

The Role of Leader-Member Exchange in Elevating Local Government Employees' Organizational Citizenship Behavior: An Empirical Evidence from East Coast Malaysia

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Abstract

Arising from high level of complaints by the public on dissatisfaction on service quality provided by local government, this study was carried out to evaluate the perception of local governments' employees on leader-member exchange (LMX) towards organizational citizenship behavior (OCB). The sample consisted of 212 respondents from six local governments in east coast Malaysia. Finding showed that OCB and LMX levels among these respondents were moderate. Two distinct factors for LMX emerged and named contribution-respect and affect-loyalty where contribution-respect showed a stronger correlation ($r = 0.62, p < 0.01$) compared to affect-loyalty ($r = 0.34, p < 0.01$) towards OCB. Hierarchical regression analyses showed that 39% of variance in OCB was explained by LMX. Therefore, fostering quality dyadic relationship should not be neglected as evidence showed that quality relationship is an avenue to elicit employees' OCB which in turn instill public confidence towards the multifarious services provided by local government.

Keywords: organizational citizenship behaviour, leader-member exchange, local government, Malaysia

1. Introduction

Local government is the third tier in Malaysian Federal structure after central government and state government. It is further divided into three levels of hierarchy namely city councils for city centers, municipal councils for larger towns and district councils for small urban town. Being the lowest level of government, it has given wide power to administer, plan and enforce responsibilities in its respective jurisdiction as provided by Local Government Act 1976, Town and Country Planning Act 1976 and Street, Drainage and Building Act 1974. Local governments are very close to the public where they play two key roles at the local level that impact the lives of the local citizen. The first role relates to provision of basic services aimed at the upkeep of the local community including business to be found within the administrative purview. The second role is to regulate land use and business activity within the administrative area (Hazaman & Kalianan, 2008).

The local governments are the managers of urban environment where they are among the driving force that contribute to the economic growth and social development of a particular district and its residents. Due to their closest interactions with the stakeholders primarily the public, their performance have been constantly being under the public watchful eyes where high number of complaints were recorded as evidenced by statistics compiled by Public Complaint Bureau (PCB).

In PCB's annual reports from 2009 to 2012 provided hard evidence that level of service by local governments has yet to reach public satisfaction where the local governments has been consistently garnered the top position in the numbers of complaints filed by the public.

In order to response to the public crying for improvement in service quality and service delivery, human resource practices need to relook as the ability to respond effectively to public complaints lies in the willingness of these employees to exhibit citizenship behavior. Organizational citizenship behavior (OCB) is the possible solution in meeting citizen satisfaction as OCB is considered as one of the most important factors influencing organizational effectiveness at relatively low cost (Organ, 1988). Moreover, OCB is positively related to high job performance, cost reduction; improve operational efficiency, employees' retention and customer satisfaction (Podsakoff, Whiting, Podsakoff & Blume, 2009). By demonstrating high OCB, the image of local government as the engine of economic and social growth for a particular district can be strengthened and fortified.

In ensuring that employees are able to consistently deliver quality service, it is invariably rest on the capability and capacity of the leaders to influence their subordinates towards accomplishing the objectives of the organization and, even more so, in meeting the expectation of the wider public interest (Ismail, 2007). Hence, quality level of interactions between leaders and subordinates is vital as the effectiveness and the willingness of subordinates in performing OCB are very much depended on the quality dyadic relationship being established. Thus, as suggested by Mazoni & Barsoux (2002), the dyadic relationship has been considered to be one of the most important relationships for employees. As the level of dissatisfaction at the grass-root level is worrying, this study makes an attempt to investigate the dyadic relationship (LMX) on employees' citizenship behavior in local governments located in east coast of Malaysia.

