

How leader-member exchange affects work outcomes in small-and-medium enterprises?



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Orientation: Employees with a collectivistic culture want the closeness and support of their leaders. How leader-member exchange (LMX), perceived organisational support (POS), job satisfaction (JS) and organisational commitment (OC) influence each other still requires in-depth research because there are differences between the results of previous studies.

Research purpose: This study examined the relationship model of LMX and POS as antecedent, mediator and moderator variables on work outcomes such as JS and OC in small- and medium enterprises (SMEs) with a collectivistic culture and high-power distance.

Motivation for the study: Leadership in SMEs gets less attention because of its role in managing and carrying out operational activities.

Research approach/design and method: Data were collected from 427 employees using questionnaires with purposive sampling, which was tested for validity and reliability. Structural equation modelling (SEM) and multi-group SEM were used to test the relationship model.

Main findings: The results of testing four relationship models proved that the LMX relationship did not directly affect JS and OC but was mediated by POS. LMX can also be a mediator and moderator of the relationship model.

Practical/managerial implications: This study emphasises the need to minimise the differences between in-group and out-group in the leaders-followers relationship to improve employee performance. Leaders must expand the range of their relationships with followers to improve work outcomes.

Contribution/value-add: This study examined LMX as an important predictor of work outcomes with clearer mechanisms. LMX cannot be a predictor if employees do not feel the leader's support as a representative of the organisation.

Keywords: leader-member exchange; perceived organisational support; job satisfaction; organisational commitment; collectivistic culture.

Introduction

Human resources are valuable company assets that cannot be imitated, but they increase competitive advantage through creative and appropriate ideas (Hamadamin & Atan, 2019; Jyoti & Bhau, 2015). These extraordinary assets require leaders or supervisors to motivate them and ensure that the company has a meaningful impact on their lives. Based on this, it was presumed that leaders play a relevant role (Chou et al., 2013; Costa et al., 2023). However, those close to their employees provide a series of human resource practices such as career development support, effective performance appraisal mechanisms and performance-based rewards (Kim et al., 2016).

Good relations between supervisors and employees have beneficial impacts, such as trust, career development, job satisfaction (JS), self-efficacy, self-identification, organisational commitment (OC) and in-role and extra-role performances (Jyoti & Bhau, 2015). This unique relationship in the workplace leads to heterogeneity between the two parties (Liao et al., 2017; Yu et al., 2018). Additionally, the supervisors-employees relationship also plays an important role because it strengthens their relations with various important factors (such as lower turnover and higher performance) in the organisation (Boon & Biron, 2016). This supervisor-employee relationship is conceptualised as a leader-member exchange (LMX) (Martin et al., 2018)

Leader-member exchange is a relational approach used to investigate leadership processes and outcomes. Previous studies have always associated it with positive effects such as OC and JS (Epitropaki et al., 2016). Chen and Fang (2019), Dulebohn et al. (2017) and Montani et al. (2017)

reported that it has an influential impact on work life. However, certain inconsistencies related to LMX have been reported in preliminary studies. Chen et al. (2014), for example, discovered that it had an insignificant impact, while Cobb and Lau (2015) and Zhou and Shi (2014) stated that it had a significant effect on negative outcomes. Furthermore, LMX has the potential to act as a moderating factor that has both theoretical and practical support (Van den Heuvel et al., 2015). The relationship between LMX and work outcomes still needs much research (Dai et al., 2020; Megheirkouni, 2017; Robert & Vandenberghe, 2021). Leader-member exchange can be both a mediator and moderator (Hwang et al., 2021; Pan & Lin, 2018), but it can also be a cause of behaviour (Dai et al., 2020; Martin et al., 2018). Based on the fact that there are still variations in these studies' results, there is a need to conduct other research related to the antecedents and consequences of LMX.

