

**LEADER REINFORCEMENT BEHAVIORS
AND EMPLOYEE WORK OUTCOMES:
THE MEDIATING ROLE OF LEADER-MEMBER EXCHANGE**

by

TNG CHEE CHOW

**Research report in partial fulfillment of the requirements
for the degree of Master of Business Administration**

JULY 2006

ACKNOWLEDGEMENTS

Three years ago, I decided to commit myself for my MBA study in USM. If I were to make that decision again, I will do just the same. These three years, I would say it is time well spent for me despite the challenges that came forth along the way. Thinking of the journey of my MBA study, it was really a memorable one--full of excitement, interesting, and encouragement. With this study, I felt more knowledgeable and more confident now in my life than three years ago and witness my personal growth.

The idea of researching the subject of leader reinforcement/non-reinforcement behaviors struck my mind as I was keen to understand how these behaviors would affect employee work outcomes. When discussed the topic with Professor Mahfooz A. Ansari, it was great that our interest matched each other and he agreed to supervise me on this topic of interest. I certainly believe that the completion of this research will provide a great insight to me in enhancing my knowledge in the aspects of leadership and organizational behavior.

The completion of my MBA study would not have happened without the supports rendered by my loved ones. I would like to express my heartfelt thanks to my beloved families. Thanks to them for their unconditioned 24 X 7 support given to me through out the three years of my MBA study. To my supervisor--Professor Mahfooz A. Ansari--I sincerely convey my gratitude to him for the patient, guidance, and support. To my manager at work--Diana Clark--I extend my heartfelt thanks for her understanding and support. Thanks also to my fellow colleagues in my company, my friends in other companies, my MBA course-mates, and many others for their close friendship and support to make this study journey a meaningful and memorable one in my life.

TABLE OF CONTENTS

	<u>Page</u>
TITLE PAGE	i
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	vi
LIST OF FIGURES	vii
ABSTRAK	viii
ABSTRACT	x
Chapter 1	
INTRODUCTION	
1.1 Background	1
1.2 Problem Statement	2
1.3 Research Objectives	5
1.4 Research Questions	6
1.5 Significance of the Study	7
1.6 Scope of the Study	8
1.7 Definition of Key Terms	8
1.7.1 <i>Leader reinforcement/non-reinforcement behaviors</i>	8
1.7.2 <i>Commitment</i>	9
1.7.3 <i>In-role Performance</i>	10
1.7.4 <i>Extra-role Performance</i>	10
1.7.5 <i>Leader-member Exchange (LMX)</i>	11
1.8 Organization of Chapters	11
Chapter 2	
LITERATURE REVIEW	
2.1 Introduction	13
2.2 Organizational Effectiveness	13
2.3 Leadership	14
2.4 Leader Reinforcement Behaviors	21
2.5 Commitment	26
2.6 Job Performance	28
2.7 Leader-member Exchange (LMX)	32
2.8 Gaps in the Literature	35
2.9 Theoretical Framework	36
2.10 Development of Hypotheses	38
2.10.1 <i>Direct Impact of Leader Reinforcement/Non-reinforcement Behaviors on Employee Work Outcomes</i>	38
2.10.2 <i>Mediating Effect of LMX</i>	40
2.11 Summary	42

Chapter 3	METHODOLOGY	
3.1	Introduction	43
3.2	Research Site and Sample	43
3.3	Procedure	44
3.4	Measures	45
	3.4.1 <i>Leader Reinforcement/Non-reinforcement Behaviors</i>	45
	3.4.2 <i>LMX</i>	46
	3.4.3 <i>Commitment</i>	47
	3.4.4 <i>In-role Performance</i>	48
	3.4.5 <i>Extra-role Performance</i>	48
	3.4.6 <i>Demographic Variables</i>	48
3.5	Statistical Analyses	49
3.6	Summary	52
Chapter 4	RESULTS	
4.1	Introduction	53
4.2	Profile of Respondents	53
4.3	Goodness of Measures	56
	4.3.1 <i>Leader Reinforcement/Non-reinforcement Behaviors</i>	56
	4.3.2 <i>LMX</i>	58
	4.3.3 <i>Commitment</i>	60
	4.3.4 <i>Performance</i>	61
4.4	Intercorrelations Among All Variables	63
4.5	Hypotheses Testing	66
	4.5.1 <i>Test for Hypothesis 1</i>	66
	4.5.2 <i>Test for Hypothesis 2</i>	67
	4.5.3 <i>Test for Hypothesis 3</i>	69
	4.5.4 <i>Test for Hypothesis 4</i>	70
4.6	Summary	74
Chapter 5	DISCUSSION AND CONCLUSION	
5.1	Introduction	76
5.2	Recapitulation	76
5.3	Discussions	77
5.4	Implications of the Study	83
5.5	Limitations of the Study	85
5.6	Future Research	85
5.7	Conclusion	86
	REFERENCES	88

APPENDICES

I	STUDY QUESTIONNAIRES	98
II	SPSS – DESCRIPTIVE ANALYSES	107
III	SPSS – FACTOR ANALYSES	111
IV	SPSS – RELIABILITY ANALYSES	123
V	SPSS – HIERARCHICAL MULTIPLE REGRESSION ANALYSES	130

