

AN EXTENDED RESEARCH ON SUBORDINATES LEADER MEMBER EXCHANGE (LMX) DEGREE, PSYCHOLOGICAL CONTRACT BREACH AND ORGANIZATIONAL IDENTIFICATION

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Abstract:

As the work environment becomes increasingly globalized, fast paced, and competitive, the pressure on organizations to improve continuously, innovate, and adapt grows accordingly. The history of followers' interactions with their leaders shapes their perceptions of the nature and quality of those relationships. Such relationships develop over a period of time and are based on role-making episodes. A high quality leader-member exchange relationship involves more exchange of effort, resources and support between the two parties. These relationships are characterized by liking, loyalty, professional respect and contributory behaviors. Therefore, there has been evidence on followers' identification with their leader can extend to their identification with the organization. The main purpose of the study is to determine the relationship between leader-member exchange theory, psychological contract breach and organizational identification from the subordinate's perspective.

Keyword: *Leader Member Exchange, Psychological Contract Breach and Organizational Identification.*

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1. Introduction; Theoretical Background

1.1. Leader Member Exchange Theory (LMX)

As the work environment becomes increasingly globalized, fast paced, and competitive, the pressure on organizations to improve continuously, innovate, and adapt grows accordingly (Berg, Grimstad, Miha, Cerne, 2017). The history of followers' interactions with their leaders shapes their perceptions of the nature and quality of those relationships. Such relationships develop over a period of time and are based on role-making episodes. This history results in leaders developing different types of relationships with their various followers (Little, Gooty, and Williams, 2016). According to Maslyn and Uhl-Bein (2001), research on leader-member exchange (LMX) has shown the value of high-quality leader-member relationships in organizations (p. 697). The foundation of the LMX proposes that individuals form unique relationships with a given leader based on giving and receiving various phenomena ranging from

promotions to extra effort. It follows that the core of LMX is the leader–follower exchange for each dyad or matched pair (an individual level of analysis) (Bernerth and Hirschfeld, 2016).

LMX refers to a kind of social exchange between leaders and followers. The relationship is usually established in three stages, namely role-taking, role-making and role routinization (Graen & Uhl-Bien, 1995). In these interactive processes, leaders will assign their followers certain roles, and based on the responses from followers, leaders will decide whether to send other roles for followers and continue to build the relationship or not. In a high-quality LMX, leaders regard followers as “in-group members”, and the social exchange relationship between them is characterized by mutual trust, support and respect (Peng, Chen, Xia, & Ran, 2017). Early works in LMX have underscored the importance of member attributions and categorizations of leader behavior in forming LMX evaluations. Considering that the experience, expression, and partner's responsiveness to emotions in interpersonal relationships is laden with information, attributions and intentionality, a focus on such emotion phenomena is key to understanding how such high quality LMX relationships could be fostered (Little, Gooty, and Williams, 2016). When the issue of effort is considered, exchange relationships based on various dimensions of LMX would likely show differences in terms of whose effort is most important (Maslyn and Uhl-Bien, 2001). Focusing on the quality of connection between employees is essential for understanding individual and organizational behavior and critical in order to understand why and how people thrive at work (Dutton & Heaphy, 2003).

1.2. Psychological Contract Breach (PCB)

Psychological contracts (PC) play an important role in understanding and effectively managing employee attitudes and behaviors. The psychological contract framework is based on the underlying notion that employees expect their organization to meet a large number of wide ranging obligations as part of the official and unofficial employee–employer contract (Hartmann, N. N., & Rutherford, B. N. 2015). According to Rousseau (1989), “when an individual perceives organizational contributions he or she makes obligate the organization to reciprocity (or vice versa), a psychological contract emerges” (p. 124). Contrasting with labor contracts, the terms of a psychological contract are not written, stated, negotiated, or discussed, but they can be restructured by a context that implicitly or explicitly transmits a future commitment or intent. When one party fails to keep up the promises or obligations, a psychological contract breach occurs (Costa and Neves, 2017). Hence, psychological contract breach refers to the employee's perception concerning the degree to which the organization has failed to fulfill its promises or obligations (Robinson & Rousseau, 1994). Therefore, employees often instill a perceived contract with meanings that are associated with great importance to their presence in an organization. Empirical evidence shows that employees who fulfill a PC often demonstrate a positive wellbeing and attitude towards work (Conway, Guest & Trenberth, 2011)

