

LEADER-MEMBER EXCHANGE AND JOB SATISFACTION

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LEADER-MEMBER EXCHANGE AND JOB SATISFACTION

by

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DEDICATED

To

Suganthi Sunder Rajah, my wife,

Sohniya, my daughter,

and

my late father, S.PL.Durarajen.

ACKNOWLEDGEMENT

First and most importantly, I would like to thank my wife, Suganthi, who has been the driving factor behind this effort and my pillar of strength. To my little baby, Sohniya, thank you for being my tension reliever throughout this period and spicing up our lives.

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“May God Bless Us All”

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ABSTRAK

Teori “Leader-Member Exchange (LMX)” mengkaji perhubungan di antara seseorang pemimpin dan ahli-ahlinya. Teori ini adalah berdasarkan kepercayaan bahawa perhubungan seseorang pemimpin dengan ahli-ahlinya adalah unik. Seseorang pemimpin lazimnya mempraktikkan satu cara kepimpinan, namun kebanyakan mereka tidak memberi layanan yang sama terhadap semua ahli-ahlinya (Thomas, 2003). Kajian ini adalah berdasarkan hasil kerja Profesor Lionel Dionne (Univeriste de Moncton, Shippagan) bertajuk “*Leader-Member Exchange: LMX and Job Satisfaction.*” Beliau telah membuat satu kajian “kepuasan kerja” diantara pekerja-pekerja daripada sebuah bank dengan menggunakan pendekatan multi-dimensi (*multi dimensional*) LMX. Kajian empirikal ini telah dijalankan di syarikat semikonduktor multinasional di Zon Perdagangan Bebas Bayan Lepas, Pulau Pinang, Malaysia. Pembolehubah tidak bersandar adalah LMX dengan empat dimensinya: Keberkesanan (*Affect*), Kesetiaan (*Loyalty*), Penglibatan (*Contribution*) dan Kehormatan Profesional (*Professional Respect*). Pembolehubah bersandar adalah kepuasan kerja dengan dua dimensi: Intinsik (*Intrinsic*) dan Extrinsik (*Extrinsic*). Kajian ini bertujuan mengenalpasti dimensi-dimensi LMX yang mempunyai perhubungan rapat dengan kepuasan kerja pekerja-pekerja. Keputusan kajian ini menunjukkan bahawa pembolehubah jantina tidak mempengaruhi perhubungan LMX dan kepuasan kerja. Selain itu, terdapat perhubungan yang positif di antara penglibatan (*contribution*) dan kehormatan profesional (*professional respect*) terhadap kepuasan kerja intrinsik.

ABSTRACT

Leader-member exchange (LMX) theory examines the relationship and role processes between a leader and individual followers. The theory is based on the understanding that leaders establish individual and mutually exchanged relationships with those in a subordination position. A leader typically has one major prevailing style of leadership, but most do not treat all followers the same way (Thomas, 2003). This study was adapted from the work of Professor Lionel Dionne (Univeriste de Moncton, Shippagan) titled “Leader-member exchange: LMX and job satisfaction”. Professor Lionel based his study on job satisfaction of bank employees using the multidimensional approach of LMX. This empirical study was conducted in a multinational semiconductor industry in Bayan Lepas Free Industrial Zone in Penang, Malaysia. The independent variable was LMX with four sub-scales: Affect, loyalty, contribution and professional respect. The dependent variable was job satisfaction with two subscales: Intrinsic and extrinsic. This research uses a multidimensional approach and seeks to identify which of the subscales in LMX have a higher relation with satisfaction of employees in their job. The results show that gender does not moderate between LMX and job satisfaction. Further, there is a positive relationship between Contribution and Professional Respect to Intrinsic Job Satisfaction.

Chapter 1

INTRODUCTION

1.1 Background

Leadership is a topic of constant study and discussion where everyone seems to have a view and where definitions are as varied as the explanations (Yukl, 1998). Simply put, leadership can be defined as getting result through others. Leaders are responsible for guiding people in a manner that produces desired results. Of course there are many other things a leader must do to fulfill his mission and purpose, but if one fails in the fundamental quest, the rest will be merely activity without accomplishment. Leaders may appropriately behave differently in different situations (Aldag & Kuzuhara, 2002; Vecchio & Gobdel, 1984).

The central premise behind the leader-member exchange (LMX) theory is that, within work units, different types of relationships develop between leaders and their subordinates, or members (Yukl, 1998). These relationships are characterized by the physical or mental effort, material resources, information, and/or emotional support exchanged between the two parties (Liden, Sparrowe & Wayne, 1997). These relationships vary in terms of the quality of the exchange (Aldag & Kuzuhara, 2002).