Research related to leadership, including LMX, cannot be separated from cultural factors. Cultural factors influence the LMX concept, while collectivist culture motivates employees to develop professional relationships with their supervisors (Terpstra-Tong et al., 2020). Meanwhile, individualist culture emphasises flexibility, freedom and goal attainment; hence, it does not support quality relationships (Treviño et al., 2020). For example, Indonesian employees are emotionally attached to their leaders because the country practices a collectivistic culture and has a high-power distance. This situation is also found in Vietnam, Turkey, Mexico and other developing countries (Cox et al., 2014; Howell et al., 2007; Tuzun & Ozturk, 2021). It is imperative for employees to show their closeness and maintain good relationships with their leaders (Li & Sun, 2015).

Furthermore, previous studies reported that the quality of the LMX is a predictor of work outcomes such as JS, OC and performance (e.g., Kim et al., 2016; Montano et al., 2017). However, Spurk et al. (2021) stated that high-quality LMX indirectly affects work outcomes such as employees' JS and OC because it is mediated by good communication and perceived organisational support (POS). This is in line with the findings of several other studies that showed that LMX can increase employees' positive perception of organisational support (e.g., Griep et al., 2016; Shu & Lazatkhani, 2017; Usadolo et al., 2020). Finally, this research is expected to trigger employees' JS and OC.

The research results of Volmer et al. (2011) found a reciprocal relationship between LMX and JS. The majority of previous studies placed LMX as an antecedent of JS (e.g., De Clercq 2021; Hwang et al., 2016) but ignored LMX as a consequence. In addition, in general, previous studies have found a positive relationship between LMX, POS, JS and OC, but few have tested how the model relates. Therefore, the relationship between these four variables still needs to be tested. Other researchers found that based on social exchange theory (SET) and organisational support theory (OST), employee attitudes and behaviour are influenced

by LMX (e.g., Canboy et al., 2021; Gaudet & Tremblay, 2017; Lee et al., 2017).

Regardless of direct or indirect influence, the quality of LMX has been discovered to be positively related to work outcomes such as JS and OC (Caesens et al., 2019; Hwang et al., 2016; Martin et al., 2018). This study examines four models in connection with the relationship between LMX, POS and employees' work outcomes, namely JS and OC, who work in several small-and-medium enterprises (SMEs). Research on LMX and POS in SMEs is still needed because the success of SMEs, which is the key to a country's economic progress, is determined by leaders and leadership (Kocherbaeva et al., 2019). Leader-member exchange was tested as an antecedent and mediator. In addition, this study also tested LMX as a moderator. Perceived organisational support can also mediate the effect of LMX on work outcomes (OC and JS). Meanwhile, JS is placed as the antecedent and consequence of LMX.

Theoretical study and hypothesis development

Reciprocal leader-follower relationships, commonly known as LMX, play an essential role in the lives of individuals and organisations. Leader-member exchange is a leadership relationship approach that examines the relations between leaders or supervisors and followers or employees (Terpstra-Tong et al., 2020). It is characterised by two types, namely social and economic LMX. Additionally, social LMX is oriented towards long-term exchange. This social-emotional relationship is associated with giving and receiving, thereby contributing to positive outcomes. Meanwhile, economic LMX is a short-term, formal, transactional relationship based on personal interests, thereby contributing to negative outcomes (Berg et al., 2017). Some studies adopted multiple dimensions of LMX (contribution, affect, loyalty and professional respect). However, several others employed LMX as unidimensional (Dulebohn et al., 2017; Robert & Vandenberghe, 2021). This research used LMX as unidimensional. The LMX between one employee and another certainly differs (Chen et al., 2018; Herdman et al., 2017).

The LMX theory states that different relationship types exist between employees and their supervisors. This ranges from high quality or in-group relationships characterised by trust, support and sharing of information and resources to low quality or out-group types characterised by formal relations (Aggarwal et al., 2020). It was reported that the quality of the LMX is used to predict positive job-related outcomes such as followers' JS (Terpstra-Tong et al., 2020).

