The Effect of Leader-Member Exchange on Organizational Commitment

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Abstract

With the recent increase in number of education industry in Malaysia as well as the Ministry of Higher Education project to increase it even more in the future, education industries are facing problem to retain employee and maintain the organizational commitment of their employee. The purpose of present study is to examine the influence of leader-member exchange (LMX) on the organizational commitment of education industry in Nilai, Malaysia. A total of 400 questionnaires were distributed but only 232 questionnaire were found to be usable for this study. The present study were analysed by using Smart PLS. It was found that affect, loyalty, contribution, narcissism and ethnocentrism are significantly effect on organizational commitment. It can be concluded that leader exchange member play important role in organizational commitment especially in education industry. Limitations of present study are discussed. Implications of the findings and areas for future research are also presented.

Keywords

Leader-Member Exchange (LMX), Organizational Commitment.

Introduction

Nowadays, high competitive work environment, rapid change of the technology and continued globalization require organization need pay more attention on employees' commitment (Morrow,2011). Van der Werf (2018) stated that employees who commits to the organization typically feels a connection to that organization, the feeling of fitting in, the feeling of understanding the goals of the organization and willing to work hard to achieve it.

Since the organizational commitment plays such huge part in success and failure of an organization, has been discussed above, the author had a good reason to do a study around this phenomenon. There are few factors that has influence on the organizational commitment, such as emotional intelligence, job satisfaction, organizational rewards, organizational work climate, etc. (Brunetto et. al., 2012; Igella, 2014; Khaliq, Naeem and Khalid, 2016; Sangperm, 2017). Leadership style is also a factor influencing the organizational commitment of an organization,

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and out of the many leadership style, Leader-Member Exchange (LMX) theory will be the focus of this study (Ansari, Aafaqi and Lo, 2015).

LMX theory posits that leaders and the follower in an organization develops a dyadic relationships over a period of time through series of interactions (Gunavathy and Longina, 2013). As can be seen, LMX has a huge influence on employee which in turn has a influence on the organizational commitment. LMX theory has fully accepted by scholars, but majority of the study was done on the west context, not many study and LMX is still relatively un-researched in the east context, and even more so in the education industry. Therefore, proving to be a viable choice to be focused on this study.

From the ever increasing number of universities in Malaysia (The Star, 2018), it is an interesting context to study the influence LMX has on organizational commitment and as mentioned before, the lack of study on education industry context serve as a good choice that could contribute much more in the study of LMX and organizational commitment (Meuser et. al., 2018). With Nilai, Malaysia dubbed the educational hub with 4 university in the city, it could be a better choice as a representation of the education industry of Malaysia (The Star, 2018).

As discussed above, previous studies showed that LMX was positively correlated to organizational commitment, indicating that LMX could facilitate subordinate's commitment towards the organization (Kessler, 2013; Pan and Zhou, 2011). In fact, Bao and Zhou (2005) found that LMX first influenced employees on the individual level and then the organizational level. It was therefore interesting to find out further on how LMX – the relationship between persons was linked to organizational commitment – the relationship between employee and organization (Pan and Zhou, 2011).

Methodology

Quantitative methodology is considered the most widely accepted approach for understanding causal relationships. Therefore, the data in this study was obtained from 232 respondents through an online survey. The measurement scales of constructs were taken from a number of previous studies. For example, organizational commitment was measured using a scale consisting of five items adapted from Allen and Mayer (1990). Moreover, multidimensional of LMX was measured using three items for each dimension adapted from Liden and Maslyn (1998), Back et.al (2013) and Shimp and Sharma (1987). The selection of the aforementioned measurement scales refers to the acceptable values of Cronbach's alpha which provide evidence of reliability. A five-point Likert scale that ranges from 1 "strongly disagree" to 5 "strongly agree" was used to measure the items. The final questionnaire was primarily administered to some experts from certain universities to ensure the face validity by seeking their opinions and suggestions.

The present study adopted PLS-SEM as the statistical method to assess the research model. The ability of PLS-SEM is to predict the key target construct and exploratory of an extension of an existing structural theory. It is suitable with the present study's research objective. Also, PLS-SEM requires smaller samples sizes as compared to other SEM analysis. The software used for the analysis of this is SmartPLS, Version 3.0.

Results and Discussion

In the first stage of analysis, reliability and validity of measurement model were analysed. After that, the structural model was analysed in the second stage.

The researcher evaluated the proposed model for internal consistency reliability, convergent validity, and discriminant validity in order to establish the adequacy of latent variables. This is also conducted in order to capture their corresponding manifest variables. A measurement model is said to have satisfactory indicator reliability when each item's loading is at least 0.6 and is significant at least at the level of 0.05. As shown in Table 1, most item loadings were larger than 0.5 and were significant at 0.05. All Average Variance Extracted (AVE) and composite reliability exceeded the cut-off values of 0.5 and 0.7, respectively. All the values of all items in the present study have exceeded the recommended threshold values. Thus, all items used in this study have demonstrated satisfactory convergent validity and internal consistency reliability. Based on the results from Table 2, all square roots of AVE exceeded the off-diagonal elements in their corresponding row and column. Thus, it meets the Fornell and Larker's (1981) criterion of discriminant validity. It can be concluded that the measurement has established discriminant validity.

Table 1 Factor Loading. Composite Reliability and Average Variance Extracted.