2. Literature Review

2.1 Organizational Citizenship Behaviour

The definition put forth by Organ (1988) has been widely used in literature which it refers to individual behavior that is discretionary, not directly or explicitly recognized by formal reward system and that in aggregate promotes the effective and efficient functioning of the organization. Social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) have been repeatedly used to describe and explain motivations behind employees' behaviors and attitudes. This theory involves a series of interactions that are interdependent, contingent on the actions of the other partner in the social relationship and generate obligations (Cropanzo & Mitchell, 2005).

Schnake (1991) gave three reasons why OCB are not affected by organizational influences: (1) OCB are subtle and therefore hard to objectively rate, which makes difficult inclusion in appraisals; (2) some forms of OCB may pull people away from their own work to assist another; and (3) because OCB cannot be contractually required, the organization cannot punish employees for not performing them. Kandan & Ibrahim (2010) stressed that in a highly competitive and borderless world, which include team-based organizations and greater emphasis on customer services and client satisfaction, is making OCB increasingly an important element for an organization to prosper and grow.

Most OCB actions, taken singly, would not make a dent in the overall performance of the organization. The effect will be seen with the aggregate summation of OCB performed across time and across persons in the group, department and organizational levels (Organ, 1988). Collectively, OCB actions performed by employees can be clearly visible to the public at large, where this behavior would help in reducing the high level of complaints currently faced by local government. As local governments, in general, are faced with restricted in terms of human resource, infrastructure and financial resources, OCB is a possible avenue in meeting the expectation from the public on service delivery and quality.

2.2 Relationship between Leader-Member Exchange and Organizational Citizenship Behavior

Leader-member exchange (LMX) refers to quality relationship established between leaders and their subordinates where leaders develop separate relationships with each of their subordinates through a series of work-related exchanges, leading to the development of relatively stable relationship that range from lower (out-group) to higher (in-group) quality exchanges (Sherony & Green, 2002; Graen & Scandura, 1987).

LMX as defined by Liden & Maslyn (1998) consists of four dimensions namely affect (mutual affection members of the dyad have for each other based on interpersonal attraction), contribution (perception of the current level of work-oriented activity each member of the dyad puts forth), loyalty (expression of social support among each member of the dyad) and professional respect (perception of each member of the dyad has built a reputation of work-related activity).

Grounded on social exchange theory, LMX is the only leadership approach to consider dyadic relationship of a leader and a subordinate and the exchanges established between them that determine an organizational effectiveness and essentially, no two dyadic relationships are the same (Liden, Wayne & Sparrowe, 1997). Ilies and colleagues (2007) based on their meta-analysis found that LMX and OCB has a moderately strong and positive relationship and LMX was found to be more strongly related to OCB towards individuals than OCB towards organizational, emphasizing the relational nature of LMX. Hence, the effectiveness and the willingness of subordinates to perform OCB are very much depended on the leadership effectiveness and the relationship being established as noted by Podsakoff et al., (2000). Even in thwarting personality characteristics, the quality relationship being established would encourage employee's engagement in OCB as noted by Emmerik, Hetty & Euwema (2007). LMX is expected to correlate positively with OCB as OCB helps to fulfil the reciprocity obligations of subordinates and represents an exchange currency that is diffuse, unspecified and weakly time-bound (Ali, Abu Daud, Aminah & Bahaman, 2008). Thus, the following hypotheses are proposed:

H1a: affect dimension of LMX will have a positive relationship on employees' OCB

H1b: loyalty dimension of LMX will have a positive relationship on employees' OCB

H1c: contribution dimension of LMX will have a positive relationship on employees' OCB

H1d: professional respect dimension of LMX will have a positive relationship on employees' OCB