Aldag and Kuzuhara (2002) have provided a very nice summary of what has been referred to as the in-group and out-group in the leader-member exchange. They characterize the in-group as members that have high quality relationship with their leaders that centers around mutual trust, liking and respect. The members are provided with challenging and interesting assignments and in return, these members work hard and are supportive and loyal to the leader. On the other hand, the out-group is characterized as members that have low quality relationship with their leaders. These members are provided with lesser opportunities to demonstrate their capabilities as

they are viewed upon as lacking motivation, competence and loyalty. These members usually end up carrying out task as defined in their job description (Aldag & Kuzuhara, 2002).

1.2 Problem Statement

The problem that is being investigated is:-

- To identify which among the dimensions of LMX per the new construct will have a relationship with the facets of job satisfaction?
- To identify the moderating effect of gender to this relationship?

1.3 Purpose of the Study

As organizations move from domestic and regional growth to becoming international forces, their structures also tend to become more and more complicated. Of course, while cost becomes the driving factors behind these expansions, other factors such as cultural diversity, leadership and management styles and a vast other variables, come into play with as much importance.

Dissecting these magnanimous organizations into finer elements, we see that the built up is still very much the same – leader-member exchange still play a pivotal role in the future development of organizations. The fact is leaders do treat each member of their group differently (Vecchio & Gobdel, 1984). The problem here will be to identify if these relationships do contribute towards job satisfaction.

Only by focusing on each of the dyadic relationship, can the actual distribution of vertical relationships within any organizational unit be empirically discovered (Dansereau, Graen & Haga, 1975).

In this study, we are interested in using the multidimensional LMX. In the research by Liden, Sparrowe and Wayne (1997), they contend that LMX measurements can be improved and in order to capture the complexity of LMX, the multidimensional construct will be better to gauge the exchange relationship between individuals. According to Dienesch and Liden (1986), an exchange may be based on one or more dimensions (Dionne, 2000).

Additionally, previous research in to LMX and job satisfaction has been conducted using the uni-dimensional approach and it will be interesting to observe new findings by using the multidimensional approach (Dionne, 2000).

1.4 Research Questions

In particular, this study is aimed to answer the following questions:

- (i) Is there any significant relationship between LMX and job satisfaction?
 - a. Is there any significant relationship between affect and job satisfaction?
 - b. Is there any significant relationship between loyalty and job satisfaction?
 - c. Is there any significant relationship between contribution and job satisfaction?
 - d. Is there any significant relationship between professional respect and job satisfaction?
- (ii) Does the gender of the employee moderate the relationship between LMX and job satisfaction?

1.5 Scope of the Study

The scope of this study is to explore the extent to which quality in the leader-member exchange influences the member towards job satisfaction. In order to reduce

the number of variations (e.g. culture from one company to another), only one organization was selected for the study. This is a quantitative study conducted in a multinational semiconductor company in the Bayan Lepas Free Industrial Zone in Penang, Malaysia.

1.6 Definition of Key Terms

The ensuing section present terms that are employed in the present study. In order to have a better understanding of these terms, some definitions are provided.

1.6.1 Leader-member exchange (LMX)

According to Dansereau, Graen and Haga (1975), leader-member exchange (LMX) is the role making process between a leader and an individual subordinate. They also describe how leaders develop these relationships with their subordinate, over time. LMX theory was originally called the vertical dyad linkage (VDL) as it looked at the influence processes between a subordinate and their leader (Dionne, 2000).

1.6.2 Job Satisfaction

According to Dionne (2000), job satisfaction is an attitude that individuals develop from their perceptions of their jobs.

The following definition of affect, loyalty, contribution and professional respect was taken from Liden and Maslyn (1998).

1.6.3 Affect

Liden and Maslyn (1998) favored the definition of affect as laid down by Dienesch and Liden (1986) who define affect as the mutual affection members of the dyad have for each other based primarily on interpersonal attraction, rather than work or professional values. Such affection may be manifested in the desire for and/or occurrence of a relationship which has personally rewarding components and outcomes (e.g., a friendship).

1.6.4 Loyalty

Liden and Maslyn (1998) favored the definition of loyalty as laid down by Dienesch and Liden (1986) who define loyalty as the expression of public support for the goals and the personal character of the other member of the LMX dyad. Loyalty involves faithfulness to the individual that is generally consistent from situation to situation.

1.6.5 Contribution

Liden and Maslyn (1998) favored the definition of contribution as laid down by Dienesch and Liden (1986) who define contribution as the perception of the current level of work-oriented activity each member puts forth toward the mutual goals (explicit or implicit) of the dyad. Important in the evaluation of work-oriented activity is the extent to which the subordinate member of the dyad handles responsibility and completes tasks that extend beyond the job description and/or employment contract: and likewise, the extent to which the supervisor provides resources and opportunities for such activity.

