EXAMINING THE INTERCEDING ROLE OF LEADER-MEMBER EXCHANGE (LMX) IN THE RELATIONSHIP BETWEEN TRUST AND EMPLOYEE ENGAGEMENT

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Abstract. *The quantity of research work on employee engagement and leader-member exchange signifies the importance of these organizational aspects from both the employee and employer point of view. The results of these researches vary from culture to culture and organization to organization. The purpose of this paper is to understand the role of leader member exchange between trust and employee engagement. For this purpose a sample of 133 respondents has been selected and their perceptions have been sought through a questionnaire. The results somewhat weekly supported the existing leader-member exchange theory in the relationship between trust and employee engagement. These results have practical as well as academic implications. Future research may look into the detailed causes of these results.*

Key words: Leader-member exchange (LXM), trust, employee engagement

Introduction

Employee's inputs are vital to any business organization. In fact, organizations have no ways other than to produce more from employing their respective expertise and competences (Ulrich, 2013). Therefore, firms acquire those individuals who keep interest in firm's values and goals, and who produce more from less inputs (Cauldron, 1996). To enable the employees to fully utilize their competencies an atmosphere of trust is highly critical. And within this atmosphere they are required to be engaged properly and adequately. Leader member exchange (LXM) is a dyadic relationship between the leader and the members in an organization. The essence of this relationship is that leader of an organization develops an exchange with her/his subordinates, and that the quality of this relationship influences employees' attitude and behaviour in the organization. Trust and respect and considered the two building blocks of this relationship. This relationship often becomes emotional relationship that extends beyond the scope of employment.

Trust is observable by individuals activities – eventually reflecting center principles, norms (Schein, 2004), and the profundity of individual promise (Senge, 2006). In this sense trust is essentially characterized as the shared comprehension between two persons that vulnerabilities would not be abused and that the connection is protected and polite. According to Doney, Can.non, and Mul.len (1998), trust is "an eagerness to depend on another gathering and to make a move in situations where such activity crafts one powerless in contradiction of the other gathering".

The relationship between trust and work engagement is reciprocal and could positive organizational consequences (Chughtai & Buckley, 2008). Research witnesses that an atmosphere of trust prompts wide-ranging advantages for people. Research has also proved that rise in trust effect in a straight line or roundabout means in further affirmative environment practices and dispositions like authoritative responsibility and representatives work engagement (Dirks & Ferrin, 2002). Gupta and Kumar (2015) examined trust as an arbitrator between justice and worker engagement. Keeping in view the importance this reciprocal relationship in organization, this paper attempts to explore the mediating role of LXM between trust and employee engagement.

Research Question

- What the level of the existing relationship between trust and employees engagement in the target population?
- Does LMX mediate trust and employees engagement in the target population?

Problem Statement

Studies on LXM from various dimensions and in various populations abound (Chughtai & Buckley, 2008; Gupta & Kumar, 2015; Harris, Harris & Brouer, 2009; Ilies, Nahrgang & Morgeson, 2007; Law, Wang & Hui, 2010; Roberts & Davenport, 2002). However, the mediating role of LXM between trust and employee engagement has scarcely been touched upon. This paper addresses this gap. Secondly, the subject population has not been researched in terms of any of the variables in the study.

Employee Trust

Trust has widely been researched wherein the researchers have pointed out that trust is essential for understanding a culture (Doney, et al., 1998), leadership (Dirks & Ferrin, 2002), justice and employee engagement (Gupta, & Kumar, 2015), for managerial innovation (Gabris, Grenell, Ihrke & Kaatz, 2000) and organizational productivity, and organizational commitment (Nyhan, 2000). There appears a wide range of definitions by different scholars and practitioners that lacks consensus that is why it termed elusive and difficult to comprehend. However, there appears that for majority of the scholars the concept of trust encompasses faith, fairness, uncertainty,

vulnerability, and risky situations. On the whole employee trust is an employee willingness to rely on a trustee's behavior in an uncertain, risky situation.

Leader member exchange (LMX)

Leader-member exchange is also a very common process related to employee engagement and trust. By definition, it is the quality of the relationship dyad between a supervisor and the subordinate. Leader-member exchange and trust have a complex relationship (Dirks & Ferrin, 2002). According to Graen and Uhl-Bien (1995) LMX consists of three dimensions—trust, respect and obligation. The theory of LMX expostulates that for the development of quality relationship there should be balanced efforts from both the subordinate and the supervisors. This means that trust is an integral part of the LMX theory with the caution that trust need not be completely reciprocal and mutual (Mayer, Davis, & Schoorman, 1995).

Liden and Maslyn's (1998) look at this relationship from a more multidimensional aspect. According to them LMX includes dimensions of loyalty, affect, contribution and professional respect. These bases of trust have been widely studied. As work trust and its role in LMX has both cognitive and practical aspects, one can hardly, it is quite natural that some may be highly effective in nature whereas some may be highly cognitively loaded. In the latter case the LMX dimensions of professionalism and contributions are more likely to enhance cognitive trust as opposed to affective trust. On the other hand, dimensions like loyalty and liking may increase affective trust. On the whole, whether it is affective or cognitive the quality of trust is central to a powerful base of LMX relationship.

Leader-member Exchange relationship is generally presumed to get developed in three stages—the organizational stage, the role development stage and the establishment of a leader-led relationship where a person rises from a group for various reasons. There usually is a task that needs to be performed and the approaches of doing it range from anarchy to a single person directing everything. A number of factors like cultural, social, economic, charismatic, etc. can solidify leader-led relationship and maintain them over time.