3. Methodology

3.1 Sampling Procedure and Procedure

State of Terengganu, Pahang and Kelantan are located on the east coast of Malaysia with 29 local governments comprising one city council, six municipal councils and twenty-two district councils. Stratified random sampling is used in selecting sample population as this technique is appropriate for local governments where there exist various departments with different job functions in a particular local government while functions between local governments are almost similar in nature. City council is excluded from sampling process leaving municipal councils and district councils to form the sample population. Six local governments (two from each State) were selected as the sample population with a population size of 1,025. Based on Krejcie & Morgan (1970), 285 respondents were sufficient to represent the sample size which comprising of two municipal councils and four district councils with three category of employees: Professional and Administrative group (top level management), Support I and Support II group (low to middle level management). Disproportionate stratified random sampling was used as the number of top level management was much smaller than Support I and Support II group. Data were collected by means of a printed questionnaire. These questionnaires were distributed to the respondents through chief clerks of the selected local governments who served as the prime contacts persons. Out of 300 questionnaires distributed only 212 questionnaires were found useable, yielding a response rate of 70.6%.

3.2 Survey Instruments

The questionnaires which originated from the West have been translated to Malay language in view of the local government employees are predominantly Malays and majority of them from low to middle level management. A five-point Likert scales ranging to strongly disagree to strongly agree was used and it consists of three parts: demographic profile and scales to measure OCB and LMX. For OCB scale, this variable was assessed using 22-item scale developed by Podsakoff et al. (1990) based on the five dimensions proposed by Organ (1988) and they are altruism, conscientiousness, sportsmanship, courtesy and civic virtue. A latent construct was used to measure OCB in line with the recommendations made by Hoffman, Blair, Meriac & Woehr (2007) and Le Pine, Erez & Johnson (2002). While for LMX, a 12-item LMX-MDM scale by Liden & Maslyn (1998) was employed to assess the quality of exchange between subordinates and their immediate leaders. The scale consisted of four exchange dimensions (affect, loyalty, contribution and professional respect).

4. Research Results

4.1 Profile of Respondents

The demographic profile of the respondents are shown in Table 1. Municipal councils from Pahang and Terengganu dominated the highest number of respondents since these municipal councils have larger workforce in commensurate with larger jurisdiction area compared to district council. Majority of the employees were Malay and female (53.3%) outnumbered their male counterpart (46.7%) with 54.7% of them were under the age of 35 years old. Majority of them (96.2%) are categorized under low to middle level management where these respondents were earning an income below RM3000. In commensurate with this level of income, majority of the respondents (60.8%) have attained up to certificate level of education with the balance 39.2% of them have successfully completed their undergraduate programs. 31.1% of these respondents were fresh batch where their years of service is less than 5 years while 41.9% of them were in the range of service of 5 to 15 years. Being a closed service government agency, 27% of them have been loyal with years of service exceeding 16 years.

The respondents were also asked to provide some demographic information about their immediate supervisors. In contrast, majority of these respondents reported to male supervisors (72.2%) compared to female supervisors of (27.8%). 67% of these respondents have been reporting to their current supervisors for a period less than 5 years with 16% of the respondents have not changed their supervisors where they have been reporting to the same supervisors for more than 11 years. This gave an indication that job rotations were being practiced by these local governments so as to expose these respondents to different work tasks and to increase their working skills.

4.2 Factor Analysis

Confirmatory factor analysis employing principal component factor and orthogonal varimax rotation was performed to determine meaningful factors of LMX and OCB. Inspection of correlation matrix for both LMX and OCB revealed that these data were not facing any multicollinearity and singularity problems (Fields, 2003) as majority of the data stated significant values less than 0.05 and correlation coefficient less than 0.9.

Factor analysis conducted on OCB produced one factor with eigenvalue greater than 1 (eigenvalue = 6.96), explaining a total variance of 31.64% . The Kaiser-Meyer- Olkin measure of sampling adequacy stood at 0.85 and significant Bartlett's test (Chi-square = 1760.14, $p < 0.01$). Items with factor loading of greater or equal to 0.3 were retained (Hair, et. al., 2010) and inspection revealed that all 22-items under OCB were included with loading factor ranging from 0.32 to 0.74.