The main principle of LMX is the different treatment of employees by their supervisors. The main principle of LMX is that supervisors treat their employees differently especially between employees who have a close personal relationship with supervisors and employees who only have a work relationship. Meanwhile, SET only explains the positive impact of LMX, while LMX theory explains that members'

behaviour is influenced by how the leader treats them (Rockstuhl et al., 2012). Because it is related to leader behaviour, cultural factors play an important role. The majority of LMX research is conducted based on the western cultural contexts, which is individualistic, independent, have low power distance, and place greater emphasis on achieving personal goals. González-Navarro et al. (2019) and Rockstuhl et al. (2012) have found LMX differences between western and eastern cultures. Their research results still need support to prove it.

Based on the SET, high-quality LMX increases employees' sense of responsibility and the desire to repay their leaders with better attitudes and behaviour (Dai et al., 2020; Marstand et al., 2016). The theory also states that the reciprocal relationship between these two parties will produce positive employee feelings towards work and increase their engagement and commitment, both in-role and extra-role performances (Dulebohn et al., 2017; Liao et al., 2017). It also prevents negative impacts such as role conflict, poor performance and desire to leave work (Pan & Lin, 2018).

Leader-member exchange differentiation theory states that leaders develop unique relationships with followers based on varying qualities between in- and out-groups (Anand et al., 2018). According to Liao et al. (2017), high-quality LMX leads to a special agreement between leaders or supervisors and followers or employees. It leads to attention and respect for each other (Liden et al., 2006). These impacts work outcomes such as JS and OC (Ng & Feldman, 2015). Meanwhile, employees categorised under low-quality LMX have little access to information and resources; therefore, the work seems less attractive (Spurk et al., 2021). In other words, it results in dehumanisation (Caessens et al., 2019) and social undermining (Shu & Lazatkhan, 2017).

Furthermore, the theory of work adjustment states that the interactive process between employees and their work environment or organisation, including its leaders, can meet each other's expectations (Boon & Biron, 2016). This causes employees to execute challenging tasks, get support and have easy access to information and resources, enabling them to carry out their assigned roles properly. Good relationships and support from leaders include non-financial rewards that enable employees to improve their performances (Merchant et al., 2011). This suitability triggers greater attachment to the organisation (Shu & Lazatkhan, 2017).

Limited time and resources prevent leaders from getting to know their employees intimately (Nie & Lamsa, 2015). Previous studies have indicated that a harmonious relationship between these parties aids in developing employee attitudes and behaviour (Dai et al., 2020). According to Griep et al. (2016), employees in high-quality LMX are supported by their supervisors, which has a positive impact on the organisation (Zhang et al., 2012).

Perceived organisational support is an individual's belief that the organisation values, supports and cares for them (Eisenberger et al., 1986). It makes them feel respected, protected and recognised, thereby enabling them to offer the necessary assistance and be committed to the organisation (Garg & Dhar, 2014). Based on the social exchange and norm of reciprocity theories, employees with high POS develop positive feelings towards the organisation, increasing JS and OC (Akgunduz & Sanli, 2017; Eisenberger et al., 2014). The OST states that POS affects employees' attitudes, behaviour and work outcomes (Canboy et al., 2021; Gaudet & Tremblay, 2017). The quality of LMX and POS is an important social and organisational resource (Choi et al., 2021).

Song et al. (2015) stated that an increase in JS and OC are the most important outcomes. Several studies have investigated JS and OC related to the followers' morale (Bravo et al., 2015; Song et al., 2015). Moreover, JS and OC are regarded as the moral construct of employees (Kim et al., 2016). Job satisfaction is a state of satisfaction and positive feelings derived from individuals' assessment of their jobs and experiences (Soleimani & Einolahzadeh, 2017). This includes people's emotions and attitudes towards their work (Robbins & Judge, 2016). Organisational commitment is an attitude that must be instilled by organisational leaders in their followers. The low OC is caused by the actions of organisational leaders (Lopez-Ibort et al., 2020).