LIST OF TABLES

		<u>Page</u>
Table 3.1	Distribution of Questionnaire Items for Subordinates	46
Table 3.2	Distribution of Questionnaire Items for Supervisors	47
Table 4.1	Demographic Profile of the Subordinates	54
Table 4.2	Demographic Profile of the Supervisors	55
Table 4.3	Rotated Factors and Factor Loadings of Leader Reinforcement/ Non-reinforcement Behaviors	57
Table 4.4	Rotated Factors and Factor Loadings of LMX	59
Table 4.5	Rotated Factors and Factor Loadings of Commitment	60
Table 4.6	Rotated Factors and Factor Loadings of Performance	62
Table 4.7	Descriptive Statistics, Cronbach's Coefficients Alpha, and Zero- order Correlations of All Study Variables	65
Table 4.8	Summary of Regression Analysis for Hypothesis 1	67
Table 4.9	Summary of Regression Analysis for Hypothesis 2	68
Table 4.10	Summary of Regression Analysis for Hypothesis 3	69
Table 4.11	Summary of Mediated Regression Analyses Results	72

LIST OF FIGURES

		<u>Page</u>
Figure 2.1	Theoretical Framework	37
Figure 4.1	The mediating impact of LMX on the relationship between leader omission in response to good performance behavior and supervisory commitment, organizational commitment, in-role performance, altruism, and conscientiousness.	73
Figure 4.2	The mediating impact of LMX on the relationship between leader contingent reward behavior and supervisory commitment and in-role performance.	74

ABSTRAK

Pimpinan adalah salah satu tajuk yang paling dikaji dalam sastera pengurusan. Penyelidikan terkini mengutamakan pimpinan transformasi kepada pimpinan transaksi dengan kepercayaan bahawa pimpinan ini adalah model unggul yang lebih berkesan bagi pengurusan pekerja supaya mendapatkan hasil yang diinginkan. Namun demikian, ada juga keputusan penyelidikan menunjukkan pimpinan transaksi adalah asas kepada pimpinan transformasi; kesan pimpinan transformasi akan terhad tanpa asas ini. Selain itu, penyelidikan pimpinan transaksi kebelakangan ini hanya menumpukan kepada perlakuan penguatan berpatutan/tidak berpatutan pemimpin dan kurang penyelidikan atas perlakuan ketidakkuatan pemimpin. Kajian ini bertujuan untuk menyumbang kepada terbitan sastera terhadap subjek pimpinan. Dalam kajian ini, perlakuan penguatan/ketidakkuatan pemimpin diselidik dalam empat ukuran--perlakuan tidak gerakbalas kepada pertunjukan baik (OG), perlakuan tidak gerakbalas kepada pertunjukan kekurangan (OP), perlakuan ganjaran berpatutan (CR), dan perlakuan hukuman berpatutan (CP) sebagai pembolehubah tidak bersandar. Pembolehubah bersandar yang dikaji adalah komitmen (terhadap penyelia dan organisasi), pertunjukan "in-role", dan pertunjukan "extra-role" (altruism dan conscientiousness). Hubungan ketua-ahli dipilih sebagai pembolehubah penyederhana dan dikaji dalam empat ukuran--penyumbangan, kesetiaan, perasaan, dan kehormatan profesional. Data telah dikumpulkan daripada 236 pasangan ketua-ahli yang bekerja di sektor perkilangan di Pulau Pinang secara soal selidik. Empat hipotesis utama telah dibentangkan. Keputusan daripada kajian ini menyokong bahawa hubungan ketua-ahli adalah berhubung dengan komitmen dan pertunjukan pekerja dan separuh menyokong hubungan terus antara (a) perlakuan penguatan/ketidakkuatan pemimpin dengan komitmen dan pertunjukan pekerja dan (b) perlakuan penguatan/ketidakkuatan

pemimpin dengan hubungan ketua-ahli. Selain itu, kajian ini juga separuh menyokong hubungan ketua-ahli sebagai penyederhana antara perlakuan penguatan/ketidakuatan pemimpin dan komitmen dan pertunjukan pekerja. Implikasi kajian ini memperingatkan organisasi-organisasi Malaysia tentang kepentingan and penyumbangan perlakuan penguatan berpatutan pemimpin dan hubungan ketua-ahli atas komitmen (terhadap penyelia dan organisasi) dan pertunjukan (in-role, altruism, dan conscientiousness) pekerja. Dengan demikian, organisasi-organisasi Malaysia diperingatkan supaya mengambil langkah-langkah yang berpatutan untuk mengekalkan perlakuan penguatan berpatutan pemimpin atas pertunjukan pekerja dan membina hubungan ketua-ahli yang berkualiti tinggi demi mempertingkatkan komitmen dan pertunjukan pekerja.

ABSTRACT

Leadership is one of the most widely studied topics in the management literature. Contemporary researches preferred transformational leadership over transactional leadership with the belief that it is the dominant model of effective leadership when dealing with employees for desired outcomes. However, there were findings indicating that transactional leadership is at the base of transformational leadership; without the foundation, transformational effects may be limited. Furthermore, the studies of transactional leadership have long been focused on leader contingent/non-contingent reinforcement behaviors and there were very limited research on leader non-reinforcement behaviors. This study was designed to contribute to the pool of literature pertaining to this subject. In this research, the leader reinforcement/non-reinforcement behaviors were studied in four dimensions--leader omission in response to good performance behavior (OG), leader omission in response to poor performance behavior (OP), leader contingent reward behavior (CR), and leader contingent punishment behavior (CP) as predictors. The dependent variables of interest are commitment (supervisory and organizational), in-role performance, and extra-role performance (altruism and conscientiousness). Leader-member exchange (LMX) was chosen as mediator and was conceptualized as a four-dimensional construct--contribution, loyalty, affect, and professional respect. Data were collected from 236 supervisor-subordinate dyads who worked in manufacturing firms in Penang by means of structured questionnaires. Four major hypotheses were developed. The results showed support for the direct impact of LMX on commitment and performance and partial support for the direct impact of (a) leader reinforcement/non-reinforcement behaviors on commitment and performance and (b) leader