1.6.6 Professional Respect

According to Liden and Maslyn (1998), professional respect is the perception of the degree to which each member of the dyad has built a reputation, within and/or outside the organization, of excelling at his or her line of work. This perception may be based on historical data concerning the person, such as: personal experience with the individual: comments made about the person from individual within or outside the organization; and awards or other professional recognition achieved by the person. Thus it is possible, though not required, to have developed a perception of professional respect before working with or even meeting the person.

1.6.7 Intrinsic

Intrinsic means belonging to the essential nature or constitution of a thing; not dependent on external circumstances; inherent (Webster's). According to Weiss (1967), these include type of work, achievement, ability utilization (Dionne, 2000). Intrinsic satisfaction is characteristics associated with the task itself (Herrera & Lim, 2003).

1.6.8 Extrinsic

Extrinsic applies to what is distinctly outside the thing in question or is not contained in or derived from the essential nature; not inherent (Webster's). According to Weiss (1967), these include environmental factors like working conditions, supervision, co-workers, company (Dionne, 2000). Extrinsic satisfaction is non-task characteristics of the job (Herrera & Lim, 2003).

1.7 Significance of the Study

Firstly, this research will be deemed significant due to its approach of gathering information where LMX is measured using a multidimensional scale (LMX-MDM). The validated multidimensional questionnaire LMX-MDM (Liden & Maslyn, 1998) will bring new understandings into how the relationship between leaders and members affects the satisfaction of members. Previous research into LMX and job satisfaction have been done using the other constructs of LMX and also focused on other type of industries. Additionally, during the time of this research, we have not come across any study that looks at investigating any relationship between the multidimensional approach to LMX and job satisfaction in the context of a manufacturing multinational. This study will allow us to look at job satisfaction as observed from the various dimensions of LMX.

Secondly, as there has been an increasing investment by foreign multinationals in Malaysia over the past two decades, this study also serves as a preliminary understanding of job satisfaction from these four dimensions of LMX. Hopefully, this study will pave the way for future more in-depth study in this country.

Thirdly, the Human Resource department can also facilitate training and skill development towards their managers in the various managerial functions. This, will help managers who are practitioners of LMX, understand which dimensions of LMX does bring about increased job satisfaction.

1.8 Summary and Organization of Remaining Chapters

The study on LMX has been going on for the last 30 years. What started off as ‘negotiating latitude’ has evolved to become the ‘Vertical Dyad Linkage (VDL) Model’ and now more familiarly called the ‘leader-member exchange (LMX) theory’.

While the study have been varied, ranging from the member characteristics, leader characteristics, interactional variables and contextual variables, the outcome has also produced some mixed results especially in the many facets of satisfaction. This research will allow us to see the relationship of the variables in a Malaysian context.

Chapter 1 provides an overview on how leader-member exchange came about and also speaks to the definitions of some key terms and the purpose of this study. Chapter 2 dwells into more detail on the historical richness of leader-member exchange while attempting to provide some context to job satisfaction and gender. This will lead to the theoretical framework and hypotheses of the study. Chapter 3 describes the research methodology and provides a preview on the decision making criteria that was employed for the statistical test conducted. Chapter 4 presents the statistical analysis of this study and by attempting to connect the various outcomes, and we will conclude with Chapter 5 in discussing the findings, limitations and future implication of this study.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

Leadership means different things to different people. Many individuals focus on specific traits or characteristics: courage, intelligence, conviction, and so forth. Some attempt to distinguish between a leader and manager. While there are numerous definitions of leadership, most have common elements that – it involves a process whereby intentional influence is exerted by one person over the other people to guide, structure and facilitate activities and relationships in a group or organizations (Yukl, 1998).

According to Dansereau, Cashman and Graen (1973), the averaging effect of contemporary models of leadership are based on two assumptions they implicitly make (Dansereau, Graen & Haga, 1975). Ansari and Bhal (2000) have reiterated this point and describe the two assumptions as first, all members of a unit are treated as homogeneous at least as far as their work experience is concerned and therefore, they are grouped together and are treated as one entity or a “work-group”. Secondly, the leader is expected to behave the same manner towards all members of the “work-group” (Ansari & Bhal, 2000).

As a reaction to the averaging effect, as mentioned above, the Vertical Dyadic Linkage (VDL) theory was developed whereby its focus was not to prescribe any leadership behavioral style, but rather it attempted to investigate the unique factors that leaders differentiate between the members of a group (Ansari & Bhal, 2000). Another unique feature of the VDL model is its emphasis on differences in the manner in which a supervisor behaves towards different subordinates (Vecchio & Gobdel, 1984).