Job satisfaction is an emotional condition resulting from an assessment of job achievement. Meanwhile, OC refers to an individual's emotional attachment to an organisation and strongly identifies, engages and enjoys its membership status. Job satisfaction and OC are employees' responsibilities properly executed based on leadership and organisational support (Hwang et al., 2016; Kim et al., 2016). Organisational commitment is an individual's psychological relationship with the organisation (Savithri & Mozhi, 2018). A high level of employee commitment is important because it requires involvement, proper execution of tasks and reduces work stress. Organisational commitment is characterised by the desire to remain in an organisation, identify set goals and standards, as well as exert a certain level of effort (Malhotra et al., 2013). According to Garg and Dhar (2014), OC is influenced by various organisational, work and personal factors. Several studies have been conducted on job characteristics, individual needs and roles, JS, work experiences and mental health as antecedents of OC (Kemp et al., 2013). However, Joo (2010) and Li et al. (2012) stated that OC is influenced by LMX. Dulebohn et al. (2017) also reported that work outcomes are directly affected by LMX quality. The relationship status between leaders and followers determines the extent of information, support and resources shared between these parties.

An effective relationship between supervisors and employees in the workplace is also used to predict JS (Raghuram et al., 2017; Terek et al., 2015) and OC (Liao et al., 2017; Usadolo et al., 2020). Leaders or supervisors are

important representatives of the organisation and influence employee and organisational exchanges (Marstand et al., 2016). Therefore, high-quality LMX has a positive effect on POS (Boon & Biron, 2016; Eisenberger et al., 2014). Although it has not been widely proven by previous researchers, JS can increase LMX and POS therefore, it can strengthen OC (Megheirkouni, 2017; Volmer et al., 2011). This relationship model still needs a lot of testing. Based on various theoretical analyses and previous studies, four relationship models with the following hypotheses were tested:

- H1:** LMX has a positive effect on POS.
- H2:** LMX has a positive effect on JS.
- H3:** LMX has a positive effect on OC.
- H4:** POS mediates the positive effect of LMX on JS.
- H5:** POS mediates the positive effect of LMX on OC.
- H6:** LMX and POS mediates the positive effect of JS on OC
- H7:** There are differences in POS, JS, and OC between employees in high and low-quality LMX.
- H8:** JS has a positive effect on OC.
- H9:** OC has a positive effect on JS.

Research design

Samples and procedures

This research used a deductive positivism approach that aims to test the relationship between variables based on theory using hypotheses (Sekaran & Bougie, 2016). In testing this relationship model, this research used a survey by distributing questionnaires to respondents, namely SME employees in Yogyakarta, Indonesia. The questionnaire uses a five-point Likert scale adapted from previous studies. Questionnaires were filled out by those who have worked for at least 3 years and have experienced their leaders' support. The distribution of the questionnaires was carried out manually from September to December 2021.

This research involved 500 employees who work in SMEs in Yogyakarta, Indonesia. Of the 500 questionnaires, 427 were filled out with a response rate of 85.4% and met the requirements of this study. The completed questionnaires were tested for validity and reliability using factor analysis and internal consistency with Cronbach's alpha to ensure the accuracy of the measuring instrument used (Sekaran & Bougie, 2016). Some of the questionnaire items were dropped during the test because they were invalid. The valid and reliable ones were then used in bivariate correlation as an initial analysis. Testing the relationship model was carried out using structural equation modelling (SEM) with a two-step approach (Byrne, 2010).

Measurements

The questionnaire items were adopted from previous research and were translated into Indonesian to be understood by employees. The LMX questionnaire was

adopted from the studies carried out by Janssen and Van Yperen (2004) and Liden and Maslyn (1998). Interestingly, all question items (13 items) of the LMX questionnaire were declared valid and reliable. It had factor loading between 0.515 to 0.726 and internal consistency of (α) 0.918. The POS question items were adopted from the questionnaire used by Eisenberger et al. (1986). Six of nine items were declared valid and reliable. The factor loadings ranged between 0.596 to 0.781 and had internal consistency of (α) 0.839. Furthermore, the nine OC question items were adopted from the questionnaire used by Allen and Meyer (1990). Surprisingly, all items were declared valid and reliable. It had factor loading between 0.504 to 0.760 and internal consistency of (α) 0.863. The six JS question item was adopted from the research carried out by Arvey et al. (1989), where all items were declared valid and reliable. The factor loading ranged was between 0.616 to 0.799 and had internal consistency of (α) 0.834.

