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KARYA ILMIAH : JURNAL ILMIAH**

Judul karya ilmiah (artikel) : Leader-member exchange, job satisfaction, employee engagement, and employee performance; Suharnomo, Dian Kartika
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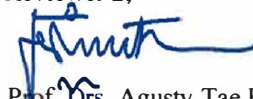
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Leader-member exchange, job satisfaction, employee engagement, and employee performance

S Suharnomo, D Kartika - *Diponegoro International Journal of ...*, 2018 - ejournal2.undip.ac.id

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Leader-member exchange, job satisfaction, employee engagement, and employee performance

by Suharnomo Suharnomo

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Leader-member exchange, job satisfaction, employee engagement, and employee performance

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Abstract

The main purpose of this paper is to investigate the effect of leader-member exchange (LMX) on employee performance. We also examine the effect of LMX on job satisfaction then job satisfaction on employee performance. Furthermore, our research also test the effect of LMX on employee engagement then employee engagement on employee performance. The results of the analysis using SEM toward 105 respondents who work in Hotel B in Tegal, Indonesia, show supports for almost proposed prediction. However, our prediction that LMX have positive effect on employee performance was not supported.

Keywords

leader-member exchange (LMX); job satisfaction; employee engagement; employee performance.

INTRODUCTION

The notion that employees are the key success of organisations demand companies to continuously improve employee performance. Hasibuan (2002) defines performance as a result of work achieved by a person tasked for the job based on capability, experience, sincerity and time.

One of the determinants that was found significantly affect employee performance was leader-member exchange (LMX) (Walumbwa, et al, 2011). LMX enhance performance because it increase the confidence of subordinates. However, some studies found contrary result (i.e Kambu, Troena, Surachman, and Setiawan, 2012). Therefore, our study attempts to examine some factors that could be the mechanism for LMX to improve employee performance. Furthermore, we also examine the effect of those factors on employee performance

One of the factors that we propose is employee engagement. According to Cahill, Darcy, and Niklola (2015) employee engagement is considered as psychological condition related to spirit, absorption, and dedication to their work. Employee engagement affected by a variety of personal factors related to work. Relations between superordinates and subordinates are the factors most associated (Alderfer, 1972). Employee engagement was found to have positive effect on employee performance (Indayati, Thoyip, and Rofiaty, 2011). Another research found that LMX is related to

employee engagement (Rousseau, 1989). In addition, employee engagement was also found mediated the relationship between LMX and work role performance.

Another factor that we propose to be a mechanism of how LMX affect employee performance is job satisfaction. According to Kurniawan (2012) job satisfaction is an assessment, a feeling or attitude toward a person or employee to work and relationship to the work environment, types of work, compensation, social relations in the workplace, and others. Mardanov, Sterrett, and Baker (2007) found that when there is high-quality LMX, employees will more be satisfied in the organization. Furthermore, job satisfaction of individuals and groups greatly affect the performance with the company (Koesmono, 2003).

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Social exchange theory (SET)

According to Asgari, Silong, Ahmad, and Samah (2008) the concept of LMX based upon the assumption that the leaders build social exchange relationships with their employees, and the nature of this exchange relationship is how the leaders treat each employee. According to Saks (2006), employees, involvement is also found in the social exchange theory. Social exchange formed the basis of high-quality relationship between employees and their leaders as well

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as between employees and their organizations (Wayne, Shore, and Liden, 2002). Suhermin (2012) explains that LMX focuses on the quality of exchanges between employees and managers, based on the level of emotional support and exchange of resources are appreciated.

Leader-member exchange (LMX)

LMX described how leaders develop different exchange relationships over time with subordinates (Yukl, 2007). Casimir, Ngee Keith Ng, Yuan Wang, and Ooi (2014) suggest that LMX represent the relationship between leaders and their followers in a unit of the organization's work. High-quality LMX is characterized by trust each other, desire, respect and mutual influence between leaders and team members (Liden, Sparrowe, Wayne, 1997). According to Suhermin (2012), high-quality LMX is a leader control over desired outcome's subordinates. It includes things like giving interesting and pleasing assignments, delegating larger responsibility and authority, sharing more information, participating in making of the decisions, a real appreciation (such as increasing of salary, special allowances, support and personal approval, and the ease of a career of subordinates (e.g. recommending promotions, providing development assignments that have a high visibility)). According to Othman, Ee, and Shi (2009) Low-quality LMX characterized by their employment contracts, limited interaction within the leader, and the ruthless behavior from the leader (indifference and diverge from behavior as a member of the work team).