reinforcement/non-reinforcement behaviors on LMX. Partial support was also obtained for the mediating impact of LMX on the relationship between leader reinforcement/non-reinforcement behaviors and commitment and performance. The implications of the findings are highlighted to the Malaysian organizations of the importance of leader contingent reinforcement behaviors and LMX in contributing to employee commitment (supervisory and organizational) and performance (in-role, altruism, and conscientiousness). Therefore, Malaysian organizations are recommended to undertake necessary steps to maintain proper contingent reinforcement on employees' performance and to develop high quality of exchange between supervisors and subordinates that are essential to raise the level of commitment and performance.

Chapter 1

INTRODUCTION

1.1 Background

In a changing and competitive business environment, organizations have to be capable of sensing and monitoring the environmental shifts, and rapidly realigning their strategies and internal capabilities consistent with the environmental challenges. This implies that organizational success relies heavily on how well it can continually manage and utilize its scarce resources according to the shifts and changes in the market to achieve the greatest results. The scarce resources that are available in an organization for achieving planned business objectives and goals include financial resources, natural resources, human resources, and so on.

Of the resources that are available, the human side still tends to receive, or given a low priority as most of the organizations are still facing a dilemma: is employee an asset or a liability? After all, if one were to categorize employees as an asset, there is no standard formula or method to do so as the skills, experiences, and innovative ideas possessed by the employees are difficult to be quantified. However, on the other hand, it is easier to categorize employees as liability as the compensation and benefits paid to the employees (namely labor cost) can be easily calculated and reported. Nowadays, many organizations have sought the solutions to competitive challenges in places mostly by doing away with their people--downsizing and/or outsourcing in order to shrink and achieve the desired cost structure. By doing so, the organizations may be able to gain the short-term competitive advantage in terms of cost or increasing profit. Unfortunately, all these efforts that help to minimize the labor cost can actually weaken and destroy their long-term competitive advantage like

innovation and productivity as they are losing their most important asset in the organizations--people who are the center of the innovation and productivity. Since the foundation of innovation is ideas, it is people who develop, carry, react to, and modify ideas (Van de Ven, 1986). Indirectly, this also indicates that the organizations are losing their innovation and productivity even they repeatedly proclaim “people are our most important assets.” This will eventually hurt their profit and growth as they will not be able to compete with others due to lacking in innovation and productivity.

1.2 Problem Statement

Although the development and innovative application of IT can lead to improvement in productivity, it may not be sufficient in sustaining competitive advantage. Nowadays, technology is easily obtained and replicated and it only levels the playing field. An organization’s valued human assets can not be copied. It is believed that “machines do not make things, people do.” Rapidly advancing technology makes human resources even more critical to organizational success. For sustainable competitive advantages going into 21st century, human resources are still the major force for creating the distinctive core competencies. The advancement of technologies that help to enhance today’s human life quality like computer, internet, etc. would not be possible without human’s innovative ideas and productivity. Thus, the real challenge for the organizations in today competitive environment is to find ways to manage human resources as effectively and efficiently as possible in order to accomplish the visions and becomes a high performing entity with world-class performance.

Since employees are the major factor that influenced the productivity and effectiveness functioning of the organization, it is therefore in the interest of

organizations to find ways for better management and enhance the employees work outcomes that have significant impact to the effective functioning of an organization such as in-role performance, extra-role performance, job satisfaction, organizational commitment, etc. The antecedents of these work outcomes have long been studied (e.g., Hackett & Lapierre, 2004; Higgins, Judge, & Ferris, 2003; Mathieu & Zajac, 1990; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002) in order to provide better understanding and hence, help practitioner to promote organizational effectiveness and success.

Organizational effectiveness and efficiency can be improved as a result of improved employee work outcomes. In view of this, managers need to know the ways that they can utilize to promote the work outcomes such as motivation, satisfaction, commitment, effectiveness, and efficiency of their subordinates. Therefore, it is important for the managers to know what are the effective managerial approaches in the workplace that are available to them to achieve this, and understand how these approaches would affect the relationship between leaders and followers in order to influence the behaviors of subordinates for promoting organizational success.

Extensive researches had been done on the effective managerial method and approach for better employee performance management. Of particular popular approach is based on reinforcement theory--a systematically and simply applied through the steps of organizational behavior modification (O.B. Mod) (Luthans & Kreitner, 1975). The fundamental assumption of the behavioral approach is that employee behavior is a function of its contingent consequence, something that strengthens and leads to an increase in the frequency of a behavior is called a reinforcer (Luthans & Stajkovic, 1999). Behaviors that positively affect performance are contingently reinforced or behaviors that negatively affect performance are

contingently punished most of the time in order to encourage the desired behaviors, or to eliminate the undesired behaviors for achieving the desired results and outcomes.

