Employees’ Job Satisfaction and Organizational Citizenship Behavior: The Moderating Impact of Leader-Member Exchange

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Abstract

The present study is an investigation on the moderating impact of leader-member exchange (LMX) in the relationship of employees’ job satisfaction and organizational citizenship behavior (OCB) in the Malaysian context. To test hypotheses about the mentioned relationships, survey data were collected from 285 executives, low or middle level managers in banking industry firms of Malaysia through a method of self-administered questionnaire. Surveys were analyzed using multiple hierarchical regressions to explore relationships between employees’ job satisfaction, leader-member exchange, and organizational citizenship behavior.

Generally, based on the findings, management support was defined as the way to improve individual performance of employee. Even though it is the influence of job satisfaction towards OCB, other factors affecting OCB have some degrees of dependency on job satisfaction. Hence, organizations need to consider the impact and/or influential level of those factors toward the formation or maintenance of OCB. This finding suggests that a healthy supervisor-subordinate relationship has effect on the general concern for the organization. The quality of the relationship between leader and employee is predictive of employee OCB. Therefore, when leader-member relationships are characterized by high levels of trust, support, liking, and attention, increased levels of OCB among employees are likely to occur.
Kepuasan Kerja dan Tingkah Laku Kewargaan Organisasi:
Kesan Teori Penukaran Pemimpin-Anggota

Abstrak
Kajian yang dilancarkan bertujuan untuk menguji kesan interaksi teori penukaran pemimpin-anggota (LMX) dalam hubungan kepuasan kerja dan tingkah laku kewargaan organisasi (OCB) dalam konteks Malaysia. Untuk menguji hipotesis tentang hubungan yang dinyatakan, data yang diperolehi telah dikumpulkan daripada 285 eksekutif, pengurus tahap tengah dan tahap rendah yang kini bekerja di organisasi industri perbankan Malaysia melalui pengedaran kertas soal selidik. Kaji selidik telah dianalisa menggunakan regrasi pelbagai tahap untuk meneroka hubungan antara kepuasan kerja, teori penukaran pemimpin-anggota, dan tingkah laku kewargaan organisasi. Secara umumnya, berdasarkan keputusan penyelidikan, sokongan pihak pengurusan merupakan cara untuk meningkatkan prestasi individu pekerja. Walaupun ia adalah pengaruh kepuasan kerja terhadap OCB, faktor-faktor lain yang mempengaruhi OCB mempunyai beberapa darjah kebergantungan kepada kepuasan kerja. Oleh itu, organisasi perlu mengambil kira kesan dan/atau tahap pengaruh faktor-faktor lain ke arah pembentukan atau penyelenggaraan OCB. Penemuan ini juga menunjukkan bahawa hubungan yang sihat antara pemimpin dan anggota mempunyai kesan ke atas organisasi. Kualiti hubungan di antara pemimpin dan anggota adalah ramalan OCB pekerja. Oleh itu, apabila hubungan pemimpin-anggota mempunyai ciri-ciri kepercayaan yang tinggi, sokongan, keinginan, dan perhatian, peningkatan tahap OCB di kalangan pekerja mungkin berlaku.
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Chapter 1

Introduction

1.1 Background of the Study

The world is looking forward to high performance organizations, whereby organizations would provide high job satisfaction to their employees and would also cherish its employee’s excellence and effectiveness in order to survive and grow in the long run (Chien, 2011). Even though performance is often times determined by financial figures, it can also be measured through the combination of expected behavior and task-related aspects (Johari & Yahya, 2009).

Today’s highly competitive business firms increasingly rely on their human capital to give them a sustainable competitive verge by being able to respond, adapt, or change to keep pace with rapid technological advancements, education advancements, workforce diversity, organizational restructuring, and new ways of doing business (Leow & Khong, 2009). In highly competitive environment, organizations are relentlessly looking for new ways to maximize employees’ work efforts to maintain its market share across diverse cultures as it have positive impact on good reputation, work quality, service quality, and service delivery (Kolade, Oluseye, & Omatayo, 2014). However, with the increased use of information technology, still there is gap in the effective functioning of the organization (Meh & Nasuredin, 2011). It is believed that employee who exercises positive voluntary behaviors outside the scope of official roles without anticipation for a reward or exchange something specific has definite impact on organization effective functioning which also known as organizational citizenship behavior (Hans, Mubeen, & Al-Badi, 2015).