1.3. Organizational Identification (OI)

Organizational identification is the process by which the goals of the organization and those of the individual become increasingly integrated or congruent (Tolman, 1943). In other words, organizational identification concerns the perception of "oneness" with an organization (Ashforth and Mael, 1989) and an another type of self-identity that drives individuals' sense of

belonging (Fallatah, Laschinger, & Read, 2017). According to Knippenberg and Sleebos (2006) “organizational identification reflects the level of overlap between one's own identity and the organization's identity” (p.573). Organizational identification has been explained with social identity theory. From social identity theory, two basic motives for identification can be derived: (1) the need for self-categorization, which may help to define "the individual's place in society" and (2) the need for self-enhancement, which requires that group membership be rewarding (Smidts, Pruyn, & Van Riel, 2001). In addition to this, current research in organizational identification is anchored in and builds upon social identity theory whereby individuals classify themselves and others into various social categories such as organizational membership, gender, race, age cohort, or religious affiliation and view their membership in particular groups based on social roles and role relationships (Jones and Volpe, 2011). On the other hand, organizational dis-identification is a condition in which an employee's sense of self or self-definition—i.e., values, core beliefs, etc.—stands in direct opposition to what he or she perceives defines the organization. Therefore, likewise to organizational identification, dis-identification describes the role that the organization plays in an employee's self-concept (Zagenczyk, Gibney, Few, & Scott, 2011).

2. Relationship Between Leader-Member Exchange Theory, Psychological Contract Breach and Organizational Identification

LMX is perhaps the most popular conceptualization of the give and take that occurs between leaders and their followers. The theory of LMX, which has evolved from a vertical dyad theory to a social exchange theory of voluntary behavior (Bernerth, Armenakis, Feild, Giles, & Walker, 2007) has been afforded a prominent place in the study of leadership. LMX theory has considered the exchanges between members to be essentially work-related. That is, they consist of work-related behaviors such as effort toward the job or favorable task assignments (Maslyn and Uhl-Bien, 2001). LMX relationships are traditionally believed to fall on a single continuum from low-quality to high-quality relationships (Berg, Grimstad, Miha, Cerne, 2017). A high quality LMX relationship involves more exchange of effort, resources and support between the two parties. These relationships are characterized by liking, loyalty, professional respect and contributory behaviors. In contrast, low quality LMX relationships are characterized by minimal exchange of effort, resources and support between the two parties. Prior research has established LMX to be associated with subordinate organizational citizenship behaviour and in-role performance (Tierney, Bauer and Potter, 2002). LMX is measured a basis of social support that moderates the negative influence of psychological contract breach on employee performance. According to the stress-buffering mechanism in the social support literature (Cohen and Wills, 1985), support moderates the relationship between stressors and tensions (Restubog, Bordia, Tang, and Krebs, 2010). On the other side an opposite study has been found that controlling for individual-level perceptions of LMX quality, results indicated a positive relationship between LMX and psychological contract fulfillment, which was strengthened as group-level variability in LMX quality increased (Henderson, Wayne, Shore, Bommer, & Tetrick, 2008). Ultimately, Settoon, Bennett, and Liden (1996) mentioned that perceived organizational support is associated with organizational commitment, whereas leader-member exchange is associated with citizenship, psychological contracts and in-role behavior (p. 223).

Psychological contract breach is recognized to have negative consequences on a variety of employee attitudes and engagements such as reduced job satisfaction, weakened organizational commitment, diminished customer-oriented and coworker-oriented citizenship behavior and turnover intentions (Hartmann, N. N., & Rutherford, B. N. 2015), in that case breach has some social effects on employee behaviors. Researches have been conceptualizing and empirically evaluating the employee-organization relations as a social exchange association in which the organization delivers employees with quantifiable and socioemotional rewards in exchange for their efforts to help the organization achieve its goals (Eisenberger, Huntington, Hutchison, & Sowa, 1986). Organizational identification is the process by which the goals of the organization and those of the individual become increasingly integrated or congruent (Hall, Schneider and Nygren, 1970). Unlike organizational identification, organizational dis-identification occurs when employees psychologically disconnect or distance themselves from the organization (Kreiner and Ashforth 2004). As a result, the organization’s successes and failures affect employees personally: successes increase and failures decrease employee self-esteem. Thus, as a result of identification, employees tend to be more committed, more engaging in citizenship behavior, and are less likely to leave (Zagenczyk et al, 2011). It is essential to consider both psychological contract and organizational identification are not formal and implied organizational application but inherently more intuitional and perceptual. From this perspective, even though there has been limited empirical evidence on employees’ perceptions of psychological contract breach for organizational identification, still there is evidence that when employees experience a psychological contract breach, they will no longer perceive the individual– organization association as rewarding and their organizational membership as fulfilling their needs (Epitropaki, 2003) As a result, they will be less likely to make an investment to the organizational community, their member designation will lose meaning and value, and their sense of belonging will be seriously eroded. They will be, therefore, less willing to identify with the organization (Epitropaki, 2013)