However, there are also occasions that the behaviors positively or negatively affecting performance are neither reinforced nor punished (that is totally ignored or neglected), which results in employee's ambiguity and uncertainty about their behaviors and performance. Interestingly, most of the research done previously mainly focused on the application of reinforcer by the leader and its effect on various employee work outcomes like commitment, performance, satisfaction, absenteeism, effort, motivation, intention to leave, and turnover. (Hinkin & Schriesheim, 1994; Podsakoff, Barman, Todor, & Grover, 1982; Podsakoff & Todor, 1985; Podsakoff, Todor, & Skov, 1981; Schul, Remington, & Berl, 1990; Sims & Szilagyi, 1975; Szilagyi, 1980). Less attention had been paid to the leader non-reinforcement behaviors and their effect on employee work outcomes.

The relationship between leader reinforcement behaviors and important employee work outcomes is well established in the previous literature. However, what is missing in the literature is an explanation of why the leader reinforcement behaviors influence a variety of employee work outcomes. Given the complex nature of the supervisor-subordinates interactions and complexity of exchange process, it is believed that the relationship between leader reinforcement behaviors and employee work outcomes could be explained by some linking mechanism or variable. The social exchange process such as what occurs between a supervisor and his or her subordinates (Masterson, Lewis, Goldman, & Taylor, 2000) might act as potential mechanism that would explain the relationship between leader reinforcement behaviors and employee work outcomes. Specifically, leader-member exchange (LMX) represents the social exchange process between a supervisor and his or her

subordinate. Few leadership empirical studies have focused on LMX approach to leadership. For example, there were researches that studied the effect of LMX as a mediator on the relationship between transformational leadership and employee work outcomes such as performance and OCB (e.g., Wang, Law, Hackett, Wang, & Chen, 2005). However, there are limited empirical researches done on the relationship of LMX and leader reinforcement behaviors (that is transactional leadership). Also, we are aware of no empirical research that has investigated the impact of LMX on the relationship between leader reinforcement behaviors and employee work outcomes. Hence, it is essential to conduct such research in order to give more insight into the understanding of the mediating effects of LMX in the relationship between leader reinforcement behaviors and employee work outcomes.

Employee work outcomes such as commitment and performance can contribute greatly to organizational success without incurring additional financial investment. Thus, it is worthwhile for organization to know the factors that induce commitment and performance. Moreover, it will be helpful to identify areas that would possibly deter the commitment and performance. This will help organizations to create conducive working environment to bring out commitment and performance that promote overall functioning of the organizations.

1.3 Research Objectives

The present study focuses on the effect of leader reinforcement/non-reinforcement behaviors (response and non-response) on employee commitment (supervisory and organizational) and performance (in-role and extra-role), and mediated by the LMX. Moreover, this study was conducted using two sources of data--one from supervisors and another one from the subordinates. This research approach is employed in this

study in order to avoid common method variance, as most of the previous leadership studies are at fault because of that. On top of this, most of the studies on leader reinforcement behaviors have been conducted in the Western context, this study will add to the literature by examining the relationship of leader reinforcement/non-reinforcement behaviors and employee work outcomes in the Malaysian context as well. Thus, the focus of the present study will be on developing a causal model which can better explain this relationship. In short, the objectives of this study are:

- (1) To investigate the relationship between leader reinforcement/non-reinforcement behaviors and employee commitment, both supervisory and organizational.
- (2) To investigate the relationship between leader reinforcement/non-reinforcement behaviors and employee performance, both in-role and extra-role.
- (3) To examine the mediating effect of LMX on the relationship between leader reinforcement/non-reinforcement behaviors and employee commitment, both supervisory and organizational.
- (4) To examine the mediating effect of LMX on the relationship between leader reinforcement/non-reinforcement behaviors and employee performance, both in-role and extra-role.

1.4 Research Questions

The above research objectives will be achieved by addressing the following questions through this study:

- (1) What is the impact of leader reinforcement/non-reinforcement behaviors on employee commitment, both supervisory and with organizational?

- (2) What is the impact of leader reinforcement/non-reinforcement behaviors on employee performance, both in-role and extra-role?
- (3) How does LMX influence employee commitment, both supervisory and organizational?
- (4) How does LMX influence employee performance, both in-role and extra-role?
- (5) What is the impact of leader reinforcement/non-reinforcement behaviors on LMX?
- (6) Does LMX mediate the relationship between leader reinforcement/non-reinforcement behaviors and employee commitment, both supervisory and organizational?
- (7) Does LMX mediate the relationship between leader reinforcement/non-reinforcement behaviors and employee performance, both in-role and extra-role?

1.5 Significance of the Study

In this study, we would offer some insights into the organizational behavior and leadership literature in the Malaysian context, thus deemed significant for its contribution. Also, the background setting of the study is for leader reinforcement/non-reinforcement behaviors, LMX, and employee work outcomes (supervisory commitment, organizational commitment, in-role performance, and extra-role performance.), future researchers may just utilize the useful information obtained from this study to further research into wider aspects that will go to further enhance the effectiveness of employee performance management. In short, this study not only helps organizations to better manage the employee performance in order to

achieve organizational success, but also to provide many potential paths for future research in organizational behavior and leadership areas.

1.6 Scope of the Study

This is a quantitative study that had been conducted on employees of manufacturing sectors in Bayan Lepas Free Industrial Zone, Penang as the scope to explore the extent of employee work outcomes (supervisory commitment, organizational commitment, in-role performance, and extra-role performance,) being impacted by leader reinforcement/non-reinforcement behaviors and the mediating effect of LMX on these relationships.

