

LMX AND ORGANIZATIONAL COMMITMENT: AN INTEGRATED STUDY OF SERVICES SECTOR

Dr. Manvinder Singh Tandon*

Owais Ahmed**

Abstract.

Leader member exchange theory, being, an emergent theory in leadership literature, has been associated with favourable job outcomes like employee motivation, commitment, productivity. The current study is an endeavour to be first research study examining leader member exchange and organizational commitment relationship in service industry with integration of insurance, banking and postal service organizations. The SPSS tool was used to analyse data, by using various statistical techniques like descriptive analysis, multiple regression analysis, factor analysis, ANOVA, Duncan' Post Hoc test. Also, structural equation modelling was used to test the hypothesized model. Path coefficients revealed positive relationships between all constructs of the present study. Also, other statistical coefficients like Pearson's coefficient of correlation and multiple regression coefficients in addition to mean and standard deviation values were all in favour of positive and significant relationship between each and every pair of constructs present in the current study. The study is conducted in Kashmir region of the State of Jammu and Kashmir, India. The study offer valuable findings, implications and suggestions regarding betterment of leader member exchange quality and organizational commitment.

Keywords: Leader Member Exchange and organizational commitment

*Director (Prof) at RIMT/ Institute of Management & Computer Technology, Mandigobindgarh, Sirhind, Punjab, 147301.

**Ph. D Scholar ,Marketing , Punjab Technical University, Jalandhar, Punjab, 144601

Introduction

Organizations work for achievement of well established objectives, goals, creation of employment opportunities, earn profits, achieve effectiveness, efficiency and productivity. However, achievement of objectives, goals etc would not be possible without sound leadership and organizational practices. Leadership has been a core element for organizational survival, growth and prosperity. Strategies are being formulated and implemented by top leadership of an organization. Leadership behaviour influence employee personality, attitude, and performance and shape employee behaviour. Employees in service sector act as ambassadors of an organization. Employees represent organizational values, service products to external customers of service organization and are responsible for creating perception of service quality, repeat purchases, customer satisfaction, retention, loyalty and organizational image. However, employee performance is influenced by factors like relationship with supervisors, co-workers, job attitudes, organizational support, etc. Service organizations across globe, overhaul their structures, systems, processes, designs, to ensure better employee performance and service quality. Informal or flexible structures came in to existence enabling better communication, fast response, between a subordinate and his immediate supervisor. Supervisor- Subordinate relationships influence employee job attitudes like, satisfaction, organizational commitment etc. These Job attitudes in turn influence employee service performance. The present study would examine the influence of LMX or supervisor-subordinate relationship on employee organizational commitment.

Figure 1

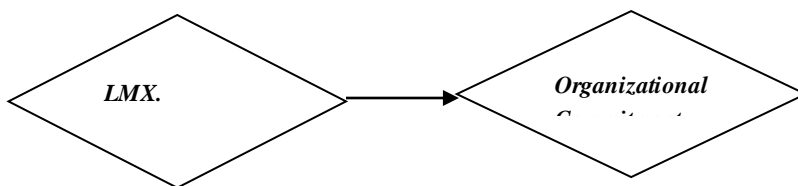


Fig 1: Self Developed Model for Influence of LMX on Organizational Commitment.

Review of Literature

Leader Member Exchange Theory (Dansereau et al., 1975; Graen and Cashman, 1975), is based on the principle of reciprocity i.e. leaders and members share mutual understanding and responsibility of each other's needs and authority (Graen and Cashman, 1975) i.e. both parties exchange favours for each other either simultaneously or expectation of receiving in future. LMX suggests that leaders form different relationships with their subordinates in the form of high and low quality relationships. High quality relationships are characterized by more leader attention, loyalty employee trust, autonomy, resources, respect, etc given by leader to his immediate subordinate. Cooperation, compliance etc, is exchanged by subordinate in return and thus form in-groups. Low quality relationships are controlled by formal contracts and economic exchanges (Sparrowe and Liden, 1997) like routine tasks, role defined, etc and thus form out-groups. In-groups are preferred by leaders by finding personality identification match in terms of characteristics like aggression, extroversion, agreeableness, emotional stability etc. Out-groups are being perceived as lacking competence, abilities, skills, responsibility, decision making etc. Also, constraints like time, scarce resources, personality clash etc, limit the scope for forming high quality relationships.