As organizational structures have also changed and become more flexible, the formal lines of authority and relationship have also changed giving utility to LMX in describing and explaining these new relationships. Only by focusing on each of the dyadic relationship, can the actual distribution of vertical relationships within any organizational unit be empirically discovered (Dansereau, Graen & Haga, 1975).

2.2 Leader-Member Exchange (LMX)

Leader-member exchange or LMX was initially described by Graen and Cashman (1975) and views leadership as part of a larger development process between leaders and their subordinates (Dockery & Steiner, 1990). This has continued to generate interest with leadership theorists and practitioners. Vertical dyad linkage (VDL), as it was called then (Dansereau, Graen & Haga, 1975) was first formulated to describe the single-person mentoring that often occurred in organizations, and was later succeeded by leader-member exchange (LMX). According to Graen and Cashman (1975), the leader will develop close working relationship with some of the subordinates which he refers to as the in-group and calls these leader-member interactions “leadership exchanges”. The remaining subordinates are supervised through formal authority and are referred to as the out-group and these leader-member interactions are termed “supervisory exchanges” (Dockery & Steiner, 1990). According to Dansereau et al. (1975), Graen and Cashman (1975) and Liden and Graen (1980s), research has shown that approximately 90% of all work units are differentiated in terms of the LMX relationships, and only about 10% of the time do leaders form the same type of LMX relationship with all subordinates (Liden, Sparrowe & Wayne, 1997).

2.2.1 *Theoretical Models of LMX Development*

According to Kahn, Wolfe, Quinn, Snoek and Rosenthal (1964), the LMX model is grounded in role theory which suggests that organizational members accomplish their work through roles or sets of behaviors that are expected of position holders (Liden, Sparrowe & Wayne, 1997). Focusing on how role develop, roles are not solely determined by written job descriptions or other formal documents but rather, it is developed through an informal process referred to as the role making processes (Dansereau, Graen & Haga, 1975). According to Graen (1976), this happens from the moment members are being assimilated into new positions and involves leaders that have vested interest in the performance of new members and as such the member's behavior is shaped through a series of these interpersonal exchanges (Liden, Sparrowe & Wayne, 1997).

Dinesch and Liden (1986) developed a model that integrated attribution theory, role theory, leadership, social exchange and upward influence (Liden, Sparrowe & Wayne, 1997). Liden, Sparrowe and Wayne (1997) provided an explanation of this model in three step. The first step in the model is the interaction between leader and member. According to them the characteristics of the leader and member will influence the development process. Secondly, the leader will test the member's reactions by providing him work related assignments. The member will respond in terms of performance or non-performance related behaviors. Finally, they identified a number of contextual factors, such as organizational culture, work group size, and organizational policies that may affect the LMX development process (Liden, Sparrowe & Wayne, 1997).

Graen and Scandura (1987) presented another model which focused on the LMX development process was referred to as the role-making model and it consists of

three phases (Liden, Sparrowe & Wayne, 1997). Phase one is described as the role-taking phase where leaders and members must each understand and respect the other views and desires. According to Ansari and Bhal (2000), this is the initial stage whereby the leader evaluates the member skills, motivation, orientation etc. The leader puts across his or her expectations and the member receives it and makes the appropriate response. The leader matches the response against his expectation and decides whether to conduct further evaluation, or move on to the next stage or cease any further negotiations. The evaluation is usually done through repeated role-episodes (Ansari & Bhal, 2000). In phase two or referred to as the role-making phase, trust must be developed between the leaders and members in order to further develop the relationship and influence each other's attitudes and behaviors. According to Ansari and Bhal (2000), active social exchange is the hallmark of this stage. The leader offers the members to work on different unstructured task. The offer contains the leader's expectation and the rewards the member gets in return. The member evaluates the offer based on his own capabilities and attractiveness and responses. The leader evaluates the response against the initial offer and acts accordingly. Over repeated exchanges of this kind, the working relationship between both parties will be strongly bonded (Ansari & Bhal, 2000). Finally in phase 3 as called the role-routinization phase, the social exchange pattern becomes routine. According to Graen and Scandura (1987), this is the phase where the behavior of the leader and member become interlocked. Further, the leader and member develop and understanding and clear mutual expectation, resulting from collaborating on unstructured tasks. At this final stage of the model, the quality of the exchanges between the leader and member typically remains stable from this point on (Liden, Sparrowe & Wayne, 1997).

In summary, these theories have provided the framework upon which many of the empirical research on LMX have been based upon.

