

RESEARCH BRIEF

The Effectiveness of LMX in Employee Outcomes in the Perspective of Organizational Change

Abang Azlan Mohamad,^{1*} May Chiun Lo,¹ T Ramayah,² and Kirsten Ling¹

¹Universiti Malaysia Sarawak

²Universiti Sains Malaysia

*maazlan@unimas.my

This study is to research how leadership behaviors play a role in the organization during times of change. It highlights leadership as a dyadic relationship that happens between leaders and their followers. In this study, it is assumed that the social exchange process that occurs is based on the Leader-Member Exchange (LMX) theory (Graen & Uhl-Bien, 1995). By far, this is the most ideal and effective approach in predicting the outcomes of employees within the Malaysian workplace context when dealing with organizational change. Organizational change, which can be both breath-taking and overwhelming, is an inevitable force in the current tumultuous environment (Kotter & Schlesinger, 2008; Lee, Beamish, Lee, & Park, 2009). As such, organizations are continuously overcoming internal and external challenges that leave them no choice but to evolve by changing their policies, strategies, structure, and operations.

When dealing with organizational change, it is vital to take employees into consideration as they are one of the most valuable assets a company can have. Organizations heavily rely on them to ensure a smooth and successful transition. Change that is successfully implemented will ensure the overall wellbeing of the company. A healthy relationship between employees and their managers may encourage the individual to optimize his or her skills, talent, effort, and experience. This is beneficial to the company. To activate this relationship, a relationship should be founded on mutual trust and respect must be established. In

conclusion, this research investigates a model of leadership based on the LMX theory and its benefits in times of organizational change.

Literature Review

Leader-Member Exchange

Leaders who make use of high-quality LMXs are usually rewarded with a considerable amount of beneficial outcomes. Gerstner and Day (1997) discovered that LMX was positively linked to several aspects such as overall job satisfaction, role clarity, employees' satisfaction with supervision, organizational commitment, and subordinate performance. In accordance with that, more recent findings by Erdogan and Liden (2002) unveiled additional favorable outcomes of LMX, which includes increased innovation, reduced job stress levels, and enhanced workplace safety. Erdogan and Liden (2002) observed that the majority of the studies on the correlates of LMX had emphasized the consequences instead of antecedents. Additionally, in Den Hartog and De Hoogh's (2009) work, a leader's empowering behavior reflected intentions of benevolence. This is in consonance with the benevolent features of paternalistic leadership that was showcased in the study conducted by Pellegrini and Scandura (2006).

As past research did not provide adequate conclusive evidence on the correlation of LMX and specific leadership behaviors, this present research

aims to uncover the effects of leadership behaviors with elements of LMX through two types of behaviors (paternalistic and empowering) and how it influences the quality of the relationship with their followers in the context of organizational change. In conclusion, this study will explore the effects of LMX quality-oriented leadership behaviors on employee outcomes in the context of organizational change.

Paternalistic Leadership

According to Fleming (2005), the term paternalism originates from the word patriarchy, which denotes fatherly protection in exchange for loyalty and compliance. Aycan (2006) stated that the superior is responsible for providing care, protection, and guidance to the subordinates in issues related to work and their private lives, whereas the subordinates, in return, are expected to be devoted and submissive to the superior. Paternalistic leadership can be deduced as a style of leadership involving a superior (e.g., manager) who mentors and regulates subordinates in a fatherly manner for their own benefit, and is involved in his or her employees' professional and personal lives (Schroeder, 2011). Niu, Wang, and Cheng (2009) elucidated that leaders who practice paternalism are able to amplify reciprocity by offering assistance in the followers' wellbeing, both in and out of the workplace, and also honoring followers who display good or desired behaviors by rewarding them accordingly.

Empowering Leadership

According to Wegge (2000), the term "participation" is defined as a process in which influence is shared between leaders and followers. In line with that, Yukl and Mahsud (2010) highlighted the four advantages of employee participation. They are: improved decision quality, greater rate of decision acceptance by participants, increased satisfaction with the decision process, and more involvement in decision-making skills. Moreover, Mohrman and Lawler (2012) declared that through participation, employees are able to decide on the work that they do, understand their performance level, and comprehend the outcomes of the task instead of solely relying on the organization to guide them in these areas. Consequently, the behavior of the leader that promotes participation is desirable because it allows followers to grow, develop, and unleash their true potential (Mohrman & Lawler, 2012).