As for LMX variable, two significant factors emerged with eigenvalue greater than 1 (eigenvalue = 7.57), explaining a total variance of 63.06% . The Kaiser-Meyer- Olkin measure of sampling adequacy stood at 0.88 and significant Bartlett's test (Chi-square = 1498.24, $p < 0.01$). Items with factor loading of greater or equal to 0.3 were retained (Hair, et. al., 2010) and inspection revealed that subdimensions of loyalty and affect loaded cleanly as one factor with loading factors ranging from 0.68 to 0.82 and this factor is named as affect-loyalty while subdimensions of contribution and professional respect also loaded cleanly as another factor and named as contribution-respect with loading factors ranging from 0.60 to 0.82. Interestingly, Lo. et. al., (2006) also reported the same two factors using Malaysian sample. These authors suggested that affect-loyalty was determined by the level of loyalty a member has for his/her leader was determined by the level of affect that the member felt for his/her leader while the second factor (contribution-respect) indicated the level of respect and willingness to contribute that a member holds for his/her leader.

As two significant factors have emerged from factor analysis, the earlier hypotheses were revised to as follows:

H1a: Affect-loyalty dimension of LMX will have positive effect on employees' OCB.

H1b: Contribution-respect dimension of LMX will have positive effect on employees' OCB

4.3 Descriptive Statistics

Descriptive statistics such as mean scores, standard deviations, reliabilities, and intercorrelations of the study variables are provided in Table 2. Based on five-point scale, OCB exhibited by these respondents is moderate with mean score of 3.77 (s.d. = 0.45). As for LXM, the mean score for affect-loyalty dimension reported a mean score of 3.76 (s.d. = 0.68) while loyalty-respect reported a mean score of 3.84 (s.d. = 0.67). These indicated that the respondents agreed that they have a moderate leader-member exchange relationship.

Interestingly, similar findings were also reported by Lo and her associates (Lo et al, 2006; Lo, Ramayah, de Run, 2009 & Lo, Ramayah, de Run, Voon, 2009) where these two dimensions of LMX (affect-loyalty and contribution-respect) were emerged after factor analysis using Malaysian respondents from manufacturing sector and lecturers in four local leading universities. In general, these findings reported high means above their midpoints based on seven-point scale. Internal reliabilities for all variables were well above the minimum acceptable reliability of 0.7 as suggested by Sekaran & Bougie (2010).

Correlations among variables were significant with contribution-respect dimension of LMX reported strong positive correlation to OCB at $r = 0.62$, $p < 0.01$ while affect-loyalty dimension of LMX reported the weak positive correlation to OCB at $r = 0.34$, $p < 0.01$. On the whole, the results have demonstrated acceptable level of correlations. With these positive associations being recorded between two dimensions of LMX and OCB, initial support has been established that LMX was positively associated to OCB. Hierarchical regression analysis will be conducted to affirm the hypotheses that have been developed.

4.4 Hierarchical Regression Analysis

Hierarchical regression analyses were employed to examine the relationships between two dimensions of LMX and OCB. As illustrated in Table 3, the overall model was found significant in predicting OCB at $F = 28.02$, $p < 0.001$ with adjusted coefficient of determination (R^2) at 0.390 indicating that 39% of the variance in OCB has been explained by affect-loyalty and contribution-respect dimensions of LMX. Contribution-respect dimension of LMX was positively related and significant to OCB ($\beta = 0.64$, $p < 0.001$) while affect-loyalty was negatively related and insignificant to OCB ($\beta = -0.06$, $p > 0.05$). In other words, Hypothesis H1a has failed to contribute significant impact towards OCB as the affect-loyalty dimension of LMX was found to be insignificant. However, contribution-respect dimension of LMX made the strongest positive contribution in explaining the variation in OCB, thus, H1b was accepted.

5.0 Discussion and Conclusion

The study has proven and supported the social exchange theory that LMX has been able to exert significant influence on OCB level among local government employees in East Coast Malaysia arising from a quality exchange being experienced in the dyadic relationship. Further support on the applicability of social exchange theory in LMX relationship was put forward by Murphy, Wayne, Liden & Erdogan (2003) where individuals who were engaged in high-quality relationship would behave in such a way that their exchange partner would also get the benefits. Hence, in this study based on local government setting found that quality LMX relationship being established drives and motivates the subordinates to reciprocate and perform various forms of OCB for organizational effectiveness at relatively low cost (Organ, 1988).