1.7 Definition of Key Terms

The terms used for this study are: leader reinforcement/non-reinforcement behaviors, supervisory commitment, organizational commitment, in-role performance, extra-role performance (altruism and conscientiousness), and LMX.

1.7.1 Leader Reinforcement/Non-reinforcement Behaviors

When a consequence is intended to increase a behavior and make it more likely to occur, it is a reinforcement behaviors (Hopen, 2004). On the other hand, non-reinforcement (omission) behaviors defined as behaviors of withholding the reinforcement of any kind for extinguishing employees' behavior (Hinkin & Schriesheim, 2004).

- (1) Contingent reward behavior (CR) is leader's contingent positive reinforcement behaviors upon employee's good performance through the

usage of recognition, acknowledgment, commendation, etc. (Podsakoff et al., 1982).

(2) Contingent punishment behavior (CP) is leader's contingent negative reinforcement behaviors upon employee's poor performance through the usage of reprimands, disapproval, etc. (Podsakoff et al., 1982).

(3) Omission in response to good performance (OG) is leader's non-reinforcement behaviors upon employee behavior that employee not receiving any reinforcement for their good performance (Hinkin & Schriesheim, 2004).

(4) Omission in response to poor performance (OP) is leader's non-reinforcement behaviors upon employee behavior that employee not receiving any reinforcement for their poor performance (Hinkin & Schriesheim, 2004).

1.7.2 Commitment

Commitment is psychological attachment of employee to the organizations (Organ, 1990). Only one of the commitment components was included for this study-- affective commitment which is defined as employee's emotional attachment to, identification with, and involvement in an organization (Allen & Meyer, 1990). In this study, affective commitment was studied for supervisory commitment and organizational commitment.

(1) Supervisory commitment--commitment of employee towards supervisors.

(2) Organizational commitment--commitment of employee towards organizations.

1.7.3 In-role Performance

In-role performance is defined as actions specified and required by an employee's job description and thus mandated, appraised, and rewarded by the employing organization (Janssen & Van Yperen, 2004)

1.7.4 Extra-role Performance

Extra-role performance is refers to performance that is above and beyond the call of duty within the organization, but make a contribution to organizational effectiveness (Mackenzie, Podsakoff, & Ahearne, 1998), which is also known as organizational citizenship behaviors (OCB). In this study, only 2 dimensions of OCB will be examined--altruism and conscientiousness. Altruism is the organizational citizenship behavior directed towards other individuals (OCBI) such as helping others with heavy workload or having problem with their work. Conscientiousness is the organizational citizenship behavior directed towards organization (OCBO) such as always follow company rules and regulations, working beyond office hours, and does not take extra time for breaks. Settoon and Mossholder (2002) in their study pointed out it may be important to distinguish the difference between these two OCB behaviors as the parties benefited from such beneficial behaviors are depends on the types of OCB behaviors employee choose to engage with.

- (1) Altruism is voluntary behavior that intended to help a specific person with a given problem (Organ, 1998).
- (2) Conscientiousness is characteristic that surpasses minimal role requirements and generalized compliance with internalized organizational norms (Organ, 1998).

1.7.5 Leader-member Exchange (LMX)

Leader-member exchange (LMX) defined as the quality of the dyadic relationship between a subordinate and his or her immediate supervisor (Graen & Scandura, 1987).

Graen and Scandura (1987) developed LMX theory based on the notion that leader builds different exchange of trust, support, and interaction with different subordinates.

According to Liden and Maslyn (1998), there are four dimensions of LMX namely:

- (1) Contribution--perceived efforts that members expend towards leader for mutual work goals.
- (2) Loyalty--extent of support that leaders and subordinates give to one another in public.
- (3) Affect--attraction of fondness between leaders and subordinates.
- (4) Professional respect--admiration of the professional knowledge and skills possessed by leaders and subordinates.

1.8 Organization of Chapters

There are a total 5 chapters in this research. Chapter 1 briefly discussed the introduction of this research which included the problem statement, research objectives, research questions, significance of the study, scope of the study, and definition of the key terms. In Chapter 2, past literatures for the variables were reviewed--(1) organizational effectiveness, (2) leadership, (3) leader reinforcement behaviors, (4) commitment, (5) performance, and (6) leader-member exchange (LMX). At the end of Chapter 2, the gaps in the past literature were identified, theoretical framework and formulation of the hypotheses were also presented. Chapter 3 discussed the research methodology employed in this study such as research site and sample, procedure, measures, and statistical analysis. Then, Chapter 4 presented the

results from the various statistical analyses done on the collected data and finally, Chapter 5 concluded the study with survey findings discussion, implication of the study, limitation of the study, and suggestion for future studies.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

This section contains past literature for each construct that forms the foundation of the current research--overview of organizational effectiveness, leadership, leader reinforcement behaviors, commitment (both supervisory and organizational), performance (both in-role and extra-role), LMX, and the relationship among these variables. Also, this chapter discusses the gaps in the past literature and based on these findings, the theoretical framework is developed and the hypotheses are formulated for this study.

2.2 Organizational Effectiveness

Organizational effectiveness has long been the objective in mind for the study of management and leadership that focused on the effective use of resources, optimal performance, profitability and the like. With the accelerated rate of globalization process, organizations are forced to reconsider their competitive situation and the extent to which they are able to differentiate themselves from new market entrants or in new market. Quinn, Doorley, and Paquette (1990) argued that physical facilities including those seemingly superior products no longer provide sustainable competitive edge or advantage to organizations, as they are too easily bypassed, reverse engineered, cloned, or slightly surpassed. A more sustainable competitive advantage usually derives from outstanding human resources or skills instead.