Organizational Commitment: Organizational commitment refers to an employee's emotional attachment with an organization. Organizational commitment comprises of affective, continuance and normative components. Affective commitment is based on emotions that binds an employee to an organization, continuance commitment refers to the binding based on costs and benefits approach for leaving an organization, while as normative commitment refers to the binding based on feeling of obligation perceived by an employee towards an organization (Boehman, 2006; Meyer and Allen, 1991). Porter et al. (1974) defined organizational commitment as strong belief in and acceptance of organizational goals and values, willingness to exert considerable effort on behalf of an organization and desire to maintain organizational membership. OC influences various favorable behavioral and attitudinal outcomes like job performance, satisfaction, productivity, organizational citizenship behavior (Daneshfard and Ekvaniyan, 2012; Meyer, et al., 2002). OC inversely influences turnover (Hoy and Miskel, 2001).

LMX and Organizational Commitment: LMX and OC relationship has been well documented in the literature. Research study by Simon Tagger 2008 in Institute of Public Administration in Canada, examined the impact of job characteristics like autonomy, task identity, task significance, skill variety, feedback etc on LMX and OC. The sample size of 381 participants forms part of the

study. The results revealed positive relationships between job characteristics and LMX. LMX in return found positively influencing organizational commitment of employees.

Allinson, et al. 2001 found in-group members more satisfied, better performers and more committed than out-group members. LMX has been found having direct influence on organizational commitment in various studies that include (Ansari et al. 2001; Graen and Uhl-Bien 1995). Research study by L. K. Loong, 2008 in Malaysian Institute of Accounts, examined the impact of LMX and mentoring on organizational commitment of employees. The sample size of 1100 employees forms part of the study. The results revealed significant relationship between LMX and affective as well as normative organizational commitment, while as partial positive relationship exists between LMX and continuance organizational commitment. Therefore, after analyzing the above discussion, we propose that LMX have a positive impact on organizational commitment of employees.

H1: LMX positively influence organizational commitment of employees.

Methodology

The methodology for the current study include the following:

Data Collection Method and Sample Size.

The survey method with structured Questionnaires and interview, were used for data collection purposes. A sample size of 150 respondents representing profiles like middle management, frontline staff, lower level employees and customers were part of the current study. A sample size of 150 comprises of 30 supervisors or leaders, 60 sub-ordinates or members and 60 customers. 6 Supervisors, 12 sub-ordinates and 12 customers each from all five organizations like Life Insurance Corporation (LIC), Department of Posts (Post Offices), State Bank of India (SBI), Jammu and Kashmir Bank (JKB) and Punjab National Bank (PNB) thereby making sum total of sample size equivalent to 150. Relationship of each supervisor is linked with two immediate sub-ordinates and performance of each sub-ordinate is assessed by a single customer. The survey was conducted in the state of Jammu and Kashmir, the northern most part of India for almost a period of 2months.

Analysis and Discussion

Data were analysed through various techniques in order to test the hypothesized model. The path model depicting the impact of LMX on organizational commitment was examined through structural equation modelling. SEM enable to test the extent to which variables in the hypothesized model is consistent with the data. The maximum likelihood estimation technique is used to estimate the model as the given technique generate reliable results. Measurement model was first confirmed using factor analysis, then SEM was performed based on the measurement model to estimate the fit of the hypothesized model to the data.

The Confirmatory factor analysis suggested a good fit for the measurement model with χ^2 value is statistically significant ($\chi^2 = 838.1$, $df = 348$, $p < 0.05$, $RMR = 0.042$, $GFI = 0.781$, $AGFI = 0.754$, $CFI = 0.901$). The goodness-of-fit index (GFI) and the adjusted goodness-of-fit index (AGFI) were 0.781 and 0.753, respectively. The CFI showed a high value of 0.90. Cronbach alpha for all constructs was in significant range. Table 1 below represent mean, standard deviation, correlation coefficients and cronbach values for all constructs which are in significant range.