According to Hair et al. (2014), the question items were declared valid because they had a loading factor greater than 0.50, and in practice, it is regarded as being significant. The reliability of the measuring instrument used was also within the range of 0.80 and 0.95, which can be categorised as very good (Zikmund et al., 2010). Some invalid and unreliable questions items were either discarded or not included in the next test.

Results

Preliminary analysis

Before testing the relationship model, the bivariate correlation was conducted to evaluate the two variables' connections. This analysis was performed to ascertain whether they are feasible as independent, dependent, mediating and moderating variables. The results of the bivariate correlation test are shown in Table 1.

The results of the bivariate correlation test showed that the four variables were significantly and positively related. This indicated that they can be further tested as independent, dependent, mediating and moderating variables. The mean of LMX, POS and JS variables was moderate between 2.34 and 3.66, while that of the OC was greater than 3.67. The loading factor and composite reliability of each variable were greater than 0.5 and 0.70, respectively (Hair et al., 2014). The initial test results indicated that the questionnaire

TABLE 1: Mean, standard deviation, composite reliability and bivariate correlation.

Research variables	Mean	SD	CR	LMX	POS	JS	OC
LMX	3.413	0.655	0.958	1.000	-	-	-
POS	3.384	0.744	0.918	0.743*	1.000	-	-
JS	3.016	0.755	0.914	0.336*	0.423*	1.000	-
OC	3.809	0.589	0.930	0.172*	0.282*	0.361*	1.000

SD, standard deviation; CR, composite reliability; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment.

*, significant at the $p < 0.010$ level.

items used were valid and reliable. In addition, it also proved that the variables used were feasible for further testing.

Relationship model test results

This study tested four relationship models based on previous studies conducted in countries with individualist cultures. This research was carried out on employees who practised a collectivist culture and had high power distance. The characteristics of determining the most fit model with the data are the Chi-square (χ^2), which should be small, the goodness-of-fit index (GFI > 0.95), the comparative fit index (CFI > 0.95), the normed fit index (NFI > 0.95), the Tucker-Lewis fit index (TLI > 0.95), the root mean square approximation (RMSEA < 0.08) and the root mean square residual (RMR < 0.08) as suggested by Hooper et al. (2008).

Model 1

The relationship model, in which LMX and POS directly affect JS and OC, was the first to be tested. This was based on several previous research studies that found that POS directly affected work outcomes (Akgunduz & Sanli, 2017; Caesens & Stinglhamber, 2014). Additionally, that LMX also directly affected work outcomes (Caesens et al., 2019; Martin et al., 2017). The results obtained are shown in Table 2 and Figure 1.

The direct effect of LMX and POS on JS and OC indicated that LMX has a significant and positive effect on POS; thus, Hypothesis 1 is supported. Meanwhile, LMX has no effect on JS directly. Job satisfaction is indirectly influenced by the followers' good relationship with their supervisor; thus,

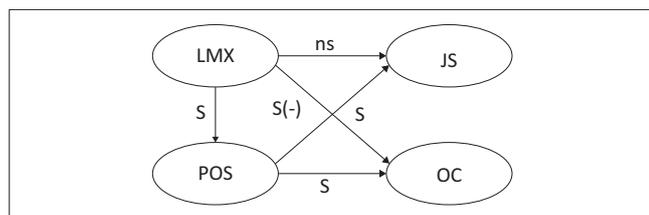
TABLE 2: Results of testing the effect of leader-member exchange and perceived organisational support on job satisfaction and organisational commitment.

Influence of independent variables on dependent variables	Std. regr. weight	Critical ratio
LMX → JS	-0.195	-1.692
LMX → OC	-0.347*	-2.870
POS → JS	0.716*	6.033
POS → OC	0.659*	5.319
LMX → POS	0.837*	22.236

Note: $\chi^2 = 14.343$; GFI = 0.983; AGFI = 0.834; CFI = 0.972; NFI = 0.970; TLI = 0.833; RMSEA = 0.177; RMR = 0.008.