2.2.2 *Leader-Member Exchange Theory*

LMX theory suggests that leaders do not always use the same style when dealing with their subordinates, but instead they develop a different type of relationship or exchange with each subordinate (Dansereau, Graen & Haga, 1975). The relationships a leader has with followers can be divided into two types. These two types of relationship, divides followers into two groups referred to as the “in-group or high LMX” and the “out-group or low LMX” (Dansereau, Graen & Haga, 1975).

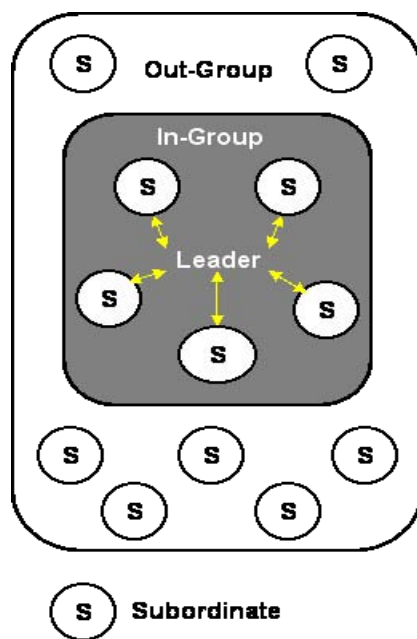


Figure 2.1. Leader-Member Exchange Model
Source: Nahavandi and Malekzadeh (1998).

Figure 2.1 above, as described by Nahavandi & Malekzadeh (1998), suggests that leaders establish a one-on-one relationship with each employee. According to them, each relationship varies and is dependent on the quality of exchange. The ‘in-

group' members will have a relationship based on trust, liking and respect. The leader will tend to have confidence in them and provide them with challenging and interesting assignments. Sometimes the members mistakes might be overlooked or will be attributed to factors outside their control. In return, the members will work hard, be loyal and support the leader. This will lead to high performance and high satisfaction. On the other hand the 'out-group', the members role will tend to be defined by the formal job description as the leader perceives them as less motivated or less competent, interact with them less, and provide them with lesser opportunities to perform. Due to this, there is a good chance that members of the "out-group" will live up, or down, to the leader's expectation. (Nahavandi & Malekzadeh, 1998).

A more recent focus of leader-member exchange theory is in on how exchanges between leaders and followers can be used for "leadership making". "Leadership making" is an approach to help the leader develop high quality exchanges with all of his or her followers rather than just a few.

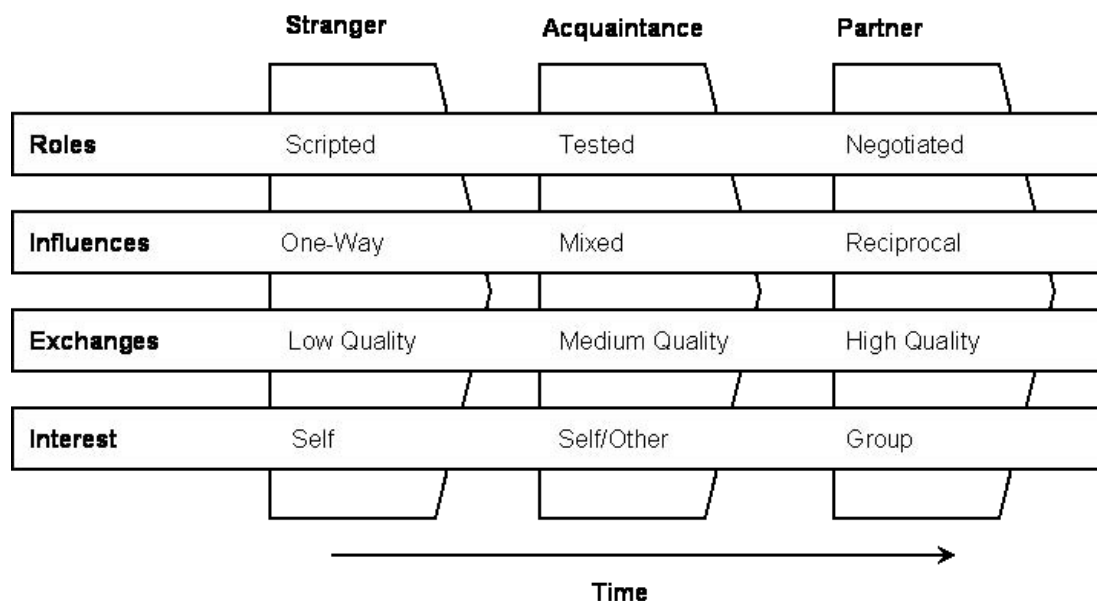


Figure 2.2. Phases in Leadership Making
Source: Aldag and Kuzuhara (2001).