Two distinct LMX dimensions emerged from factor analysis in which contribution-respect dimension correlates strongly with OCB at $r = 0.62$, $p < 0.01$ while affect-loyalty dimension reported a weak correlation with OCB at $r = 0.34$, $p < 0.01$. Hence, these findings provided support that LMX and OCB were two important ingredients that must be continuously fostered and enriched among the members as subordinates experiencing quality exchanges were always thankful to the organization and were likely to produce positive behaviors such as OCB as a gesture of “payback” and contribution to the organization.

Past empirical studies also lend support to the LMX and OCB relationship in Malaysian context both in private and public sector. A relevant study conducted by Kandan & Ibrahim (2010) on local government employees found that LMX and OCB exhibited positive correlation in a work unit while in private sector; Normala & Syed (2009) found that LMX correlated positively with all five dimensions of OCB as proposed by Organ (1988) in a banking sector. Recent finding by Teoh, Hi, Lee, Ong, Siti & Sofiah (2013) found strong positive correlations between LMX and OCB ($r = 0.713$, $p < 0.01$) based on respondents from banking industry located in Perak, Malaysia.

As hypothesized based on hierarchical regression analysis, contribution-respect dimension of LMX has a direct relationship with OCB at $\beta = 0.64$, $p < 0.001$ with 39% of variance in OCB was explained which indicate the importance of establishing quality relationships among dyads. The contribution-respect dimension seemed logical in a local government setting and further supported by Lo et al (2006) where contribution was the most important factor that will lead to higher performance of OCB as contribution was measured on the effort and investment contributed either explicitly or implicitly to the work unit (Dienesch & Liden, 1986).

As for respect, direct interactions with leaders would increase the respect of the subordinates towards their leaders and further lead to increase in subordinates' OCB as reported by Findley, Giles & Mossholder (2000).

Local government is a closed service organization with majority of its employees are Malay with Malaysian culture dominating in collectivism, relationship-oriented and power distance (Che Su, Hassan, MohdKhairie, MohdBaharudin & Marzura, 2014; Abdullah, 1996) that the high correlation between contribution-respect dimension and OCB found in this study seemed reasonable. The willingness of the subordinates to perform tasks beyond the job description and putting extra efforts to meet leaders' work goals can be viewed as part of contribution put forth to a work unit arising from continuing quality reciprocal exchanges experienced over time. Furthermore, subordinates show respect and acknowledge the leaders' skill, knowledge and competence in carrying out the tasks over time has cascaded into increment in subordinates' OCB level.

Cross reference to demographic profile provide some evidence on the significant relationship being found in this study due to the existence of organization hierarchy in a local government structure where power distance is an accepted norm in Malaysian working culture. Furthermore, despite majority of them (67%) has short dyadic relationship with their current supervisors of less than 5 years, the Malaysian culture of collectivism and relationship-oriented have made these respondents rely more on developing and maintaining a quality LMX relationship with their current supervisors than those from an individualistic society. This is because these individuals are able to get favorable job tasks, better access to limited resources arising from quality exchange relationship with their supervisors which translates into reciprocal by subordinates in exhibiting OCB. Since contribution-respect is a work-related behavior (Liden & Maslyn, 1998), focusing on improving the employees' attitude via this LMX quality would be beneficial to the local government sector as OCB is likely to be enhanced which in turn would help in reducing the high number of complaints filed by the public.