Many organizations today acknowledge the value of human input in organizational effectiveness and success. The criteria of organizational effectiveness

such as performance, productivity, efficiency, satisfaction, commitment, and so on are increasingly getting attention because the behavior of employees is the key in achieving organizational success (Ivancevich & Matteson, 1999). The apparent importance of employee inputs to the organizational performance and in differentiating an organization from competitors has led to the new attempts to find new ways for optimizing this resource. For example, through leadership, LMX, and managerial interventions like intrinsic and extrinsic rewards (leader reinforcement behaviors), the organizations can influence the employees' behavior towards organizational effectiveness.

2.3 Leadership

Over the years, leadership has been one of the important and most researched topics in the literature of social sciences, management, and organizational behavior. Leaders are believed to play a vital role in developing the competency of the employees and managing their performance. This is particularly important for effective functioning in the organizations where tasks are complex and unstructured, and required high level of effectiveness and efficiency. In such an uncertain environment, the leaders are not only required to be effective in managing the employee performance, but also to engage with followers in productive and satisfying mutual pursuits.

In the early studies of leadership, it can be broadly classified into few approaches such as trait approach, behavioral approach, and the contingency approach. The trait approach focused on the inherent characteristic of the leader. Researches have tried to identify the traits of effective leaders such as physical, social, and personal characteristics that are inherent in effective leaders. The assumption is that leaders who possessed such characteristics were most likely to be effective, which

distinguished them from non-leaders. House and Aditya (1997) summarized that there existed a number of traits that positively influence leadership effectiveness. Some of these traits were physical energy, intelligence of the leader relative to the followers, self-confidence, and achievement motivation. However, there is no universal set of traits that clearly differentiate effective and non-effective leaders (Bass, 1990). As mentioned by Stogdill (1974), possession of the traits for effective leadership is insufficient. These traits ought to be relevant to the characteristics, activities, and goals of the followers in order for it to produce positive results of effectiveness such as commitment, satisfaction, and loyalty (Yukl, 1998). A popular trait theory is McClelland's achievement motivation theory. McClelland suggested that effective leaders are those who are high in achievement motivation (House & Aditya, 1997). Trait theory did provide some insights into leadership but was generally rather inconclusive.

Subsequently, the leadership was studied using two factors approach--task-oriented style--defined as accomplishing assigned task by organizing task relevant activities, and relations-oriented style--defined as maintaining interpersonal relationships by tending to others' morale and welfare (Hemphill & Coons, 1957, Likert, 1961). The conceptualization of these two leadership behaviors was in terms of concern for task objective versus concern for people. The concept of this two-factor leadership behaviors were incorporated into the leadership theories like path-goal theory, leader substitutes theory, LPC contingency theory, and "high-high" theory. However, it was later found that effective leaders are the one who integrate task and people concerns in a way that is relevant for the situation, rather than merely using task and relationship behavior to the maximum extent (Blake & Mouton, 1982).

Other studies had developed the leadership theory in different way and distinguished the leaders into (a) who behave democratically and allow subordinates to participate in decision making or (b) who behave autocratically and discourage subordinates from participating in decision making. These dimensions of leadership were developed by a number of researchers (e.g., Vroom & Yetton, 1973) and were named as democratic versus autocratic leadership, or participative versus directive leadership. The studies conducted to test the proposition that participative leadership is more effective than autocratic leadership only yielded weak and inconsistent results. This is due to the complexity of leadership process. Vroom and Yetton (1973) found that leaders can select and vary their use of decision procedure according to the situation. Effective leaders tend to use different types of procedures for different types of decision that is appropriate for the immediate situation.

Until 1980s and 1990s, the studies of leadership had been shifted towards new types of styles--transformational, transactional, and laissez faire leadership. Transformational leadership theories predict followers' emotional attachment to the leaders and emotional and motivational arousal of followers as a consequence of the leader's behaviors (House, Woycke, & Fodor, 1998). Transformational leaders typically inspires followers to do more than originally expected by broadening and elevating the interest of followers, generating awareness and acceptance among the followers of the purposes and mission of the group as well as motivating followers to go beyond their self-interests for the good of the group (Burns, 1978). Bass (1985) cited (1) charisma or idealized influence, (2) inspirational motivation, (3) intellectual stimulation, and (4) individualized consideration as four behaviors comprising transformational leadership. According to Bass (1985), charisma is the leader behaviors in admirable ways that generate great referent power and influences causing

subordinates idealize the leader and develop a strong need for leader approval. For inspirational motivation, it is the leader's ability to articulate a vision that is appealing and inspiring to followers to engage and emotionally communicate a future idealistic state. Intellectual stimulation is the extent of leader challenges assumption, takes risks, and solicits followers' ideas to think of old problem in new ways, whereas individualized consideration is the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower, and listens to the follower's concerns and needs.