Figure 2.2 describes the phases in leadership making. According to Graen and Uhl-Bien (1991), leadership making develops over time in three phases: (a) the stranger phase, (b) the acquaintance phase, (c) the mature phase (Aldag & Kuzuhara, 2000).

Aldag and Kuzuhara (2000) provide a description of the three phases. According to them, in the “stranger phase”, the quality of the relationship is weak and the leaders is primarily motivated by self-interest rather than group-interest. However, the members will still comply to the leader as he has position power and control rewards. This is followed by the “acquaintance phase” where we begin to see improved career-oriented social exchanges. This usually starts with either side offering to share more resources and personal or work related information. This is also a testing ground to see if the member is willing to receive more challenges and the leader is willing to offer more challenges. Finally the ‘mature phase’ where trust and mutual respect developed in the earlier stage will grow further. The leader and member will begin to rely on each other in productive ways and their focus will be for the better of the team and organization rather than self-interest (Aldag & Kuzuhara, 2000).

2.2.3 Antecedents of Leader-Member Exchange

Based on the model by Dienesch and Liden (1986), antecedents of LMX can be categorized into member characteristics, leader characteristics, interactional variables and contextual variables. This shows that researchers have studied a fairly diverse set of antecedents. However, it appears that member characteristics and interactional variables have received the most attention (Liden, Sparrowe & Wayne, 1997).

Member characteristics that have been examined as antecedents of LMX are performance or competence, personality and upward influence behavior. Member performance or competence in LMX development was based on arguments forwarded by Graen and Scandura's (1987) role making model and the work of Dansereau, Graen and Haga's (1975) early conceptualization of LMX development (Liden et. al., 1997). Many studies have investigated member performance or competence as an antecedent of LMX and used leader's ratings of member performance. One limitation faced in many studies was the difficulty in determining the direction of causality as the researchers used existing leader-member dyads. However this was overcome by Liden, Wayne and Stillwell (1993), who examined member performance as an antecedent of LMX, on recently established dyads and found that member performance did predict leaders' perceptions of LMX at 2 weeks and not at later time periods. In another study, member performance in high quality exchanges were rated high, in the short run and long run, regardless of their objectivity whereas the ratings of employees in low quality exchange relationships are consistent with their objective performance in the short run but high in the long run, regardless of the objective performance (Duarte, Goodson and Klich, 1994). On a positive note, this may cause members in low quality exchanges to be better performers in the long run. These biases will affect performance ratings and subsequently LMX. On examining personality traits, attitudinal similarity and follower's extraversion were positively related to the quality of leader member exchange. However, there was no significant correlation for members' locus of control and growth need strength (Phillips & Bedeian, 1994). In another study by Kinicki and Vecchio (1994), a positive relationship between locus of control and LMX was reported (Liden, Sparrowe & Wayne, 1997). On examining upward influence behavior as the third member

characteristic, Deluga and Peery (1991) found that members self reports of bargaining, assertiveness, higher authority and coalition were negatively related to member LMX whereas Dockery and Steiner (1990) found that member self reports of ingratiation and rationality was positively related to member LMX (Liden, Sparrowe & Wayne, 1997).

Leader characteristics that have been examined as an antecedent to LMX suggest that the leader, as compared to the member, has more control over the quality of relationship that develops between the leader and member. Support was found for relationships between the quality of leader-member exchange and delegation (Bauer & Green, 1996). Delegation is critical in determining the leader's behavior toward the member (Liden, Sparrowe & Wayne, 1997). Leaders may use increased levels of delegation as a reward for performance already delivered by a member. Day and Crain (1992) investigated leader ability and leader affectivity on member LMX and found that neither leader ability of leader affectivity was significantly related to LMX (Liden, Sparrowe & Wayne, 1997).

Leader and member characteristics are often studied as interactional variables, rather than separately. According to Dienesch and Liden (1986), compatibility between the leader and member may affect the type of exchange that is ultimately formed (Liden, Sparrowe & Wayne, 1997). Liden, Wayne and Stillwell (1993) did not find any significant relationship between demographic (age, gender, race and education) similarity and LMX. However, Green, Anderson and Shivers (1996) found gender to be significantly related to LMX (Liden, Sparrowe & Wayne, 1997). Liden, Wayne and Stillwell (1993) found that liking and LMX had a positive relationship. Further, they also found that perceived similarity and liking from both the leaders' and members' perspective predicted LMX at most time periods.

On the topic of contextual variables, Kinicki and Vecchio (1994) found that leaders who felt greater time pressure tended to have less differentiation among their members and Green, Anderson and Shivers (1996) found a marginally significant negative relationship between workload and LMX.

