationship is that of Leader-Member Exchange (LMX). Leader Member Exchange, known as LMX, describes how leader develops differential relationship with each of their subordinate through series of work related exchange. The leader maintains his/her

position through amount of interactions with their members. The leader develops two level of relationship, one is in-group and other is out-group. In turn, subordinate show high level of commitment and loyalty through hard work and sharing more administrative tasks. On the other side, if the member is unable to respond the obligations, the LMX will remain at low levels [2-7].

Supposedly, this study will add to the body of knowledge on the subject of Leader-Member Exchange and offer useful insights on it both for the academics and practitioners. Specifically, there is a practical linkage between LMX quality and turnover, both of which are of great concern to practitioner [8, 9]. In studying those linkages, we will focus not only on LMX quality which should be use by the managers to enhance performance of their subordinates.

In Pakistan, studies related to LMX are conducted only in service industries. This study will widen the focus of the literature by collecting data from manufacturing industry i.e. Textile Industry.

Literature Review

Leader Member Exchange: Gerstner & Day (1997) [10] observed the interrelationship of a boss and his/her subordinate as a lens where whole work is visible.

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In relational based theories such as LMX, leader behavior varies among followers and a quality of relationships varies between leader and followers (Sherony & Green, 2002). The quality of relationship between leader and his/her member can be prescribed through different indicators such as affect, loyalty, faithfulness, respect, mutual trust, commitment and contribution in terms of effort and support [2]. A high quality relationship requires social exchanges that must be perceived as valued by both parties. Uhl-Bien & Maslyn (2003) distinguished among three modules of a reciprocal behavior: (a) closeness (b) correspondence (equivalence of the value that each party receives) (c) Interest motive (the reason for that the exchange was agreed).

Linking LMX and Affective Commitment: LMX theory is based on two basic theories: social exchange and role based theory [2, 11, 12]. As former suggest that work in the managerial context is achieved through series of exchanges [3]. They suggested that exchange process involves role taking, making and reutilization. Whereas LMX exchange theory suggest that people in the organization don't only shares physical materials but also emotional and psychological support (Yukl, 1989). Based on the social exchange theory "each party shares something that is valuable and equitable for each one" [3]. Leader and a member share varies from explicit to more specific exchange inclusive of emotional support (Graen & Uhl-Bien, 1995). The more they share something of greater perceived value, the higher the quality of LMX. Affective commitment is an employee's attachment with the organization and perceived as negatively related to turnover intentions and actual turnovers [13, 14].

They have greater intrinsic motivations, stronger promotion focus and self-sufficient form of external regulation [15]. It is also positively related to also to low absenteeism and extra role behaviors (Meyer & Allen, 1997; Mowday, Porter & Steers, 1982). Affective commitment with supervisor has been characterized as emotional attachment to the organization, where as continuance remain because they need to [16]. The third is normative commitment, characterized by a felt obligation to remain within organization such as funding employees' study. A meta-analysis by Meyer *et al.* (2004) [15] reported that all modules of commitment are negatively correlated with turnover and withdrawal process. However, the most impressive and favorable correlations associated with affective commitment are attendance, performance and OCB [15].

H1: There is positive association Between LMX and Affective commitment with supervisor.

Organizational Citizenship behavior and LMX: OCB has been defined as "individual performance that is unrestricted, does explicitly not defined by formal reward system and overall contributes towards organizational effectiveness". Organ's (1988) definition critically focus on three areas, one is that individual behaviors are discretionary that is they are not defined as job descriptions and they are more towards personal choices. Second, they are acknowledge by formal reward system, that is go beyond which is enforceable requirement of their Job descriptions. Finally, it promotes organizational effectiveness. Other similar constructs include contextual performance, extra role behavior and pro-social behavior. Researchers have identified precursor of OCB are job satisfaction, Personality traits, Task characteristics commitment, personality and leadership behavior. They all have analyzed at workgroup and individual level. Researchers have also identified attitudinal measures as commitment, leader supportiveness, perceived fairness and job satisfaction [17].

Employee OCB determines the job related behavior towards certain core tasks. High quality LMX, are characterized by high level of job attitudes, such as trust, support, communication and formal rewards and informal rewards [2] and such relationships formed on exchange of material and non material goods that is not the part of formal job system [18, 19]. Example includes the exchange of gifts, emotional sympathy and to perform extra role duties would engage in a balanced citizenship behavior [20]. However, high quality LMX should increase subordinate's OCB [21]. LMX quality is linked with the regularity with which followers employ extra role behavior [18, 22].