Factor Loading, Composite Reliability and Average Variance Extracted.					
Construct	Loadings	CR	AVE		
Affect	0.89-0.54	0.81	0.60		
Loyalty	0.78-0.62	0.77	0.53		
Contribution	0.91-0.60	0.85	0.66		
Professional Respect	0.96-0.71	0.90	0.76		
Narcissism	0.94-0.90	0.94	0.85		
Ethnocentrism	0.84- 0.76	0.86	0.67		
Organizational Commitment	0.84-0.52	0.84	0.51		

*CR= Composite reliability; AVE= Average Variance Extracted

Within the structural model, each path connecting two latent variables represents a relationship between independent and dependent variables. The relationship between independent and dependent variables was examined by using SmartPLS algorithm output. According to Hair et al. (2013), the significance level and t-statistics of the path are determined by using SmartPLS bootstrapping function. Table 3 lists the path coefficients, observed t-statistics, and significance level for all paths in the baseline model.

Table 2

Square roots of AVEs

	Affect	Loyalty	Contribution	Professional	Narcissism	Ethnocentrism	Organizational
				Respect			Commitment
Affect	0.776						
Loyalty	0.776	0.725					
Contribution	0.684	0.713	0.811				
Professional	0.588	0.635	0.822	0.874			
respect							
Narcissism	0.615	0.536	0.768	0.822	0.922		
Ethnocentrism	0.598	0.558	0.673	0.733	0.782	0.821	
Organizational	0.504	0.489	0.321	0.423	0.390	0.702	0.715
Commitment							

Table 3

Path coefficient of structural model without moderator

	Path Coefficient	T Statistics (O/STDEV)	P Values
Affect -> Organizational Commitment	0.224	2.28***	0.01
Loyalty -> Organizational Commitment	0.228	2.64***	0.00
Contribution -> Organizational Commitment	-0.456	4.47***	0.00
Professional respect -> Organizational Commitment	0.132	1.00	0.16
Narcissism -> Organizational Commitment	-0.354	3.01***	0.00
Ethnocentrism -> Organizational Commitment	0.927	8.37***	0.000

^{**}p<0.05

All seven variables together explained 64.6 per cent of the variance. Using a bootstrapping technique with a re-sampling of 500, the path estimates and t-statistics were calculated for the hypothesized relationships. Table 3 shows the structural model analysis. From the analysis, it was found that affect (β = 0.22,p<0,00), loyalty (β = 0.23,p<0,00) and ethnocentrism (β = 0.13,p<0,00) significant positively related to organizational commitment. Contribution (-0.46, p< 0.00) and narcissism (β = -0.35, p<0,00) negatively related to organizational commitment. Only professional respect was not significantly related with organizational commitment.

Discussion

The objective of this study is to investigate the effect of dimensions of LMX on organizational commitment. The result of present study found that higher quality of LMX in terms of affect, loyalty and ethnocentrism between leader and subordinates, the organizational commitment of the subordinate will be increased. The positive correlation between affect, loyalty, ethnocentrism and organizational commitment aligned with the previous studies (Ansari et. al., 2015; Hung, Ansari & Aafaqi, 2004; Harms and Grijaiva, 2013; Lim, 2015; Luo et. al., 2014). This result suggest

^{***}p<0.01

manager can enhance commitment of employee by building a good relationship with employees especially in Malaysia, which is collectivist culture that emphasizes work group. Besides that, trust and fairness of management system can create loyalty for subordinates and manager. The loyalty among leader and follower can lead to high commitment for employees (Seifert et al, 2016).

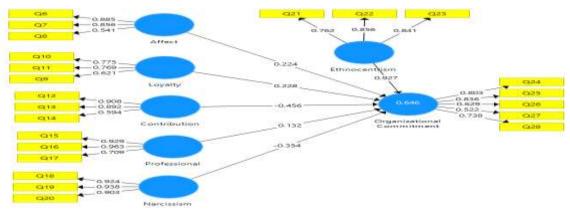


Figure 1: Structural Model

The findings of study indicated dimension of LMX, narcissism has negatively effect on organizational commitment. This finding is align with the other previous study conducted where it found narcissism has a negative correlation with organizational commitment. This means that the higher the narcissism score of employees, the lower the organizational commitment will for the committee (Ansari et. al., 2015; Harms and Grijaiva, 2013; Lim, 2015; Luo et. al., 2014).

Conclusion

In conclusion, the findings of the study contribute in term of research and practical. The present study provided new insight on the relationship of LMX and organizational commitment as there are limited study conducted on the context of eastern countries as well as the education industry. Besides that, this study has enriched the literature on the integration of a few distinct bodies of knowledge – six dimensions of LMX and organizational commitment. Most of previous study investigate LMX as unidimensional variable. This study can identified which dimension has strongest effect on organizational commitment.

The findings of this study also open up new promising opportunity for future study in similar context. For example, this study may stimulate the formulation of a new framework to better understand organizational commitment and LMX in governmental industry in Malaysia which could be a very interesting study. In additional, the findings also provided awareness to the organization especially in education industry to increase the organizational commitment. The present study found out enhance the relationship between leader and member is very important to increase organizational commitment.

Not only that, it is found that not all dimensions of LMX are related with organizational commitment thus industries could focus on specific dimension instead of doing all and in the end not achieving what they set out for. Although the empirical findings of this study contribute to the

existing literature, the result of the study cannot be generalized. Future studies should adopt the proposed research model among different type of industry to generalize the findings. Finally, future study should include perception of employee and manager to develop the findings more precisely.

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