Employee engagement

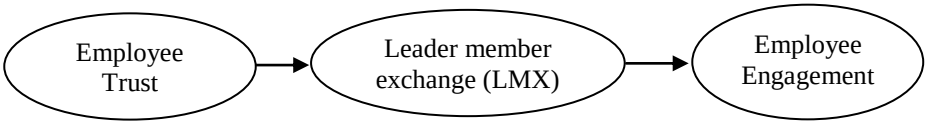
The centrality of HR has since been firmly established, researchers are busy in exploring physiological and psychological bases for making this asset more effective and efficient. Employee engagement is one of the factors that have attracted the attention of the researchers. In simple terms it is an employee's attachment in business (Roberts & Davenport, 2002). The more employees are involved in their occupations the more they find themselves highly motivated in work itself. Engaged employees have been found inclined more to put efforts tougher, more effectively and efficiently as compared to those not engaged. Employees through engagement—physical, mental,

and emotional—drive to better presentations (Kahn, 1990). Employees' engagement has been found a very fruitful tool for achieving organizational goals.

Employee engagement is not completely an independent construct. There is a deep relationship between engagement and trust. This relationship is reciprocal in attaining the desired results for organization (Chughtai & Buckley, 2008). Research has empirically proved that an environment of trust leads toward extensive plus varied assistances in lieu of people performing within organization. Researchers have proved that rise in trust effect in a straight line or roundabout means in further affirmative environment practices and dispositions like authoritative responsibility and representatives work engagement (Dirks & Ferrin, 2002). Organizations prefer engaged and productive workers as they are the main pillar for keeping service quality.

Theoretical Framework

For a good research a good theoretical framework that structures a theory is very essential. A number of research works (Chughtai & Buckley, 2008; Gupta & Kumar, 2015; Harris, Harris & Brouer, 2009; Wang & Hui, 2010; Sanders & Frenkel, 2011; Wat & Shaffer, 2005) have addressed the relationship of trust, LMX and employee engagement in different situations and from different angle. In the light of these and many others, the following theoretical framework has been set for this study.



Research Methodology

Survey research technique has been employed. The survey has been undertaken with the help of a self-administered questionnaire. The question for all the three constructs has 27 items in total. Trust variable is measured through Krot and Lewicka (2012) with reliability coefficient Cronbach alphas more than 0.80. LMX has been measured through five-item scale produced & validated by Bernerth, Arminakis, Feild, Giles and Walker (2007) with reliability coefficient Cronbach alphas 0.82. Employee engagement has been measured scale developed by Crabtree (2005). For measurement of these constructs a five point Likert scale from strongly disagree to strongly agree has been employed. For interpretation of the data SPSS has been used.

Sample and the target population

The population of the present study is concentrated on Punjab small industrial estate Taxila with its 13 recognized companies. The total number of workers and managerial staff in these 13 operational companies are 203, while the estate is in constructive stage. Sample size is calculated through finite formula of (Krejcie &

Morgan, 1970). Through multistage random sampling 133 respondents randomly selected out of 203 employees of small scale industries of 5 unsystematically nominated companies, which remains almost 65% of aimed inhabitants.

Results

Reliability of the scale has been checked through Cronbach Alpha for internal consistency which is 0.604 for the complete scale. Though the value is not that much good, it is within the acceptable level. Other descriptive statistics are given in table 1.

Table 1: *Descriptive sample statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
Employee Trust	133	3.00	4.89	3.8477	0.46858
Leader member exchange	133	3.29	4.86	4.1402	0.37796
Employee engagement	133	3.18	4.73	3.9983	0.35954

To measure the strength of the association between the variables in the model Pearson correlation was run. Table 2 provides the results of the correlation analysis.

Table 2 *Correlation Analysis*

Variable	Trust	Leader-member exchange	Employee engagement
Trust	1.00		
Leader-member exchange	0.491	1.00	
Employee engagement	0.123	0.101	1.00

The values in the table 2 demonstrate positive correlation among the variables. However, the values for employee engagement with employee trust and LXM are small i.e. 0.123 and 0.101 respectively while the value for LMX with trust is medium i.e., 0.491. The reason behind the low values could be the nature of the work in the sample companies. As each employee works in such a setting that almost free and there are very little chances wherein such relationship could get mature.

To know the strength, direction and the validity of the relationship between the variables of the study, regression analysis was applied to the above model. The results of the model estimation are produced in table 3.

Table 3a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.	0.296[a]	0.187	0.152	0.0512

a. Predictors: (Constant), Leader member exchange, Trust

Table 3b ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Model 1.	Regression	0.599	2	0.300	2.445	.097[b]
	Residual	6.252	51	0.123		
	Total	6.851	53			

a. Dependent Variable: Employee engagement

b. Predictors: (Constant), Leader-member exchange, trust

By looking into values in the table, the value for R^2 (0.187) is quite low which denotes that the model seems "weekly fit" to explain the relationship between independent and the dependent variables. Possible explanation for this could be the small number of the sample and the level of understanding of the respondents regarding the questionnaire. Other explanation could be the omission of some other variables like justice, etc. Besides this, the regression model is significantly week to predict the dependent variable. The value for *p* is 0.097, which is more than 0.05.

Conclusion

Human resource in an organization has empirically been proved indispensable. Researchers have continuously been researching various factors that keep this asset happy and health. To cultivate and encourage a working atmosphere where employees feel at home leader-member exchange is considered crucial. This research endeavour looked into that aspect from the extant literature and then empirically looked for the support of the existing theory. The results supported the centrality of the existence of this feeling. However, the values did not happen very strong. From it is easy to conclude that further research is required by including other variables like justice, OCB, etc. to have more holistic picture of the LMX and employee engagement.

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