Employee engagement

Many definitions of employee engagement, one of them according to Bedarkar and Pandita (2013), employee engagement as the passion for work that involves positive feelings about the job, and preparing to extra job and make sure do the best ability for the work. Several other researchers also define employee engagement as the psychological condition in which employees have a good attitude towards the organization and its values to do a job more than requirements that needed (Stephanie and Gustomo, 2015). Psychological security of a trusting relationship (especially with the boss), the clear roles and self-confidence to express

themselves, and sensitivity about learn from a mistake in order to compete (Keating and Heslin, 2015).

According to Azoury, Daou, and Fares (2013), there are four benefits of employee engagement: 1) they are loyal to their company and they are considered as a recommendation to other employee; 2) they always motivated so that they can offer better productivity and can make the connection between employee engagement and profitability; 3) the engagement increases the level of emotions and feelings every worker that can affect positive customer service and customer satisfaction; 4) employee engagement can increase the passion in the work and tasks to achieve corporate goals.

Job satisfaction

According to Kurniawan (2012), job satisfaction is the fulfillment of some desires and needs through activities of work. Greenberg and Baron (2003) explain there are three ways to measure job satisfaction: rating scales and questionnaires, critical incidents, and interviews. There are four different responses and two-dimensional for job satisfaction (Robbins, 2003). Two dimensions are, constructive, which is to build or repair and destructive, which is to drop or make the condition worse. The four dimensions are: 1) exit is the behavior of dissatisfaction, it is indicated with leave the organization including the search for a new position and resigned; 2) voice (aspiration) is trying actively and constructively to improve the situation, including suggested improvements, discuss issues with the boss, and various forms of union activity; 3) loyalty is passively but optimistically waiting for improved conditions, including the defense of the organization when dealing with external threats and trust the organization and management to do the right thing; 4) neglect (abandonment) is passively let the condition get worse, including the absence or delay continuously, the less effort, and an increasing number of errors.

According to Greenberg and Baron (2003) to improve job satisfaction, we can follow these ways: 1) make work pleasant; 2) employees are paid honestly; 3) bring together employees with jobs that match their interests; and 4) avoid boredom and repetitive work.

Employee performance

According to Gibson, Ivancevich, and Donnelly (2003) the employee's performance can be defined as work achievement, with quality and quantity of the work results in accordance with the responsibilities given to an employee. Griffin, Neal, and Parker (2007) suggest that there are three sub-dimensions of performance job roles. Behavior of job roles contributes to the effectiveness of the individual, team and organizational level, while in the difference three forms of behavior that is proficiency, adaptively and pro activity.

The influence of LMX on employee engagement

de Oliveira and da Silva (2015) study revealed that high-performance work systems (HPWS) and the qualities of LMX are positively related to employee engagement. Employees who are involved to tend to perform better and less desire to leave the organization. According to Chaurasia and Shukla (2013), the level of employee engagement depends on employees' perception of the quality of a leader-member exchange behavior. Based on these linkages, the formulate of hypotheses are:

H1: LMX has positive effect on employee engagement.

The influence LMX on job satisfaction

Bhal, Gulati, and Ansari (2009) in Ariani (2012) found that LMX have impacts for the subordinates, such as job satisfaction, commitment, role performance, and organizational citizenship behavior. Ariani (2012) explained that the employee would make a good relationship with their boss if they are satisfied. Based on these linkages, then we formulated the following hypotheses:

H2: LMX has positive effect on job satisfaction.

The influence of job satisfaction on employee performance

According to Kurniawan (2012), satisfaction will affect the performance of the employee if the employee satisfaction, there is a suitability between what is expected and what it receives. That satisfaction can encourage

employees to achieve optimum performance. Based on these linkages, then we formulated the following hypotheses:

H3: Job satisfaction has positive effect on employee performance.

The influence of the employee performance on employee engagement

Wibowo (2013) study suggested that employee engagement makes the employee feel valued, feel ownership, feel more responsible and can improve that performance. According to Markos and Sridevi (2010), employee engagements is the strongest predictor in improving organizational performance, and shows the relationship between subordinates and the boss. Indayati, Thoyip, and Rofiaty (2011) revealed that the higher employee engagement, the higher employee performance. Based on these linkages, then we formulated the following hypotheses:

H4: Employee engagement has positive effects on employee performance.