Employee Outcomes

In this study, the impacts of leadership behaviors that utilize the LMX approach have been observed from the employees' outcome perspective in the context of organizational change. It is not a surprise to see employees reacting to change because the process of change involves entering a realm of the unknown, and when employees react, it is crucial to distinguish between the symptoms of their reactions and the causes behind them (Bovey & Hede, 2001). Vakola, Tsaousis, and Nikolaou (2004) identified a multitude of studies in which employees' favorable attitudes toward change were paramount to ensuring the resounding success of organizational change initiatives. Examples of the factors impacting employees' attitudes towards change highlighted by Vakola et al. (2004) were gender, tenure, educational background, and social systems (Wittig, 2012).

Hypotheses Development

Paternalistic Leadership and Employee's Preparedness for Occupational Change

When a leader applies the paternalistic form of leadership in managing the employees, emphasis on fatherly behavior and benevolence is placed in the relationship between superior and subordinate. Paternalism is seen as a socio-cultural characteristic of Asian and Middle-Eastern societies, and it is inferred that paternalistic leadership is prevalent there and has also been fine-tuned to make workplace relations better (Erben & Güneşer, 2008). When a fatherly figure is present to offer support and guidance to an employee, the employee may be more prepared for an occupational change. Employees who experience high-quality LMX are said to be better prepared for changes, including occupational change. Thus, paternalistic leadership has a positive effect on employee's preparedness for occupational change. Hence, this research aims to confirm the following hypothesis:

- H1: There is a positive relationship between paternalistic leadership and employee's preparedness for occupational change.

Paternalistic Leadership and Employee's Employability Orientation

Organizational changes will inevitably force employees to move in tandem with it. Employees

will be required to adapt to changes by being flexible. This means that they should be open to taking on new responsibilities in the workplace. Functional flexibility, the ability to switch between tasks or jobs, is a needed trait in employees of the globalized world. Apart from that, employees are best able to learn new skills that are required in the job scope to increase their employability orientation. In the occurrence of an organizational change, employees who have been nurtured through paternalistic leadership are more open and adaptable to changes. They will do their best to pick up the new skills required to enhance their employability orientation as the high-quality LMX they have experienced makes them open to such changes. In the research conducted by Van Dam, Oreg, and Schyns (2008), it is concluded that employees react favorably upon the use of LMX-based leadership styles. Hence, paternalistic leadership can be used to enhance an employee's employability orientation, and this study aims to confirm the following hypothesis:

- H2: There is a positive relationship between paternalistic leadership and employee's employability orientation.

Paternalistic Leadership and Employee's Resistance to Occupational Change

Resistance to change is seen as a reflex behavior when change is introduced. However, leaders who adopt LMX-based leadership styles can help create a smooth transition for their followers. Through paternalistic leadership, employees will see change as something that can possibly have good outcomes and do not instantaneously react negatively towards it. High-quality LMX-based leadership behaviors will not make employees feel uneasy about change and start resisting it (Van Dam et al., 2008). Instead, they will see change as a window of opportunity, making way for better things in the organization. All in all, paternalistic behavior will help subordinates react to any occupational change in a more positive manner instead of through resistance. Hence, this research aims to confirm the following hypothesis:

- H3: There is a negative relationship between paternalistic leadership and employee's resistance to occupational change

Empowering Leadership and Employee's Preparedness for Occupational Change

Past studies have shown that through a leader's empowering behavior, followers react favorably in times of change. Empowering leadership means that employees are encouraged to be participative in things like decision-making. Leaders who use this form of leadership behavior are always trying to lift their employees up by encouraging them to be opinionated and proactive. Through this form of leadership behavior, employees will have a sense of preparedness when faced with the need to undertake a new job scope or task. The employee would not fear change but instead, be ready for it because of the high-quality LMX that he or she experienced. Empowerment gives employees a feeling of competence and self-determination (Spreitzer, 1995). Hence, this research aims to confirm the following hypothesis:

- H4: There is a positive relationship between empowering leadership and employee's preparedness for occupational change.