Std. regr. weight, standard regression weight; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; RMSEA, root mean square error of approximation; RMR, root mean square residual; TLI, Tucker-Lewis index; AGFI, adjusted goodness-of-fit index.

*, significant at $p < 0.05$ level.



LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; S, significant; ns, not significant.

FIGURE 1: Test Results of Model 1.

Hypothesis 2 is not supported. The supervisor's support tends to trigger job satisfaction; hence POS mediates the effect of LMX on employees' JS and OC. High-quality LMX actually lowers OC; hence Hypothesis 3 is not supported. This model also proves that POS mediates the effect of LMX on JS, so Hypothesis 4 is supported and proves that POS mediates the effect of LMX on OC, so Hypothesis 5 is supported. Based on the criteria for the suitability of the model with the data, the AGFI, TLI and RMSEA criteria are three criteria that do not meet the standard cut-off value in Model 1.

Model 2

Model 2 examined the serial mediation of POS and JS in the relationship between LMX and employees' OC. This is based on the results of several previous studies that found that LMX affects POS (Eisenberger et al., 2014; Xu et al., 2015), which affects JS (Caesens & Stinglhamber, 2014; Kurtessiss et al., 2017). Additionally, JS also mediates the effect of POS on OC (Donald et al., 2016). This model confirms that POS mediates the effect of LMX on JS and JS affects OC. The results of this serial mediation test are shown in Table 3 and Figure 2.

The serial mediation test results proved that LMX indirectly affected JS and OC. Moreover, its effect on work outcomes is mediated by POS. As per the second model, JS mediates the effect of POS on OC, which means that the greater the JS, the stronger the OC; hence Hypothesis 8 is supported. Model 2 reaffirms that LMX directly affects POS by increasing organisational support; hence Hypothesis 1 is supported. Model 2 shows that only the RMSEA criteria do not meet the requirements of the suitability of the research model with the data.

Model 3

The third model examines the effect of LMX on JS and OC mediated by POS. Its preparation was based on previous research that feelings of support for employees mediate the effect of LMX on both dimensions of work outcomes, namely

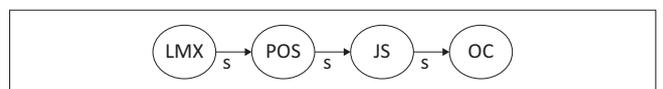
TABLE 3: Results of testing the effect of leader-member exchange on loyalty mediated organisational commitment by perceived organisational support and job satisfaction.

Influence of independent variables on dependent variables	Std. regr. weight	Critical ratio
LMX → POS	0.830*	21.892
POS → JS	0.531*	10.417
JS → OC	0.394*	7.328

Note: $\chi^2 = 11.750$; GFI = 0.987; AGFI = 0.956; CFI = 0.982; NFI = 0.976; TLI = 0.964; RMSEA = 0.083; RMR = 0.006.

Std. regr. weight, standard regression weight; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; RMSEA, root mean square error of approximation; RMR, root mean square residual; TLI, Tucker-Lewis index; AGFI, adjusted goodness-of-fit index.

*, significant at $p < 0.05$ level.



LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; S, significant.

FIGURE 2: Test Results of Model 2.

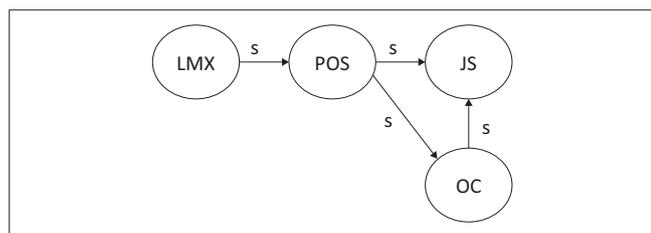
TABLE 4: Perceived organisational support mediates the relationship between leader-member exchange and work outcomes.