The influence of the ILMX on employee performance

Law and Wang (2001) and Liang and Crant (2010) found that LMX has a significant relationship on the performance of employees. According to Schaufeli, Salanova, Gonzales-Romá, and Bakker (2002), the high-quality LMX can improve engagement work of subordinates because subordinates will be more enthusiasm, dedication, energizing, and time had passed so quickly when they worked. Based on this linkage, then we formulated the following hypotheses:

H5: LMX has positive effect on employee performance.

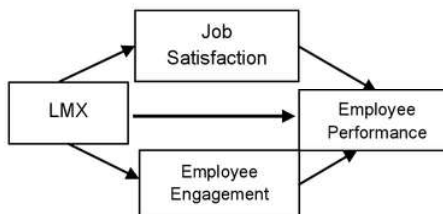


Figure 1.
Research framework

Table 1.
Discriminant validity value (cross loadings)

	EE	JS	EP	LMX
B1	0,157669	0,217047	0,099838	0,653868
B2	0,233091	0,301964	0,082419	0,715217
B3	0,328313	0,306447	0,329035	0,846993
C1	0,228291	0,277162	0,298113	0,634555
D1	0,646896	0,424461	0,372909	0,158817
D2	0,766701	0,403358	0,481530	0,153903
E4	0,563939	0,431072	0,240750	0,330689
F1	0,631927	0,382608	0,309412	0,216758
F4	0,653488	0,392952	0,479234	0,299300
G2	0,588932	0,276029	0,268802	0,120360
G3	0,553231	0,260329	0,224542	0,229021
H1	0,421067	0,729486	0,462646	0,321165
H2	0,461417	0,763206	0,447703	0,289940
H3	0,436880	0,690020	0,397973	0,232361
I1	0,322417	0,566950	0,341954	0,275786
J1	0,313100	0,586478	0,290984	0,214780
L1	0,349299	0,528120	0,252547	0,151178
L3	0,296158	0,627650	0,230975	0,196236
L4	0,375279	0,587265	0,257534	0,254688
M1	0,437411	0,413237	0,703308	0,240218
M2	0,415974	0,429104	0,800953	0,351503
N1	0,281740	0,388545	0,689669	0,152831

Note:
EE= employee engagement; JS= job satisfaction; EP= employee performance;
LMX= leader-member exchange

METHODS

Respondents of our study were employees of Hotel B in Tegal, Central Java, Indonesia. We distributed questionnaires to 105 employees, and all of the questionnaires were returned, thus the response rate was 100 %.

The analytical technique used is PLS (partial least square). According to Ghazali (2006), PLS is an alternative method of covariance-based SEM by not assuming the data and the small sample size.

Taruno, Thoyib, Zain, and Rahayu (2012) explain that the PLS required these following steps: 1), the model specification (outer and inner models model); and 2) the evaluation models (outer and inner models model). Outer model is often called outer relations or measurement models, that is measurement model relationships between indicators and that construct (Ghozali, 2006). By using three tests that is convergent validity, discriminant validity and reliability test (composite reliability and Cronbach Alpha). Inner models sometimes called inner relations, structural models, and substantive theory, it define picture of the relationship between latent variables based on substantive theory. With using two tests, i.e.: total coefficient

determination (r-square) and hypothesis testing path analysis (path coefficients).

RESULTS AND DISCUSSION

Outer model

Convergent validity

Convergent validity by looking at the outer loadings table. Limit of loading factor is 0.5. If the value of the loading factor > 0.5, so the convergent validity fulfilled, if the loading factor < 0.5, so the construct should be dropped from the analysis (Ghozali, 2006). Value of loading factor on early model not fulfilled the validity Convergent yet, because there are some indicators that have a value of loading factor below 0.5. Modification of the model showed three times by dropped the

Table 2.
Composite reliability table

	Composite Reliability
EE	0,822198
JS	0,845168
EP	0,823751
LMX	0,807205

Note:
EE= employee engagement; JS= job satisfaction; EP= employee performance; LMX= leader-member exchange

indicators have value of loading factor below 0.5, these are 30 indicators. Modifications in this study did 3 times and it's valid with total indicators as many as 26.