On the other hand, the transactional leadership can be viewed and understood by contrasting it with transformational leadership. Burns (1978) argued that transactional leadership is an exchange relationship between leaders and followers. Followers receive certain valued outcomes (e.g., wages, compensation) in exchange for their behaviors according to their leader's wishes. This was further conceptualized by Bass (1985) to be a cost-benefit exchange process. This assumption was based on the idea that leader-follower relations are based on a series of exchanges between leaders and followers. Through the leader behaviors, the followers are compensated with what is necessary to motivate, direct, and satisfy them in order to perform as per the criteria clarified by the leaders. In other words, leaders clarified what is expected from subordinates and what they received in return (House et al., 1998). There are three dimensions of transactional leadership--(1) contingent reward, (2) management by exception – active, and (3) management by exception – passive. Contingent reward is the work for pay influencing arrangement that leader establishes transactions or exchanges with followers by clarifies the expectations and setup the rewards for meeting them. For management by exception, it is characterized as how leaders monitor the deviation by subordinates and take corrective action only when

subordinates fail to meet expectations. In 1993, Howell and Avolio found that the timing of leader's intervention on subordinate's deviation is the main distinction between management by exception – active and management by exception – passive. Leaders who are active will tend to closely monitor follower behaviors, anticipate problems, and take corrective actions before the problem arises whereas for passive leaders, they only take corrective actions after the problem arises.

As described, both transformational leadership and transactional leadership are active leaders who intervene with subordinates actively for preventing problems. On the other hand, there is another form of leadership that is often contrasted with these two active forms of leadership--extremely passive laissez-faire leadership, or actually non-leadership. Laissez-faire leaders are often reluctant to influence subordinates or give directions, avoids making decision and supervisory responsibility. Compared to the active form leaderships, this type of leaders are inactive, generally refrain from participating in group or individual decision making, and to a large extent, absence of any leadership. Researchers (Avolio, 1999; Bass, 1998) had argued that this should be separated from the one of the dimensions of transactional leadership--management by exception – passive which is only reactive, not inactive.

Typically, researches on leadership in the past decades had been extensively focused on the transformational leadership that had been viewed to be the dominant model of effective leadership when dealing with employees for desired outcomes (Howell & Avolio, 1993; Judge & Bono, 2000). The meta-analysis done by Judge and Piccolo (2004) showed that there were strong positive relationships between transformational leadership with employee work outcomes such as job attitudes, motivation, and performance. However, at the same time, they also reported that one of the transactional leadership dimensions--contingent reward behavior--was related

more strongly to follower's job satisfaction and motivation, and leader job performance rating as compared to transformational leadership. In view of this, it is too early to say that transformational leadership is the dominant model of effective leadership. In fact, as pointed out by Harter and Bass (1988), contrasting the transformational and transactional leadership does not imply that the models are unrelated. In fact, Burns (1978) viewed the two types of leadership as being at the opposite end of a continuum and leaders can choose to act at any point on this continuum. Furthermore, Bass (1985) argued that both transformational and transactional leadership are two separate dimensions that are not mutually exclusive, which means a leader can have both leadership styles instead of only one. This argument was supported by Bryman (1992). Bass (1985) also pointed out that transformational leadership actually builds on transactional leadership, but not vice versa. According to him, transformational leadership can be viewed as a special case of transactional leadership as both approaches are linked to the achievement of some goals or objectives. Transactional leadership motivates followers to perform according to the expectations by satisfying their lower level needs (wage, compensation), whereas transformational leadership results in motivating followers to move beyond expectations by satisfying the higher level needs (self-esteem). The difference between these models is on the process by which the leader uses to motivate the subordinates. Transactional leadership recognizes the need for processes such as performance feedback, appraisal, and pay to be used for the management of employee performance. The uses of these processes are based on the results followers achieved as compared to the negotiated level of performance. In this regard, both the leader and follower reach consensus on what the follower will receive based on the performance achieved. Rewards are then administered consistently and accordingly

by leader upon satisfaction of pre-agreed condition. In contrast to this, punishment (e.g., pay cut, demotion, and poor performance review) may be administered to the followers that have not performed up to the negotiated level of performance. Both reward and punishment are reinforcement behaviors used by leaders for employee performance management in order to foster performance needed for organizational effectiveness and success.

In short, transactional leadership is at the base of transformational leadership, without the foundation, transformational effects may be limited. Thus, it is important to take a deeper look at how transactional leadership may impact the employee work outcomes like performance and commitment. Also, a more comprehensive set of transactional leadership behaviors (both leader reinforcement and non-reinforcement behaviors) should be considered to better explain the variance that not captured by current transactional leadership dimension which examining only contingent reward behavior (CR), such as contingent punishment behavior (CP), omission in response to good performance behavior (OG), and omission in response to poor performance behavior (OP).

Besides, as discussed previously, LMX would be the potential linking mechanism between transactional leadership and employee work outcomes. Hence, it would be interesting to examine the impact of LMX theory on the relationship between the transactional leadership (leader reinforcement behaviors) and employee work outcomes because most of the leadership studies using LMX approach had been focusing on transformational leadership. We expect to see the similar findings since transactional leadership is at the base of transformational leadership. Some studies on leadership had suggested the transformational and transactional leadership were related to LMX. Howell and Hall-Merenda (1999) found that LMX was positively

related to transformational leadership and had a mixed relationship with transactional leadership (positively related to contingent reward leadership but negatively related to management-by-exception). On top of this, Graen & Uhl-Bien (1991) argued that LMX is a transactional and transformational leadership process where the development process of LMX unfolds in several stages in which trust, loyalty, and respect developed. In the initial stage, LMX is transactional--reliance on exchange of rewards that fulfill the self-interests of employees. In the later stage, LMX evolved into transformational--reliance on the exchange of mutual trust and respect that fulfill the employee's self-actualization. Few leadership empirical studies have focused on LMX approach to transformational leadership. For example, there were researches studied the effect of LMX as a mediator on the relationship between transformational leadership and employee work outcomes such as performance and OCB (e.g., Wang et al, 2005). Wang et al. (2005) found that LMX fully mediated between transformational leadership and task performance as well as OCB. Other empirical studies included measures of both transformational leadership and LMX such as researches conducted by Deluga (1992) and Basu and Green (1997). Since transactional leadership is the foundation of transformational leadership, we predicted that LMX would mediate the relationship between transactional leadership (leader reinforcement/non-reinforcement behaviors) and employee work outcomes.