Empowering Leadership and Employee's Employability Orientation

Empowerment is viewed as a relational construct, focusing on delegation, participation of followers in decision-making processes, and sharing of organizational resources (Den Hartog & De Hoogh, 2009) and power and authority (Cabrera, Ortega, & Cabrera, 2003). Through this form of leadership, an employee's employability orientation is enhanced. The employees would have been trained to contribute to decision-making processes and be handed tasks that challenge them and subsequently increase their employability orientation. This means that in the case of organizational change, the employees who have had high-quality LMX experiences would be more open to any change in tasks and responsibilities due to the feeling of empowerment their superiors have awarded them. Hence, this research aims to confirm the following hypothesis:

- H5: There is a positive relationship between empowering leadership and employee's employability orientation.

Empowering Leadership and Employee's Resistance to Occupational Change

According to Konczak, Stelly, and Trusty (2000), empowerment is a form of power distribution, and this can be good in the context of change. Giving employees a sense of control over their fate helps them to not succumb to the negative perceptions of change. Perceptions can form one's attitude over a matter. As such, being in an environment where the superior is supportive gives subordinates a sense of security, and they would subsequently reduce resistance to change (Bovey & Hede, 2001). People resist change due to a fear of the unknown. However, through empowerment leadership, where open communication is encouraged, employees are not hidden from any

organizational changes prior to the announcement of its implementation. Hence, this research aims to confirm the following hypothesis:

- H6: There is a negative relationship between empowering leadership and employee's resistance to occupational change.

Methods

In this research, the area of study that has been set in Kuching, Sarawak, Malaysia. Kuching is selected due to its status as the capital of Sarawak and also the hub of most of the economic activities in Sarawak. For this study, a total of 172 responses

Table 1

Results of Assessment Models

Model Constructs	Measurement Items	Factor Loading	CR^a	AVE^b			
Paternalistic Leadership	PL1	0.766	0.921	0.564			
	PL2	0.730					
	PL3	0.778					
	PL4	0.742					
	PL5	0.778					
	PL9	0.734					
	PL10	0.713					
	PL11	0.726					
	PL12	0.788					
	Empowering Leadership	EL1			0.797	0.966	0.704
		EL2			0.863		
		EL3			0.828		
EL4		0.892					
EL5		0.883					
EL6		0.854					
EL7		0.866					
EL8		0.861					
EL9		0.865					
EL10		0.778					
EL11		0.763					
EL12		0.804					
Employee's Preparedness for Organizational Change	EPOC3	0.829	0.924	0.753			
	EPOC4	0.869					
	EPOC5	0.857					
	EPOC7	0.913					
Employee's Employability Orientation	EEO1	0.802	0.899	0.690			
	EEO2	0.869					
	EEO4	0.795					
	EEO6	0.855					

Notes: ^a CR= Composite Reliability, ^b AVE= Average Variance Extracted

were collected, the number which falls from 30 to 500 responses as proposed by past research (Roscoe, 1975; Sekaran 2000). The present research employs survey questionnaires with three sections. Section 1 covers six items of the respondents' demographic data, which are gender, age, education background, number of years at the current organization, current position, and name of the organization. Section 2 consists of 27 questions related to the two leadership behaviors studied under the LMX approach, whereas Section 3 includes 18 questions related to the measurement of employee outcomes in the context of organizational change. Both sections 2 and 3 are based on Alshamasi (2012). To measure the model, this study utilizes SmartPLS 3.0.

Results

Assessment of the Measurement Model

To gauge reliability, discriminant validity, and convergent validity of the measures' items, the

measurement model was put to the test. As depicted in Table 1, the entire loadings of the items are above 0.5, as suggested by Bagozzi, Yi, and Philipps (1991). Additionally, all the items' composite reliability (CR) demonstrated the minimum point of 0.7 (Gefen, Straub, & Boudreau, 2000), whereas the AVE exceeds 0.5. These figures deduced that convergent validity is fulfilled. Table 2 illustrates the discriminant validity of the constructs, whereby AVE was square rooted to signify against the intercorrelations of the model's construct. This is to confirm discriminant validity (Chin, 1998a, 1998b). The readings establish that the AVE square root exceeded the connection against other dimensions.