2.2.4 Strengths of Leader-member exchange

Northouse (1997) has spelled out some of the strengths in LMX that was mentioned by Dionne (2000). He firstly describes LMX as a descriptive theory. According to him, it makes sense to describe work units in terms of those who contribute more and those who contribute the bare minimum to the organization. Next, he looks upon LMX as a unique theory due to its importance of making the dyadic relationship the centerpiece of leadership process. In this context, the attention to the importance of communication in leadership is also addressed by LMX. Lastly, there is a large body of research to substantiates how the practice of LMX theory is related to positive organizational outcomes such as performance, organizational commitment, job climate, innovation, organizational citizenship behavior, empowerment, procedural and distributive justice, career progress, and many other important organizational variables (Dionne, 2000).

2.2.5 Gaps in Leader-member Exchange

First, LMX theory places a great deal of responsibility for the split on the leader directly and not on cliques or coalitions. As such the ethical implications of LMX are to be traced to the leader (Harter & Evanecky, 2002).

Second, the “in-group” will have more responsibility and decision-making influence. They will have higher job satisfaction and access to valuable resources,

such as money, time, and authority because of their status with the leader. On the other hand, the members of the “out-group” are given little support or responsibility along with minimal influence in decision-making. Thus, it is likely that the member and leader will develop low quality relationships (Harter & Evaneky, 2002).

Third, followers may sometimes find themselves as members of “in-group” or “out-group” due less to their abilities and potential than to favoritism, stereotypes, or personal conflicts (Aldag & Kuzuhara, 2002).

Fourth, is the lack of understanding of the LMX development process, whereby the leader and subordinate behaviors involved in the development of LMXs have not been empirically delineated (Liden, Wayne & Stillwell, 1993).

Fifth, the dyadic process often underestimates the importance in the context in which a dyadic relationship occurs whereby developing a cooperative relationship with one subordinate maybe dysfunctional if it done in a way that undermines relationships with other subordinates (Yukl, 1998)

2.3 Job Satisfaction

Satisfaction, dissatisfaction and other emotional reactions are value responses. They are the form in which and individual experiences his appraisal of an object or situation against the standard of what he considers good and beneficial (Locke, 1970). According to Pool (1997), there is a suggestion that five essential dimensions help to measure job satisfaction: the job itself, pay, promotion opportunities, supervision, and co-workers (Dionne, 2000). A major goal of studying job satisfaction is to better understand the complexities of these variables and their impact on job satisfaction that will enable managers to understand how employees form the attitudes that affect their job satisfaction (Dionne, 2000).

According to Dansereau et al. (1975), Major, Kozlowski, Chao and Gardner (1995), Schriesheim, Neider, Scandura and Tepper (1992), Seers and Graen (1984), Vecchio and Gobdel (1984), Vecchio, Griffeth and Hom (1986), Wilhelm, Herd and Steiner (1993), Dionne (2000), overall job satisfaction has been found to be positively related to LMX (Liden, Sparrowe & Wayne, 1997). Other facets of satisfaction such as satisfaction with the leader, job, pay and promotions has produced mixed results (Liden, Sparrowe & Wayne, 1997).

In regards to the research by Dansereau, Graen and Haga (1975) where the 2-item LMX measure was used, they found that the in-group members expressed higher general satisfaction with their jobs than that expressed by the out-group members. The in-group also expressed more positive attitudes than those expressed by the out-group towards the intrinsic outcomes of the work.

From the research work of Vecchio and Gobdel (1984), confirmed previous findings that in-group status was associated with higher performance ratings, reduced propensity to quit and greater satisfaction with supervision.

2.4 Gender

Investigations examining moderators of other LMX consequences relations are needed, so that the effects of LMX can be better understood.

While measures of LMX have been related in some studies to a number of important outcome variables in organizational research, yet there are also studies that do not find such conclusive evidence. Such discrepancies in empirical studies conducted suggest that there might be a mediator variable that account for some of the discrepancies reported across studies of LMX (Scandura, 1999). Though gender has produced mixed results in LMX studies, it will be used as a moderator in this study.

Individual characteristics such as gender may be related to LMX, and may help determine the quality of the relationship that a subordinate develops with his supervisor (Dienesch & Liden, 1986).

2.5 Theoretical Framework

The aim of this study is about the link that exists between LMX and job satisfaction through the degree of latitude given to the employee by the Supervisor. Therefore in the theoretical framework, LMX is the independent variable, while job satisfaction will be the dependent variable. Gender will be used as a moderator in this study. Figure 2.3 illustrates this relationship between the variables.