Organizational citizenship behavior (OCB) was first illustrated in the work of Bateman and Organ (1983) about 30 years ago and has been considered as an important and developing
topic of research in the recent past (Ozturk, 2010). OCB refers to the individual contributions in the workplace that go beyond role requirements as stipulated in the job agreement (Lo & Ramayah, 2009). A few studies have shown that OCB are positively related to individual behavior, unit, and organizational performance (Koys, 2001; Podsakoff & MacKenzie, 1994; Podsakoff, Ahearne, & MacKenzie, 1997; Walz & Niehoff, 2000; Yadav & Punia, 2013). This is due to OCB being able to foster the effectiveness of organizations in term of achieving a higher level of work group performance from the perspective of quantity and quality of work (Lo, Ramayah, & Kueh, 2006). OCB in aggregate contributes to organizational effectiveness by enhancing the social and psychological environment that supports task performance (Dash & Pradhan, 2014). However, the biggest challenge for employers in managing human resources is to get their employees working beyond what is stated in their job descriptions voluntarily (Johari, Yahya, & Omar, 2011). In fact, maximizing efforts from employees is important in sustaining competitive advantage, keeping abreast with changes, and promoting innovation (Organ, 1997).

OCB importance is getting widespread attention from organizations in various industries. The services sector has been a major contributor to the growth and development of the Malaysian economy (Central Bank of Malaysia, 2007; Department of Statistics Malaysia, 2010; Malaysian Industrial Development Authority, 2010). The services sector is estimated to contribute 70 percent of GDP to Malaysia’s economy by 2020 (Warrier, 2010). The development of the services sector had contributed greatly to the diversification of the economy of Malaysia (Public Bank Berhad, 2005). Malaysia’s banking sector is expected to remain robust with a competitive and challenging environment. Hence, they need to compete among the local and international banks in Malaysia. The banking industry sector which is often being
characterized as a highly knowledge based industry has been given less attention by researchers and this is the gap this research would like to address (Mavridis, 2004).

The banking industry is a service industry where the performance is evaluated based on the number of customers it’s able to retain. This can be achieved by providing superior customer service (Sofiah, Padmashantini, & Gengeswari, 2014). Hence, the front service employees play a major role in achieving this. People are employees who represent a key facilitator in implementation of relationship banking strategy (Begum, 2005). OCB has a variety of forms including altruism, courtesy, sportsmanship, civic virtue and conscientiousness (Organ, 1988). Since organization citizenship behaviors are less likely to be formally rewarded than are required job behaviors, they are presumably performed by intrinsic motivation mechanism (Chompokum, 2004). Organization needs to develop OCB for effective and efficient attainment of organizational goals in the global competitive environment as employees will then take the initiative to solve any difficulty without any management intervention (Vijayabanu, Govindarajan, & Renganathan, 2014). This situation demands for organizational citizenship behavior to be exhibited by all employees in the organization.

Managers in the new millennium have been facing stern challenges in this cutting edge of technological advancement and the process of globalization. The entire globe is moving towards unprecedented challenges of changes resulting in some surprises of economic patterns of the countries such as free market competition, open-market economy, trade liberalization, cross-border mega-mergers and acquisitions, deregulation, satellite telecommunication, technological advancements, and growing global economic interdependence have brought countries closer than ever. Furthermore, e-commerce, Internet revolution, regional power integration (e.g., EU, NAFTA, and ASEAN etc.), common currencies (such as, Euro) and cross-
cultural diversity in the workforce have continuously been changing the traditional business practices and leadership roles around the world (Raquib, Anantharaman, Eze, & Murad, 2010).

The success of an organization depends on the appropriate use of manpower which will be an auxiliary to all other assets (Vijayabanu & Amudha, 2012). Some global companies face challenges of keeping the employees who have diverse skills (Vijayabanu et. al., 2014). Many companies facing intensive challenge of improving the employee’s job satisfaction to gain the competitive advantage and retention of key employees in the organization (Fatt, Sek Khin, & Heng, 2010). Job satisfaction itself is a challenging outcome sought by organizational managers. The motivated employees are satisfied employees that have greater morale, oneness and promote cohesiveness among the members of the organization (Vijayabanu, Amudha, & Surulivel, 2013). The resulting implications are restricted to suffice that OCB is likely when workers are satisfied (Chien, 2011).

Social exchange theory stresses that the aim of human interaction is the exchange of social and material resources (Chew & Wong, 2008). The strategic concepts of social exchange theory are rewards (the pleasures, satisfactions, and gratifications that come from a close relationship) and costs (the pains, dissatisfactions, missed or upset gratifications that perceive as being part of an intimate relationship). Befu (1977), Cook, and Emerson (1978) considered that those who received what they feel they are worthy of feel satisfied, those who received less feel anger, deprivation, a cost regardless of the amount of reward received. In further, Ekeh (1974) supported this identification by stating that an individual’s perception of the reward structure depends on his or her reasonable share of it. Based on the theory, privileged individuals would be disappointed if they received less rewards than another person did, even both parties exerted the same level of effort. Plainly stated, social exchange theory suggests that
employees are motivated to perform depending how well the organizations contribute to and care about employees’ well-being (Eisenberger et al., 1986).