H2: There is positive relationship between LMX and Organizational Citizenship Behavior.

LMX and Intention to Leave: One of the great concerns of employees is the relationship with their supervisor. High-quality supervisory feedback can enhance the relationship ties and constructive communication through advancing employees abilities [23]. Support from supervisor can create feelings of satisfaction and trust upon their superiors/boss and thus help them further in career development [24]. Literature on LMX specifies the significant relationship of supervisor with their subordinate in harmony with organizational outcomes

such as commitment, satisfaction and well being, when employees perceive their supervisor as supportive and concerned. They recognize it through resources employed by their superiors. Conversation of Resources (COR) model has proposed that subordinate rely on motivational resources to complete their work [25]. These resources are possessed by supervisor played their part in strengthening the relationship with their subordinate, making them more satisfied and thus, they are less likely to leave the intention. Empirically intention to leave the organization has been seen as an antecedent of actual turnover behavior [26]. A Meta analysis reported that turnover intention has strongest relationship with actual turnover [27]. Thus it has been taken as depended variable in the research.

H3: There is negative association between LMX and Intention to leave.

Methods: This is a non-experimental, correlation study that will assess the relationship between the quality of LMX relationship and its performance proxies. Each organization from textile sector was selected through simple random sampling. Out of 117 companies located in Lahore, thirty companies were selected through simple random sampling technique. In each organization 10 to 12 questionnaire were distributed. Each organization was approached the address and telephone number given on the listed companies. Total 250 questionnaires were distributed in respective organization. Out of total 250 distributed questionnaires, 143 questionnaires were received with reasonable response rate of 57.2%.

Measures: All constructs were measured using self-reported instruments. Responses for all variables determined using 5-point Liker scale varies from strongly agree to strongly disagree. All those measure higher score depicts higher level of the construct. The mean for all the items were calculated to develop the continuous scale.

Leader Member Exchange: The LMX-7 Short Form was constructed by Graen and Uhl-Bien in 1995. For example, when the participant is asked, “My supervisor understands my job problems and needs?” their answer varies on five point likert scale. Gerstner & Day (1997) [10] found LMX-7 as the most reliable measure in all.

Affective Commitment with Subordinate: Four items will be used to measure affective commitment scale developed by Allen and Meyer (1990) [16] with slight modification. Sample items were: “I am proud to tell others that I work for my organization”; and “I am

pleased with my decision to work for my organization”. Vigoda-Gadot & Meisler (2010) [28] reported scale reliability of 0.71.

Organizational Citizenship Behavior: The 16 item scale developed by Smith, Organ and Near (1983) measured using two subscales. The first 6-item subscale was for altruism and another 8-item subscale was generalized compliance. Altruism has been defined as help others and generalized compliance defined as punctuality.

Intention to Leave: A three-item scale developed by Mobley, Horner and Hollingsworth (1978) used to measure turnover intention.

Analysis: After collection, the data was entered into Statistical Program for Social Sciences (SPSS 17) for inference and analysis. The reliability of all operational zed measures was checked through Cranach Alpha analysis. Common variance method was used to detect the variances for self reported data. All variable were transformed to continuous variables. Test of normality of each variable was carried out. Regression diagnostics were carried out to check whether the regression equations meet the assumption of normality, hetroscardicity and auto correlation. Outlier and Influential observations were carefully examined to see the change in coefficients. Simple Liner regression was used to analyze the results.

RESULTS

Psychometric properties of the data were estimated through common variance method as the study design was cross sectional. Bartlett's test [29] was used to test if *k* samples have equal variances. It was highly significant it shows that variance was equal across the sample. The first (largest) factor did not account for majority of the variance (i.e 23.79) and there wasn't a general factor that explain the major covariance in the variables. The result suggests that common method variance is not of great concern. Table 1 manifests the reliability analysis of each scale. Generally, All the scales yield good Reliability Analysis above .70 (Table 1).