In contrast, affect-loyalty dimension of LMX failed to show significant positive impact on OCB where this dimension reported a weak negative association at Beta = -0.06, $p > 0.05$. This finding is in line with the findings by Lo et al (2006) where the study reported insignificant relationships with five dimensions of OCB namely altruism, civic virtue, courtesy, sportsmanship and conscientiousness. Furthermore, another study by Lo, Ramayah & de Run (2009) reported similar findings where affect loyalty dimension of LMX were found to be insignificant with hard influence tactics and rational influence tactics while in soft influence tactics significant moderate positive relationship was noted. The preference for soft tactics could be due to the dominance of Malaysian culture of collectivism that has shaped the workplace culture to be more relationship-oriented than task-oriented as maintaining relationship as more important than conducting a task (Abdullah, 1994; Hofstede, 1991).

As noted by Liden & Maslyn (1998), affect-loyalty dimension is more incline towards personal relationship where cross reference to demographic profile shed some light on the insignificant relationship found in this study. It was evidenced that 67% of the respondents have been supervised by their current supervisors less than 5 years arising from job rotation being practiced. This short tenure of dyadic relationship could lead to affection and loyalty towards the dyad yet to established and matured into personal relationship as suggested by Liden&Maslyn (1998).

In general, the importance of dyadic relationship towards OCB should be not neglected by management of local government in east coast Malaysia as empirical evidence has provided strong support that maintaining quality relationship is important as an avenue to improve satisfaction of the public. Due to closest and frequent interaction with the public, enhancement in LMX – OCB relationship can help local government to meet its mandated objectives and made local government an important engine of growth economically and socially for a particular district.

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Table 1: Demographic Profile of Respondents

Demographic	Frequency (N = 212)	Percentage (%)
<i>Local Authority</i>		
MajlisPerbandaran Dungun, Terengganu	45	21.2
Majlis Daerah Besut, Terengganu	23	10.8
MajlisPerbandaranTemerloh, Pahang	45	21.2
Majlis Daerah Maran, Pahang	29	13.7
Majlis Daerah Bachok, Kelantan	34	16.0
Majlis Daerah PasirPutih, Kelantan	36	17.0
<i>Gender</i>		
Male	99	46.7
Female	113	53.3
<i>Age</i>		
Less than 25 years	28	13.2
26 – 35 years	88	41.5
36 – 45 years	43	20.3
46 – 55 years	46	22.2
56 years and above	6	2.8
<i>Race</i>		
Malay	210	99.1
Chinese	1	0.5
Indian	1	0.5
<i>Monthly Income</i>		
RM1000 – RM2000	120	56.6
RM2001 – RM3000	62	29.2
RM3001 – RM4000	23	10.8
RM4000 and above	7	3.3
<i>Service category</i>		
Support I	101	47.6
Support II	103	48.6
Professional and Administrative	8	3.8
<i>Education qualification</i>		
Higher School Certificate and below Certificate	108	50.9
Diploma	21	9.9
Bachelor's Degree and above	57	26.9
	26	12.3
<i>Years of service</i>		
Less than 5 years	66	31.1
5 – 10 years	55	25.9
11 – 15 years	34	16.0
16 - 20 years	20	9.4
21 years and above	37	17.6
<i>Gender of current supervisor</i>		
Male	153	72.2
Female	59	27.8
<i>Years of service with current supervisor</i>		
Less than 5 years	142	67.0
5 – 10 years	36	17.0
11 – 15 years	17	8.0
More than 15 years	17	8.0

Table 2: Description of all Variables

Variable	Mean	Standard Deviation	Reliability (alpha)	1	2	3
Affect Loyalty	3.76	0.68	0.88	1.00		
Contribution Respect	3.84	0.67	0.87	0.60**	1.00	
OCB	3.77	0.45	0.89	0.34**	0.62**	1.00

Note: N = 212, ** p < 0.01

Table 3: Results of regression analysis: LMX and OCB

DV	IV	Beta	t value	F value	Adjusted R ²
OCB	Affect-loyalty	-0.06	-0.85		
	Contribution-respect	0.64***	9.43	28.02***	0.39

Note: N = 212, significant at ***p<0.001