Assessment of the Structural Model

To measure the structural model and to test the proposed hypotheses, PLS-SEM was employed. In utilizing PLS-SEM, two criteria need to be contemplated

Table 2

Discriminant Validity of Constructs

Construct	EEO	EPOC	EROC	EL	PL
EEO	0.831				
EPOC	0.687	0.868			
EROC	-0.061	-0.030	0.923		
EL	0.329	0.350	0.268	0.839	
PL	0.226	0.282	0.340	0.829	0.751

Note: EEO= Employee's Employability Orientation, EPOC= Employee's Preparedness for Occupational Change, EROC= Employee's Resistance to Occupational Change, EL=Empowering Leadership, PL=Paternalistic Leadership

Table 3

Summary of Path Coefficient and Hypotheses Testing

Hypothesis	Relationship	β	p-value	Decision
H1	PL → EPOC	-0.025	0.377	Not Supported
H2	PL → EEO	-0.150	0.891	Not Supported
H3	PL → EROC	0.376	0.006	Not Supported
H4	EL → EPOC	0.370	0.018	Supported
H5	EL → EEO	0.453	0.001	Supported
H6	EL → EROC	-0.044	0.807	Not Supported

and implied: the coefficient of determination (R^2) in quantifying the endogenous constructs and the path coefficients (Chin, 2010; Hair, Ringle, & Sarstedt, 2011). It is vital that the path coefficients are significant. Conversely, the R^2 value can fluctuate depending on the research area. In assessing R^2 , the figures of 0.19, 0.33, and 0.67 are congruently deemed as weak, moderate, and substantial (Chin, 1998b). In this research, the R^2 for EPOC, EEO, and EROC are 0.123, 0.115, and 0.116, respectively.

Discussion

The findings of this research have generated results that provided some noteworthy assessment of the relationships within the research model. First off, as far as we are aware of, there is an absence of existing research on paternalistic leadership and empowering leadership in the Malaysian workplace setting. On top of that, no known studies on employee outcomes using the three dimensions mentioned have been conducted in the banking sector.

To recapitulate the findings of the study, two of the validated hypothesized relationships involved empowering leadership. In sum, it may be said that there are many opportunities for the Malaysian banks to strengthen the relationship between superior and subordinates within their organizations, as this could bring about positive employee outcomes in the context of organizational change. The results of this study propose several significant ideas for future research.

As depicted in Table 3, only two out of six hypotheses were valid, that is, H4 and H5. The findings of the first three hypotheses (H1, H2, and H3) do not resonate well with the study conducted by past studies (Gelfand, Erez, & Aycan, 2007; Pellegrini & Scandura 2006, 2008; Zhang, Huai, & Xie, 2015), which revealed that leaders who apply paternalistic leadership displayed concern for the employee's overall wellbeing that may very well lead to positive employee outcomes.

In analyzing H4, the results are in consonance with the study carried out by Li and Zhang (2016), which revealed that the autonomy transmitted to employees through empowerment encourages them to be involved in decision-making. Employees who feel involved tend to be more ready for change. This is because they have experienced various forms of uncertainty and had to make quick and wise decisions to reduce the

discomfort. Moreover, the findings of the study are congruent with research carried out by Li, Liu, Han, and Zhang (2016), which found that the need to cope with uncertainties makes empowering leadership vital in the workplace. It is especially true as the business landscape of a globalized world is highly volatile. Change may cause employees to lose jobs, embark on a different job, or even do the same job differently. This results in the need to ensure employability orientation. Empowering leadership enables this to happen through participation and involvement. Employees are allowed to decide for themselves to a certain extent, thereby empowerment. Thus, leaders should apply empowering leadership to give employees a chance to take charge of their own job scope. As such, H5 is supported.

The analysis of H6 revealed that empowering leadership does not have a significant and negative relationship with employee's resistance to occupational change. This contradicts with past studies (Li et al., 2016; Maynard, Mathieu, Marsh, & Ruddy, 2007) that have shown the positive impact empowering leadership has on employees. Therefore, H6 is not supported.

Declaration of ownership

This report is our original work.

Conflict of interest

None.

Ethical clearance

The study was approved by the institution.

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