Employee job satisfaction refers to the attitude that employees have about their jobs and the organizations in which they perform their jobs (Itiola, Odebiyi, & Alabi, 2014). Job satisfaction is generally recognized as a multifaceted construct that includes employee’s feelings about a variety of both intrinsic and extrinsic job elements which related to pay, benefits, promotion, work conditions, supervision, organizational practices and relationships with co-workers (Rad & Yarmohammadian, 2006). It has also been long predicting employee efficiency (Wright, 2006). Justification for the need to investigate job satisfaction is exemplified in the seemingly observed relationship between the levels of job dissatisfaction, absenteeism, grievance expression, tardiness, low morale and high turnover. Employees who experience job satisfaction are more likely to be productive and stay on the job (Omotayo, Paul, & Hezekiah, 2014). Furthermore, more satisfied employees have more innovative activities in continuous quality improvement and more participation in decision-making in organizations. Among determinants of job satisfaction, leader-member exchange is viewed as an important predictor and plays a central role. Leader-subordinate relationship is very crucial within an organization as various work outcomes occurs because of this relationship. It affects productivity, efficiency, operational cost, and atmosphere of the working environment (Farmer & Aguinis, 2005; Koslowsky, Schwarzwald, & Ashuri, 2001; Koslowsky, Schwarzwald, & Baharav, 2010).

Leader-member exchange (LMX) describes the relationship between a leader and a subordinate and how they influence each other in an organization and their interdependencies (Lo et. al., 2006). Earlier works in LMX have founded two types of relationship between the subordinates and supervisors, namely the in-group and the out-group. High-quality exchange relationships is called in-group and is demonstrated by a high degree of mutual positive effect,
loyalty, contribution or obligation to exchange, professional respect, and trust, whereas, the opposite is observed in low quality exchange relationships which is called out-group (Yu, Ahmad, & Yap, 2014).

Past studies found that the high-quality exchange relationship moderates the subordinates’ satisfaction. The different treatments from superiors to their subordinates affect co-workers as they are aware of the differential treatment (Stringer, 2006). Co-workers’ awareness about differential treatment from their superiors serves to create and reinforce social perceptions about differential treatment in the work group. High quality LMX typifies “open” communication exchanges in which subordinates are afforded greater amounts of trust, confidence, and attention, inside information, negotiating latitude, and influence without resources to authority (Abu Bakar, Mohamad, & Herman, 2004). In contrast, low-quality LMX is “closed” communication exchange in which the superior uses formal authority to force members to comply with prescribed roles. As a result, subordinates in low-quality LMX are restricted in their opportunities to influence decisions and, hence complain of their superior’s resistance, unresponsiveness, and inactivity in their attempts to affect change.

Thus, if the employees perceived the quality of LMX is high, this may encourage them to perform citizenship behaviors for the work unit and organization as satisfied subordinates have more innovative activities in continuous quality improvement and more participation in decision-making in organizations. However, the importance of examining organizational citizenship behaviors in organizational for leadership effectiveness, a review of the literature, has revealed a lack of consensus about the dimensionality of OCB, particularly in the Malaysia context (Lo & Ramayah, 2009) and assumed no known study examined the LMX variables as moderators that moderate the relationship between job satisfactions and organization citizenship behavior.
The present study is an investigation on employees’ job satisfaction, leader-member exchange and organizational citizenship behavior and contributes to the accessible management literature. Most of the studies on employees’ job satisfaction, leader-member exchange and organizational citizenship behavior have been significant in the West. Previous research studies emphasized the relationship between job satisfaction and organizational commitment. The moderating influence of leader-member exchange has not much been explored. This study adds value to the existing literature by testing the moderating impact of leader-member exchange in the relationship of employees’ job satisfaction and organizational citizenship behavior in the Malaysian context.

1.1.1 The Malaysian Scenario

The globalization trend, technology development, new business practices and technology continuously influence organizations in Malaysia. Many companies were facing intensive challenge of improving the employee’s job satisfaction (Mello, 2006).