2.4 Leader Reinforcement Behaviors

The concept of performance management is based on the theories of behavioral psychology. Behaviors are evaluated in terms of the results they generated, ineffective and inefficient actions, and inappropriate approaches undermined the ability to obtain the required results. Thus, if a behavior is rewarded, it is likely the behavior generated

that result will be repeated. Similarly, if a behavior is punished, it is most likely the behavior will be avoided. These consequences responded to behaviors are the reinforcement behaviors a manager can use to manage the employee performance, to foster motivation, and to change behaviors. Hopen (2004) defined that when a consequence is intended to increase a behavior and make it more likely to occur, it is a reinforcement. On the other hand, when a consequence is intended to decrease a behavior and make it less likely to occur, it is a punishment.

The reinforcement theory used to shape an individual behavior start taking place in Pavlov's conditioning experiments and has evolved through Skinner's classic operant conditioning in the 1920s and 1930s (Hinkin & Schriesheim, 2004). The terms "operant conditioning" was introduced by Skinner in 1937 in the context of reflex physiology to differentiate the behavior that affects the environment from the reflex-related subject matter of the Pavlovians. Operant behavior, defined by Skinner (1969) as behavior "controlled by its consequences" through the finding that a stimulus (antecedents) will produce a behavior that in turn will result in a consequence. There are three components operate in this cyclical process--antecedents (e.g., capabilities and resources), behaviors (e.g., actions taken, approach used, and results obtained), and consequences (e.g., reinforcement). The antecedents are input to the process like resources or capabilities available to the person that make it possible for him/her to behave successfully. Behavior involves the actions taken and the approaches used and are measured by the results obtained. Finally, consequences are responses to the behavior that can reinforce the behavior positively or negatively. Once a person experiences the consequences of his or her behavior, those consequences become part of the person's mindset and are antecedents to future behavior. In short, future behaviors are influenced by what happened to us in the past.

If we are rewarded for an achievement, we are likely to repeat the behaviors that helped us accomplish it. If we are punished for a behavior, we are likely to avoid it in the future. There are a total four reinforcers--two of them strengthen behaviors (positive reinforcement and negative reinforcement) and remaining two that weaken behaviors (punishment and extinction).

Reinforcement theory continues to develop as more and more researches done by various researchers to further refine the theory in order to increase its effectiveness of application. Milbourne and Francis (1980) viewed reinforcement theory as “Law of Effect”. To them, when a worker behaves in an appropriate manner and a manager wants that type of behavior to be repeated, then manager should use positive or negative reinforcement. A positive reinforcement tends to make good worker behaviors likely to occur in the future while a negative reinforcement is a consequence of worker behaviors increases the likelihood of good behaviors when removed. Therefore, negative reinforcement is like positive reinforcement, both increase the likelihood of good behaviors. On the other hand, when a worker behaves in an inappropriate manner, the manager should try to terminate or reduce these behaviors through punishment or extinction. Punishment refers to either the withholding of a reward or the application of an unpleasant or painful stimulus in order to stop an inappropriate behavior. Withholding a reward or inducing pain is the two forms punishment may take. For extinction, it tends to make any form of worker behaviors less likely to occur again because these behaviors are neither rewarded nor punished. This is used as a replacement for punishment to stop undesirable behaviors as the idea is to have the person learn that some actions do not “pay off” so that they shift their focus to actions that will produce pleasant consequences.

Positive reinforcement was referred as an event following a behavior that increases the frequency of that behavior and is not necessary the same as reward (Grodén & Cautela, 1981). Groden and Cautela (1981) also referred negative reinforcement to an increase in the performance of a behavior when that behavior results in escape from or avoidance of an aversive event. Similarly, punishment has been defined as the presentation or withdrawal of a stimulus following a behavior when that presentation or withdrawal leads to a reduction in that behavior. The extinction was defined as phenomenon of behavior reduction resulting from absence of reinforcement.

Subsequently, the researches on reinforcement theory were continued by numerous researchers. In 1987, Gaidis and Cross suggested that positive reinforcement is presentation of reward after performance of a behavior for increasing the probability a behavior will reoccur in the future. Same as positive reinforcement, negative reinforcement is a withdrawal of an aversive condition after performance of a behavior in order to increase the probability a behavior will reoccur in the future. Alternatively, for punishment, they viewed it as presentation of an aversive condition after performance of a behavior and for extinction is to ensure that the complete absence of any reinforcement after occurrence of an undesired behavior. The purpose of these reinforcement techniques are the same, which is to decrease the probability a behavior will reoccur in the future.

In 2004, the concept of reinforcement was further refined by Hinkin and Schriesheim to view reinforcement as contingent reward (CR) and contingent punishment (CP) while extinction as “non-reinforcement”. Extinction as a behavior of withholding the reinforcement of any kind, may eventually extinguish a behavior. They also introduced the concept of omission, which is defined as leader non-