Studies have been discussed that followers’ identification with their leader can extend to their identification with the organization (Sluss, Ployhart, Cobb, & Ashforth, 2012). Also Sluss and Ashforth (2007) mentioned that “the conjunction of personal and organizational identification may be effected by leadership behaviors (p. 14). Thus, once subordinates identify themselves with the leader they will eventually identify with the organization itself. This proposal supports with a growing body of research representative that individuals’ organizational identification is influenced by their identification with the leader (Fallatah, Laschinger, & Read, 2017). Furthermore, it has found that subordinates who feel greater supervisor identification will deeply value and desire maintaining, expanding, and enhancing the supervisor–subordinate relationship. Being identified with the leader and motivated by mutual reciprocity and relational expectations, subordinates will be more likely to act on the supervisor's behalf, such as by volunteering to perform extra-role behaviors outside their explicit job descriptions (Zhang and Chen, 2013). Additionally, according to Tyler and Blader (2003) “being treated in a fair manner affirms one’s acceptance and worth as a group member, thereby increasing identification and engagement with the group” (p. 353).

3. Methodology

3.1. Purpose of the Research and Hypothesis

The main purpose of the study is to determine the relationship between leader-member exchange theory, psychological contract breach and organizational identification from the subordinate's perspective. For this reason, the following hypothesis have been determined for research:

H1: The increase in employees' leader member exchange level will negatively affect their perceived psychological contract breach.

H2: The increase in employees' leader member exchange level will positively affect their organizational identification.

H3: The perceived psychological contract breach will negatively affect on employees' organizational identification.

3.2. Research Model

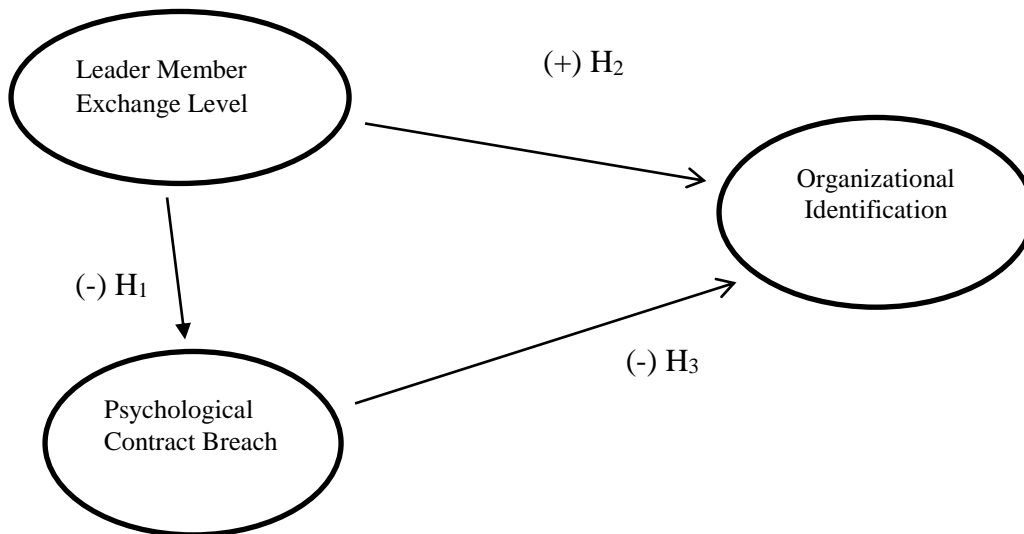


Figure 1: Research Model

3.3. Methods

In order to measure the related scales, a questionnaire distributed on telecommunications industry at a regional directorate in Erzurum, Turkey. Managers and employees have been participated to the questionnaire in order to collect data. There are 250 staff members and the survey system web site (<http://www.surveysystem.com/>) was used to determine the sample size which was given 152. We have distributed 160 questionnaires and 147 filled properly and collected back. The subordinate's level of leader member exchange has been asset with LMX-7 scale which was developed by Graen and Uhl-Bien (1995). As a result of analysis, Cronbach Alpha 0,884 was found. Perceived psychological contract violation (PPCV) scale was used to collect data in order to measure psychological contract breach which was developed by Robinson and Rousseau (1994). As a result of analysis, Cronbach Alpha 0,886 was found. The 9-item scale is planned to measure the perceptions of those surveyed that their employers have fulfilled their obligations to them. Finally, the 6-item scale of organizational identification was used to collect