Table 1: Descriptive Statistics (mean standard deviation and Pearson’s correlation coefficients and alpha values of the constructs).

S.No	Variables	Mean	Standard Deviation	1	2
1	LMX	3.21	0.66	1	
2	OC	3.33	0.976	.34	1.
	Cronbach’s alpha			.69	.68

Note: LMX- Leader Member Exchange, and OC- Organizational Committment.. *All Significant from $< .01$ to $< .05$; Source: Data collected by Scholars for the study.

The structural modeling suggest that the hypothesized model fit the data well with χ^2 statistically significant ($\chi^2 = 913.1$, $df = 391$, $p < 0.05$, $RMR = 0.043$, $GFI = 0.831$, $AGFI = 0.787$, $CFI = 0.913$). The goodness-of-fit index (GFI) and the adjusted goodness-of-fit index (AGFI) were 0.812 and 0.795, respectively. The CFI showed a high value of 0.923. The hypothetical relationship of present study is well supported by structural modelling results. The path coefficients for the hypothesized model are shown as below:

Figure 2.

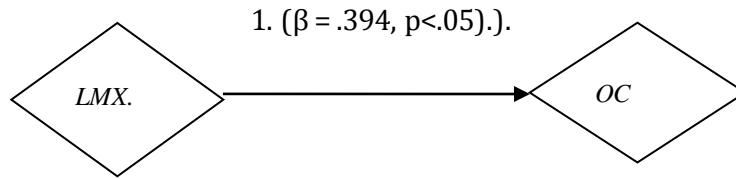


Fig 2: Structural Model Results for the Hypothesized Model.

Note: LMX- Leader Member Exchange and Oc-Organizational Commitment.

Further, using, varimax rotation, the principal component factor analysis was administered for reduction of the data. The KMO value of 0.69 and significance of Bartlett’s test was at 0.00 level indicating the sampling adequacy for conducting factor analysis Items those indicated low factor loadings (<0.40), high cross-loadings (>0.40), or low communalities (<0.30) were eliminated for further analysis. All factors exhibited satisfactory alpha reliability coefficients, ranging between 0.56 and 0.91.

Table 2: Factor Extraction Results.

S.No.	Variable.	Items.	Factor Loadings.	% Age of Variance.
1.	LMX.	Do you know where you stand with your supervisor...do you usually know how satisfied your leader is with what you do?	0.67	0.23
		How well does your supervisor understand your job problems and needs?	0.56	0.19
		How well does your supervisor recognize your potential? Regardless of how much formal authority he/she has built into his/her position, what are the chances that your supervisor would use his/her power to help you solve problems at work	0.69	0.26
		Again, regardless of the amount of formal authority your supervisor has, what are the chances that he/she would “bail you out,” at his/her expense?	0.49	0.24
		I have enough confidence in my supervisor that I would	0.48	0.17
			0.61	0.27
			0.72	0.18

defend and justify his/her decision if he/she were not present to do so? **0.69**

How would you characterize your working relationship with your supervisor?

Cronbach alpha

Note: LMX- Leader Member Exchange; Source: Data collected by Scholars for the study.

Table 3: Factor Extraction Results For Organizational Commitment.

S.No.	Variable.	Items.	Factor Loadings.	% Age of Variance.
1.	OC.	I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.	0.79	0.22
		I talk up this organization to my friends as a great organization to work for.	0.86	0.17
		I would accept almost any type of job assignment in order to keep working for this organization.	0.83	0.20
		I find that my values and the organization's values are very similar.	0.82	0.21
		I am proud to tell others that I am part of this organization.	0.76	0.19
		This organization really inspires the very best in me in the way of job performance.	0.67	0.25
		I am extremely glad that I chose this organization to work for, over others I was considering at the time I joined.	0.70	0.16
			0.79	0.22
		I really care about the fate of this organization.	0.89	0.15
			0.89	0.15
		For me this is the best of all possible organizations for		

which to work.