In Malaysia, employees were more satisfied when they felt they were rewarded fairly for the work they have done by making sure rewards were for genuine contributions to the organization and consistent with the reward policies (Rad & Yarmohammadian, 2006). The rewards included a variety of benefits and perquisites other than monetary gains. Almost all of the people work for money because they need it to survive. Malaysian employees in common are working because of the rewards offered by their leaders, managers, supervisors or other superiors such as pay rises, promotion, praise, favorable assignments, and other rewards that are applicable to employees (Hofstede, 2001). Some studies also revealed that Malaysians focused on collective encouragement and rewards that should be fair to individuals (Gupta, 2002).
In multicultural society of Malaysia, people come from many ethnic origins. Each ethnic group has its own identity and culture, live in relative harmony (Abdullah, 1996). Although the Malaysians have different religions, rituals, and symbolic expressions, they are commonly maintaining some deep-seated values. They respect for elders, concern for harmony and face-saving, care for relationships, and emphasize collectivism and religion (Abdullah, 1996). Nevertheless, for multicultural workforce, there are other factors, which are equally important in determining their work attitude and behavior such as particular opportunities for self-development, growth, and contributions to the community and nation (Rad & Yarmohammadian, 2006). In further, loyalty, teamwork, and personal commitment are some of the common practices in Malaysian companies (Lee & Ahmad, 2009).

Relationships among employees and even leaders are very important to individual and organizational performance. It draws the communication of both parties and the concerned relationship is able to affect the working perception, attitude, and behavior of employees. Enhancing relationships can bring the subordinates to present high morale and productivity, which focus more on personal efforts and competencies (Abdullah, 1996). Malaysian managers, leaders, and those in positions of authority always spend time to build personal relationships with their peers, superiors, and subordinates and reduce communication barriers through friendly chats and concerns (Dahlan, 1991).

Malaysian employees prefer to work for leaders who are able to provide them with a clear understanding of organizational goals. They like to work with superiors who have attractive personalities, skills, expertise, knowledge, experiences, and capabilities (Dahlan, 1991). Those leaders and managers who can share their experiences and knowledge with employees are highly regarded. A commonly shared sense of direction provided by managers will enable subordinates to gain long-term commitment and loyalty (Chew, 2009). Committed
employees were more likely to perform beyond the call of duty to meet customers’ needs and were highly motivated to work to the best of their ability. These traits were crucial for continued customer commitment and ongoing revenue and growth for an organization.

1.2 Problem Statement

Organizational citizenship is important for any business which wants to stay competent and has organizational effectiveness. In a highly competitive environment, the best way for businesses to reach organizational effectiveness is to improve OCB through reducing cost which means organizations are looking for new ways to maximize employees’ work efforts. Employee volunteerism can be an effective strategy for increasing the value of corporate philanthropy (Peloza et al., 2009). However, the biggest challenge for employers in managing human resources is to get their employees working beyond what is stated in their job descriptions voluntarily (Johari et. al., 2011).

Job satisfaction has been identified as a major requirement for organization which aims to achieve excellence in their operations. Job satisfaction can be refer as the attributes and feelings people have about their work (Itiola et. al., 2014). By extension, job satisfaction will mean positive or favourable attitudes towards one’s job whilst a negative or unfavourable attitude indicates job dissatisfaction. Satisfied employees engage in discretionary or pre-social behaviours that are edifying to the effective functioning of the organization (Baron et al., 2006).

In Malaysia, employees were more satisfied when they felt they were rewarded fairly for the work they have done by making sure rewards were for genuine contributions to the organization and consistent with the reward policies (Rad & Yarmohammadian, 2006). Malaysian employees in common are working because of the rewards such as pay rises, promotion, praise, favorable assignments, and other rewards that are applicable to employees (Hofstede, 2001).
Some studies also revealed that Malaysians focused on collective encouragement and rewards that should be fair to individuals (Gupta, 2002). To gain competitive advantages, satisfaction toward one’s job becomes a criterion for organization management to consider.

The continued expansion of urban-industrialization development and rising incomes in Malaysians as well as the rapid growth of foreign direct investment has led to a change of Malaysians’ traditional management styles (Noordin & Jusoff, 2010). This phenomenon is obviously seen especially for those who are working in foreign companies. For instance, collectivism tendencies within Malaysia are changing. Instead, individualism receives attention due to fast social change and social mobility (Noordin & Jusoff, 2010). In view of that, Malaysia managers or leaders must have multicultural understanding, both in eastern and western managerial dimensions. A manager or leader who understands Malaysian culture can more effectively grasp the job commitment of Malaysian employees. He or she might able to motivate subordinates to perform effectively and working beyond what is stated in their job descriptions voluntarily. It is an essential issue to gain concern from leaders and organization management.

Leader-member exchange describes the relationship between a superior and a subordinate and how they influence each other in an organization and their interdependencies (Scandura, 1999; Yukl, 1998). LMX postulates that dyadic relationships and work roles develop over time through a series of exchanges between leaders and members (Scandura & Graen, 1984). These exchanges result in supervisors treating each of their subordinates differently. According to LMX theory, some dyadic relationships evolve into high quality exchanges while others are a more formal relationship between leader and member. Subordinates in high quality LMX relationships (i.e. in-group members) are often given expanded work responsibilities and tend to engage in more OCBs, also known as extra-role behavior.