data which is prepared by Mael and Ashforth, (1992). As a result of analysis, Cronbach Alpha 0,905 was found.

4. Findings

Based on the questionnaire; 66.2 % of the participants are men and 33.8 % of them were women. In addition, 63.6% of the participants were single and 36.4% were married. 35.9 % of the participants are between the ages of 18-29, 53.5 % are between the ages of 30-45 and 10.6 % are over 45 years old. Also 8.8 % of the participants work for less than 1 year, 56.9 % work for 1-4 years and 34.3 % work for more than 5 years.

The overall hypothesis results on direct effects according to findings are summarized in Table 1,2 and 3.

Table 1: Hypothesis 1 Results on Direct Effects

Dependent Variable	Independent Variable		
PCB	LMX		
	Beta	t	p
	-,636	-9,894	0,00**
R²	,414		
D.R²	,406		
F	50,488		

According to the results of the regression analysis which psychological contract breach is accepted as a dependent variable and leader member exchange is considered as an independent variable; LMX describes about 40% ($R^2 = ,414$) of the total variance of PCB. (Table 1). It is observed that the interaction level between leaders and members affects negatively and significantly the psychological contract breach.

Table 2: Hypothesis 2 Results on Direct Effects

Dependent Variable	Independent Variable		
OI	LMX		
	Beta	t	p
	,523	7,368	0,00**
R²	,274		
D.R²	,269		
F	54,283		

According to the results of the regression analysis which organizational identification is accepted as a dependent variable and leader member exchange is considered as an independent variable; LMX describes about 27 % ($R^2 = ,274$) of the total variance of OI. (Table 2). It is observed that the interaction level between leaders and members affects positively and significantly the organizational identification.

Table 3: Hypothesis 3 Results on Direct Effects

Dependent Variable	Independent Variable		
OI	PCB		
	Beta	t	p
	-,414	-5,465	0,00**
R²	,172		
D.R²	,166		
F	29,867		

According to the results of the regression analysis which organizational identification is accepted as a dependent variable and psychological contract breach is considered as an independent variable; PCB describes about 17 % ($R^2 = ,172$) of the total variance of OI. (Table 3). It is observed that the psychological contract breach affects negatively and significantly the organizational identification.

Table 4: Hypothesis Test Results

Model	Hypothesis	t	Beta	Results
LMX → PC (-)	H ₁	-9,894	-0,636	Accepted
LMX → OI (+)	H ₂	7,368	0,523	Accepted
OI → PC (-)	H ₃	-5,465	-0,414	Accepted

According to Table 4 all hypotheses were accepted.

Conclusion

Due to today's fast-changing and turbulent work environments, it becomes more and more important for organizational effectiveness feel more identified with their organizations. Business leaders are considered to be one of the most influential factors of organizationally committed work environment (Volmer, Spurk and Niessen, 2012). This research has been prepared in order to identify the impact degree of subordinates' leader member exchange level on psychological contract breach and organizational identification. The results have been indicated that subordinates' leader member exchange level and organizational identification level negatively effect on perceived psychological contract breach. In other words, a positive affect has been observed between subordinates' leader member exchange level and a positive relationship is observed between the levels of employee interaction with the leader and psychological contract perceptions along with organizational identification. The results shown that while the degree of leader member exchange level rises, the degree of perceived psychologic breach has been descended. Similarly, while the degree of organizational identification has been rises, the degree of perceive psychologic breach has been descended as well. Our study suggests that leaders should consider strong leader-member relation to motivate employees to expertise their jobs. For instance, leaders can provide individualized support to build a trusting, open, and supportive climate in which subordinates feel welcomed, not psychologically breached but organizationally identified. As Wang, Demerouti, and Le Blanc (2017) recommended, "Leaders

can also display behaviors signaling openness and support, such as listening to employees' individual needs, considering their new ideas, and encouraging personal growth” (p. 193).

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