Cronbach alpha

0.68

Note: OC- Organizational Commitment.

Source: Data collected by Scholars for the study.

Influence of LMX on Organizational Commitment.

The Influence of LMX on organizational commitment is determined by using multiple regression equation: $Y_1 = bx_1 + bx_2 + \dots + bx_7$. Where 'Y₁' represents dependent variable i.e. Organizational commitment and 'x₁ to x₇' represent 7 items or statements of independent variable i.e. LMX. Data related to 'Y₁' i.e. organizational commitment were inserted as dependent variable and data pertaining to 'x₁ to x₇' i.e. LMX were inserted as independent variable. The results obtained are presented in Table 4.

Table 4: Influence of LMX on Organizational Commitment using Multiple Regression Equation.

S.NO.	Independent Variable.	Dependent Variable.
	LMX.	OC.
1.	Do you know where you stand with your supervisor...do you usually know how satisfied your leader is with what you do?	0.31*
2.	How well does your supervisor understand your job problems and needs?	0.33*
3.	How well does your supervisor recognize your potential?	0.39*
4.	Regardless of how much formal authority he/she has built into his/her position, what are the chances that your supervisor would use his/her power to help you solve problems at work	0.30*
5.	Again, regardless of the amount of formal authority your supervisor has, what are the chances that he/she would "bail	0.36*

	you out,” at his/her expense?	
6.	I have enough confidence in my supervisor that I would defend and justify his/her decision if he/she were not present to do so?	0.38*
7.	How would you characterize your working relationship with your supervisor?	0.37*
<i>R</i>²		0.39

Note: LMX- Leader Member Exchange, OC- Organizational Commitment. *All Significant at < .05.

Source: Data compilation by the scholar for the study.

All items of LMX are positively influencing on organizational commitment, with item no 3, being the most influential with (b=.39, p <.05). Item numbers 6, 7, 5, and 2 represents the decreasing order of influence on organizational commitment with regression coefficients (b=.38, .37, .36 and .33 respectively) with significance level of (p < .05). Item no 1 and 4, representing the least influence among all items of LMX on organizational commitment with regression coefficient i.e. (b=.31, 30 and p < .05).The overall influence of LMX on organizational commitment i.e. ($R^2=0.39$), reflecting a 39% of variation in the dependent variable, evidences that there exists a positive relationship between LMX and organizational commitment, thus proving our hypothesis i.e. LMX have a positive impact on organizational commitment.

Comparison of LMX and Organizational Commitment across Multiple Organizations.

Leader member exchange and organizational commitment though interdependent on one another, however, have their own individual existence that varies from one organization to another. Therefore, to know the differences or variations among leader member exchange quality and organizational commitment, among different organizations of present study, Analysis of Variance test (ANOVA) need to be conducted. ANOVA allowed identifying differences in LMX quality and organizational commitment. Also, Duncan’s post hoc classification enable to classify organizations in to several groups based on their differences with more significant groups are classified in to subsets while non significant groups form single groups. Statistical values like mean, percentage mean, F-value (ANOVA), significance (p-value) were recorded for each variable in all organizations. Organizations were grouped in descending order of their mean and percentage mean scores based on Duncan’s post hoc classification. The results are presented in Table 5 below.

Table 5: Comparison of LMX, and Service Performance across multiple organizations.

S.NO	Var.	Company.	Mean.	P- Mean.	F-Value (ANOVA).	P- Value.	Duncan's (Homogenous Subsets).	Post Hoc Test
1.	LMX.	LIC.	4.12	82.4	6.73	0.00*	Three Groups:	
		SBI.	3.95	79				G1-LIC.
		PNB.	3.76	75.2				G2-SBI, DOPS and PNB.
		JKB.	3.43	68.6				G3- JKB.
		DOPS.	3.88	77.6				
2.	OC	LIC.	3.18	63.6	0.49	0.71**	Single Group:	
		SBI.	3.28	65.6				G1- JKB, DOPS, PNB, SBI and LIC.
		PNB.	3.31	66.2				
		JKB.	3.45	69				
		DOPS.	3.44	68.8				

Note: Var- Variable, P- Mean- Percentage Mean, LMX- Leader Member Exchange and OC- Organizational Commitment; * p < 0.00 represent significant difference, ** p < 0.13 near to significance;; Source: Data collected by Scholars for the study.