Table 1:

	Reliability Statistics	
	Cronbach's Alpha	No. of Items
LMX	.783	7
Affective Commitment	0.797	4
OCB	0.741	16
Intention to leave	0.83	3

Table 2:

		Coefficients ^a			
		Unstandardized Coefficients	Standardized Coefficients		
		B	Beta	t	
Model				Sig.	
1	(Constant)	1.782		5.673	.000
	LMX	.526	.473	6.375	.000

Table 3:

		Coefficients ^a			
		Unstandardized Coefficients	Standardized Coefficients		
		B	Beta	t	
Model				Sig.	
1	(Constant)	1.965		11.336	.000
	LMX	.419	.612	9.197	.000

Table 4:

		Coefficients ^a			
		Unstandardized Coefficients	Standardized Coefficients		
		B	Beta	t	
Model				Sig.	
1	(Constant)	4.644		9.211	.000
	LMX	-.537	-.323	-4.050	.000

Table 5:

	Leader-Member Exchange				
	B	P-value	R2 change	F-Statistics	Significance
Affective Commitment	0.526	.000	0.224	40.638	.000
OCB	0.419	.000	0.375	84.578	.000
Intention to Leave	-0.537	.000	0.104	16.406	.000

Table 2 presents the regression analysis of LMX and Affective Commitment. There Affective Commitment and leader member exchange is positively highly significant (b=.564 and p-value=.000), thus those in high quality of relationships will form high affective commitment. So hypothesis H1 is accepted. The results have shown positive association between LMX and Affective commitment. The results have been in correspondence with other authors [30, 31, 32, 33]. Vandenberghe, Bentein *et al.* (2004) [34] also found the positive relationship between LMX and subordinate affective commitment with their supervisor.

Table 3 presents the regression analysis of LMX and OCB. There LMX and OCB have significant positive association (b=.419 and p-value=.000). Thus, those in high quality of relationships will have high OCB. So hypothesis H2 is accepted. The results are consistent with other authors who have found the positive association between OCB and LMX [35]. Truckenbrodt (2000) [36] found a positive association between them also. The author has identified that employee with have altruistic behavior has high quality exchanges. The study conducted in the

telecommunication sector of Pakistan has found the positive association between OCB and LMX with $\beta=.238$ [37].

Table 4 presents the regression analysis of LMX and Turnover Intention. There is negative association between LMX and Intention to leave as predicted. Thus, our hypothesis 3 is accepted. They are highly significant with **b=-.576** and **p-Value=.000**. The results have found Negative association between LMX and Intent to leave. Scott and Connaughton (1999) [38] results indicate in their study that intention to leave is the stronger predictor of the relationship between supervisor and subordinate. Griffeth, Hom *et al.* (2000) [27] also report the negative relationship between LMX quality and actual turnover with B=-.023. Several other studies have found similar empirical findings [39, 40, 41]. effect size of the relationship has been calculated in meta analysis with $r=-.31$ [10]. In consistent with latest research in hospitality industry conducted by Kim, Lee *et al.* (2010) [42], reports the linear relationship between turnover intent and LMX at supervisory level b=-.25.

Table 5 illustrates that overall regressions for three hypotheses were significant.

DISCUSSION

Our study has revealed that leaders usually form high quality relationship with those to whom they can be influenced easily. Development of affective commitment and OCB of an individual leads towards low intention to turnover. The results have proved strong relationship between job outcome and leader-member exchange. In general, LMX did appear to be the predictive of job related outcome, also known as performance proxies. LMX and Affective commitment has shown positive association. When employee would perceive high quality relationship with their supervisor they would tend to have high affective commitment, as the literature has reported the large variation across the studies in predicting the relationship between affective commitment and LMX. The variation is due to the perceived support in terms of emotional, resource based and psychological from their supervisor.

In an organizational context, OCB has been seen as informal psychological contract, in which employee hopes for extra reward by the boss and the organization [43]. Since, subordinate thinks that their extra effort may be perceived positively and then may reward by their supervisor. The results have shown that those individual who perceives high reward power of their supervisor, will perform beyond their job scope to form high quality LMX circle with their supervisor [44]. Especially, in an environment where relationships are important, superior emotional support and guidance will assist subordinate to attain higher level of performance. Moreover, as the data has been reported from two different sectors.

CONCLUSION

Our research concludes that subordinate-Leader member exchange have relation to performance proxies. Subordinate's LMX causes greater impact on affective commitment and OCB. Those employees who perceive high relation with their subordinate are more committed and perform OCB. The research also found that those who have high exchanges with their subordinate do not intent to leave the organization. Thus, for those organization where the employee have high turnover, can train their managers to improve their LMX with their subordinate to improve the turnover rate. There are some limitations in this research work. This study has particularly measure the perception of the subordinate LMX with performance proxies, where as these could be doubtful with respect to the superior-LMX. This study has collected the data from

Textile industry only; the research could be done in more sectors to generalize it. The controlled variable could incorporate so to better understand the individual effect. Cross sectional study design prevent from making strong causal inference regarding the relationships among variables.

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