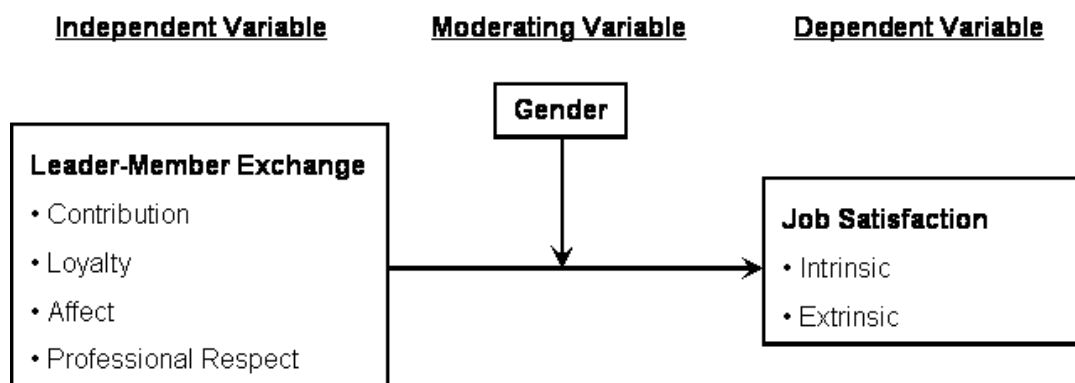


Figure 2.3. Theoretical framework

2.6 Hypotheses

There are many facets of satisfaction such as satisfaction with the leader, job, pay and promotions etc. Studies into these facets, has produced mixed results (Liden, Sparrowe & Wayne, 1997). In this context, we will look at the relationship between LMX and job satisfaction. By analyzing one level further, we will be able to see if one or more dimensions of LMX have relationship with the any two of the dimensions in

job satisfaction. From the theoretical framework above, the following hypotheses were developed for this research. They are as follows:-

H1: There is a positive relationship between LMX and all intrinsic job satisfaction.

H1_a: There is a positive relationship between affect and intrinsic job satisfaction.

H1_b: There is a positive relationship between loyalty and intrinsic job satisfaction.

H1_c: There is a positive relationship between contribution and intrinsic job satisfaction.

H1_d: There is a positive relationship between professional respect and intrinsic job satisfaction.

H2: There is a positive relationship between LMX and extrinsic job satisfaction.

H2_a: There is a positive relationship between affect and extrinsic job satisfaction.

H2_b: There is a positive relationship between loyalty and extrinsic job satisfaction.

H2_c: There is a positive relationship between contribution and extrinsic job satisfaction.

H2_d: There is a positive relationship between professional respect and extrinsic job satisfaction.

Individual characteristics such as gender may be related to LMX, and may help determine the quality of the relationship that a subordinate develops with his

supervisor (Dienesch & Liden, 1986). Though gender has produced mixed results in LMX studies, it will be used as a moderator in this study.

H3: Gender of the respondent moderates the relationship between LMX and job satisfaction.

H3_a: Gender of the respondent moderates the relationship between LMX and intrinsic job satisfaction.

H3_b: Gender of the respondent moderates the relationship between LMX and extrinsic job satisfaction.

2.7 Summary

LMX theory suggests that leaders do not always use the same style when dealing with their subordinates, but instead they develop a different type of relationship or exchange with each subordinate (Dansereau, Graen & Haga, 1975). The relationships a leader has with followers can be divided into two groups referred to as the “in-group or high LMX” and the “out-group or low LMX” (Dansereau, Graen & Haga, 1975). While LMX has shown mixed results with job satisfaction, it is uncertain on which dimensions will the relationship be most significant and if gender does moderate this relationship.

Chapter 3

METHODOLOGY

3.1 Introduction

This chapter explains the methodology employed in studying the relationship between leader-member exchange and job satisfaction. It will discuss the research site, sample and procedure, measures and statistical analysis.

3.2 Research Site

An American multinational semiconductor company in Penang was chosen in order to reduce the number of variations (e.g. culture from one company to another). Questionnaires were distributed to 220 employees of the company. Confidentiality was assured and no detail reporting will be done back to their department heads. The employees will be responding to questions regarding their supervisor and also their job satisfaction.

3.3 Sample and Procedure

A total of 220 participants were provided with the questionnaire through convenience sampling. A formal letter was attached to the questionnaire and distributed to business acquaintances and close friends. The participants received the questionnaire either through hardcopy and softcopy (via email). In both instances, confidentiality was assured as I employed the services of an authorized company contractor to collect all completed questionnaires. No names were required to ensure participants anonymity.

Out of the 220 questionnaires that was distributed to the employees, 177 replies was received. However, of these, 23 questionnaires were discarded as they