Discriminant validity

According to Ghazali (2006), examine the discriminant validity by looking at the value of loading the construct must be greater than the another value of loading construct. Based on the table 1 the value of cross loading for each indicator of each latent variable is greater than the value of cross loading if associated with other latent variables. It means that each latent variable already has a good discriminant validity.

Table 3.
Cronbach's alpha table

	Cronbach's Alpha
EE	0,752967
JS	0,794151
EP	0,750123
LMX	0,690437

Note:
EE= employee engagement; JS= job satisfaction; EP= employee performance; LMX= leader-member exchange

Reliability test

According to Ghazali (2009), constructs is reliable if the composite reliability score above 0.7.

Based on the above table 2 it can be concluded that all constructs fulfilled the reliability criteria. That showed with all constructs that have a composite reliability value above 0.7.

Reliability test is reinforced with Cronbach Alpha. According to Nunnally (2001), if the value of Cronbach's alpha coefficients is greater than 0.60, so the constructs could be classified as reliable instrument.

According to table 3, Cronbach's alpha can be concluded that all constructs

Table 4.
R-square table

	R Square
EE	0,119145
JS	0,151029
EP	0,390937
LMX	-

Note:
EE= employee engagement; JS= job satisfaction; EP= employee performance; LMX= leader-member exchange

fulfilled reliability criteria. Reliable assessment is seen from Cronbach alpha values > 0.6.

Inner model R-square

Based on the table 4, it can be concluded that the ability of LMX to explain employee engagement is 11.91%. The ability of LMX to explain job satisfaction is 15.10%. Then, the ability of employee engagement and job satisfaction to explain employee performance is 39.09%.

Hypothesis testing

According to Ghazali (2009), a significant hypothesis showed from Path Coefficients table if value of t measurement < t table 1.96. As shown in table 5, the results show that employee engagement is significant to employee performance. Thus, hypothesis 4 is supported. It also support finding of Indayati, Thoyip, and Rofiaty (2011), who revealed that the higher employee engagement, the higher the employee performance.

Table 5 also reveal that job satisfaction is significant to employee performance, showing support for hypothesis 3. It is consequent with study by Kurniawan (2012). We can see also in table 5 that LMX is significant to employee engagement, meaning that hypothesis 1 is supported. It is in line as well with study from de Oliveira and da Silva (2015) study who revealed that high-performance work systems (HPWS) and the qualities of LMX are positively related to

Table 5.
Path coefficients table

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
EE -> EP	0,356794	0,383276	0,092035	0,092035	3,876721
JS -> EP	0,308771	0,311968	0,121247	0,121247	2,546621
LMX -> EE	0,345173	0,376391	0,071189	0,071189	4,848702
LMX -> JS	0,388625	0,418501	0,066417	0,066417	5,851281
LMX -> EP	0,069610	0,061159	0,109466	0,109466	0,635907

Note:
EE= employee engagement; JS= job satisfaction; EP= employee performance; LMX= leader-member exchange

employee engagement.

The result as represented in table 5 also show support for hypothesis 2 which state that LMX has positive effect on job satisfaction. So, we found another evidence for study conducted by Bhal, Gulati, and Ansari (2009) in Ariani (2012) that found that LMX have impacts for the subordinates, such as job satisfaction, commitment, role performance, and organizational citizenship behavior. However, we cannot find any support for hypothesis 5, which stated that LMX positively affect employee performance since the result show that LMX is not significant to employee performance. This is because the relationship between the boss and employees were deemed less good because the boss attitude is not good in conveying tasks to subordinates.

CONCLUSION

Our study conducted to examine some factors that could be the mechanism for LMX to improve employee performance. Furthermore, we also examine the effect of those factors on employee performance. Based on the results of analysis that we have conducted, we can find some support for our predictions.

LMX was found to have positive effect on employee engagement. Then, employee engagement was found positively affect employee performance. LMX was also found significantly affect job satisfaction, and job satisfaction was found positively affect employee performance. However, we cannot find support for our hypothesis which state that LMX is have positive effect on employee performance. The most plausible explanation is because the relationship between superordinate and subordinate were deemed less good because the boss attitude is not good in conveying tasks to subordinates.

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Leader-member exchange, job satisfaction, employee engagement, and employee performance

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