The statistical values in Table 5 signifies that significant difference exist between organizations regarding LMX quality with **F-value (6.73)** and **significance** of (**p <0.00***), respectively. LMX witnessed three Duncan post hoc groups for organizations based on their mean and percentage mean scores that basically, reflect their LMX quality. LIC was found having highest LMX quality and form part of Group 1, followed by SBI, PNB and DOP'S sharing decreasing order of LMX quality and occupy Group 2. JKB is having the least LMX quality and form part of Group 3. Non-significant difference exist between organizations regarding Organizational commitment, with **F-value (0.49)** and significance of (**0.71****) respectively. Organizational commitment consist of single Duncan post hoc Group with JKB leading by having highest organizational commitment of employees followed by employees of DOP'S, PNB, SBI and LIC with the least employee commitment.

Findings and Implications

The current study has found that LMX exerts a positive and significant influence on organizational commitment directly, with regression coefficient and significance value of ($R^2 = .39, p < .05$).

Figure 3

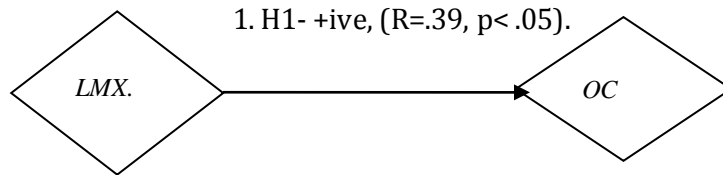


Fig 3: Influence of LMX on Organizational Commitment.

Note: LMX- Leader Member Exchange OC-Organizational Commitment.

Further, the current study also offer several valuable implications for management practitioners, academicians, scholars etc. Since, LMX theory believe in the principle of reciprocity i.e. exchange of favours. Therefore, leaders could achieve organizational goals and objectives by focusing on mutual obligation perspective, where in supervisors may provide resources, information and support to subordinates who in return accomplish challenging tasks, meeting deadlines, performing in-role, out-role tasks etc. Also, LMX has been associated with significant work outcomes like employee satisfaction, strong interpersonal relationships, favourable work culture etc. Therefore, management across organizational hierarchy should sensitize their leaders to understand the philosophy of LMX and encourage them to inculcate desired behaviours to ensure effective and efficient leadership. So, that maximum organization desired behaviours and work outcomes could be achieved. Similarly, employee job attitudes like organizational commitment, act as critical success factors, especially, in service sector where, real time performances are performed by highly dedicated and energized employees. Organizational commitment ensure performance of task with interest, motivation, enthusiasm. Also, job attitudes establish a strong bond of attachment and loyalty of an employee with its organization. Organizational commitment have substantial effect on outcomes like employee performance, satisfaction, commitment, customer satisfaction, organizational image, reputability, profitability.

Conclusion

Services like banking, insurance, postal etc, has been considered as the backbone of economies across the Global. Employees in service organizations display their service experience in real time. Therefore, employee performance thus, play a critical role while delivering a service. However, employee performance basically, comprises of a blend of factors like relationship with supervisors, co-workers, job attitudes, organizational support, technical knowhow etc. Better leader member relationships influence employee job attitude like organizational commitment etc. Research related to direct relationship between LMX and organizational commitment of employees in banking, insurance and postal service sectors has received least or no attention at all. No research study has been found that could explain the direct effects of LMX on organizational commitment in banking, insurance or postal service sectors. LMX and its influence on organizational commitment of employees are scarce in the past research, but the current study exclusively explored the direct relationship between LMX and organizational commitment.

Also, the statistical analysis of the current study offer, various suggestions for improving LMX quality, job attitudes and employee service performance. LMX can be enhanced by increasing the frequency of supervisory support communications like recognition, need analysis, problem solving etc to boost self-esteem and trigger favourable work attitudes among subordinates. Feedback can improve existing high quality relationships, employee trust, While, minimizing low quality relationships at the same time. Leader member personality fit must be ensured while allocating or creating leader member teams. Empowerment of subordinates like sharing information, resources, responsibility etc, could improve LMX quality and organizational commitment of employees. Perceived fairness i.e. fair treatment of subordinates must be ensured, for having high quality LMX relationships, organizational commitment of employees, job satisfaction, involvement at work and trust among employees. Organizational support in terms of resources, information, influences organizational commitment that in turn increases job involvement.

Limitations and Future Research.

The current study may be vulnerable to various discrepancies that may include issues like, data collection techniques, geographic reach, etc. Although, data is collected from different companies like banking, insurance and postal sectors. But, lack of representation from other fields like health, tourism, hospitality, education, may limit the scope of application to these sectors of service

economy. Also, geographic reach of current study is restricted to regional level only; participation of organizations from national as well as international destinations could have impacted the results in a different way.

References.

- Allinson, C. W., Armstrong, S.J., and Hayes, J. (2001). The effects of cognitive style on leader member exchange: A study of manager-subordinate dyads. *Journal of Occupational and Organizational Psychology*, 74, 201-220.
- Ansari, M. A., Hung, D. K., and Aafaqi, R. (2008). Leader member exchange and attitudinal outcomes: Role of procedural justice climate. *Leadership of Organization Development Journal*, 28 (8) , 690-70.
- Boehman, J. (2006). Affective, continuance, and normative commitment among student affairs professionals, unpublished doctoral dissertation, North Carolina State University, Raleigh, NC (ProQuest Digital Dissertations).
- Campbell, J. P., McCloy, R. A., Oppler, S. H., and Sagar, C. E. (1993). A theory of performance. In Schmitt, N. and Borman, W.C (eds.), *Personnel selection in organizations*: 35-70. Jossey-Bass, San Francisco.
- Carlzon, J. (1987). *Moments of Truth*. Ballinger, New York.
- Daneshfard, C., and Ekvaniyan, K. E. (2012). Organizational Commitment and job Satisfaction in Islamic Azad University. *Interdisciplinary Journal of Contemporary Research in Business*, 3(9), 168-181.
- Dansereau, F., Graen, G. and Haga, W.J. 1975. A vertical dyad linkage approaches to leadership within formal organizations- a longitudinal investigation of the role making process. *Organizational Behaviour and Human Performance*, 13: 46-78.
- Dyer, L. and Reeves, T. (1995). Human resource strategies and firm performance, What do we know and where do we need to go? *International Journal of Human Resource Management*, 656-670.
- Graen, G.B., and Cashman, J. (1975). A role- making model of leadership in formal organizations: A developmental approach. In J. G. Hunt and L.L.Larson(Eds).
- Hoy, W., and Miskel, C. (2001). *Educational administration* (6th ed.). New York: McGraw-Hill.
- Loong, L. K. (2008). The Study of Mentoring and LMX on Organizational Commitment Among Auditors in Malaysia. *Sunway Academic Journal* 6.
- Meyer, J. P., and Allen, N. J. (1991). A Three Components Conceptualization of Organizational Commitment. *Journal of Vocational Behavior*, 14, 224-247.

- Meyer, J.P., Allen, N.J, and Smith, C.A. (1993). Commitment to organizations and occupations: Extension and test of a three-component conceptualization. *Journal of Applied Psychology*, 78, 538-551.
- Porter, L.W., Steers, R.M., Mowday, R.T., and Boulian, P.V. (1974). Organizational Commitment, Job Satisfaction and Turnover among Psychiatric Technicians. *Journal of Applied Psychology*, 59, 603-609.
- Sparrowe, R. T. and Liden, R. C. (1997). Process and structure in leader – member exchange. *Academy of Management Review*, 22: 522-552.
- Taggar, S. 2002. Individual creativity and group ability to utilize individual creative resources: A multilevel model. *Academy of Management Journal*, 45, 315– 330.
- Zemke, R., and Schaaf, D. (1989). *The Service edge: 101 Companies that profit from customer care.* New American Library, New York.