Influence of independent variables on dependent variables	Std. regr. weight	Critical ratio
LMX → POS	0.828*	21.799
POS → JS	0.446*	8.365
POS → OC	0.321*	5.992
OC → JS	0.236*	4.430

Note: $\chi^2 = 4.905$; GFI = 0.994; AGFI = 0.972; CFI = 0.994; NFI = 0.990; TLI = 0.982; RMSEA = 0.058; RMR = 0.004.

Std. regr. weight, standard regression weight; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; RMSEA, root mean square error of approximation; RMR, root mean square residual; TLI, Tucker–Lewis index; AGFI, adjusted goodness-of-fit index.

*, significant at $p < 0.05$ level.



LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; S, significant.

FIGURE 3: Test Results of Model 3.

JS and OC (Garg & Dhar, 2014; Marstand et al., 2016; Xu et al., 2015). The test results of this third model are shown in Table 4 and Figure 3.

Model 3 test results show that LMX directly affects POS; hence Hypothesis 1 is supported. In addition, POS directly affects employee JS and OC. Therefore, POS mediates the effect of LMX on JS and OC; hence Hypothesis 4 and Hypothesis 5 are supported. In Model 4, it was also proven that OC increases employee JS; hence Hypothesis 9 is supported. Model 3 shows that all the criteria for the fit of the model with the data have been met.

Model 4

Model 4 examines the effect of JS on LMX, which is still rarely studied. The results of research by Volmer et al., (2011) found a reciprocal relationship between LMX and JS. While Diener et al. (2008) and Megheirkouni (2017) found that JS had an effect on LMX. Thus, employees who experience satisfaction at work will seek and engage and develop good relationships with their supervisors and feel support from the organisation. The test results of Model 4 are shown in Table 5 and Figure 4.

Model 4 test results show that JS can encourage employees to build quality relationships with their leaders and feel organisational support. Consistently, LMX impacts employees’ positive feelings on organisational support. However, unlike POS that can increase OC, LMX decreases OC, so Hypothesis 3 is not supported. Model 4 also shows that LMX and POS serially mediate the relationship of JS and OC; thus Hypothesis 6 is supported. Based on the model and data suitability criteria, the AGFI, TLI and RMSEA criteria in Model 4 do not meet the model suitability standard with the data.

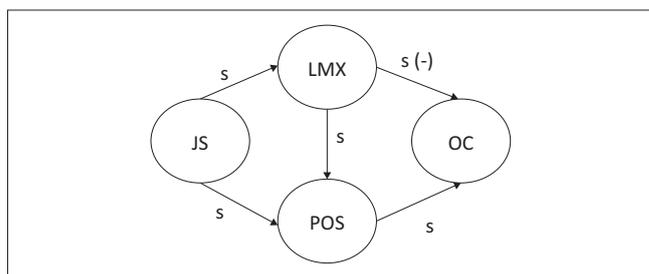
TABLE 5: Perceived organisational support and leader-member exchange mediates the relationship between job satisfaction and organisational commitment.

Influence of independent variables on dependent variables	Std. regr. weight	Critical ratio
JS → LMX	0.404*	7.768
JS → POS	0.256*	6.229
LMX → POS	0.734*	18.422
POS → OC	0.659*	5.319
LMX → OC	-0.347*	-2.870

Note: $\chi^2 = 14.343$; GFI = 0.983; AGFI = 0.894; CFI = 0.972; NFI = 0.970; TLI = 0.833; RMSEA = 0.177; RMR = 0.008.

Std. regr. weight, standard regression weight; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; RMSEA, root mean square error of approximation; RMR, root mean square residual; TLI, Tucker–Lewis index; AGFI, adjusted goodness-of-fit index.

*, significant at $p < 0.05$ level.



LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; S, significant.

FIGURE 4: Test Results of Model 4.

Table 6 indicates the criteria for the suitability of the model with the data on the four models.

Based on the comparison of the model suitability criteria and the data, Model 3 is indeed the best model. However, there is consistency in the results of testing the four models, namely the effect of LMX on work outcomes is always mediated by POS. In addition, LMX has been shown to be a factor that reduces OC directly. Employee commitment is also a factor that can improve JS. Model 3 was found to be the most fit with the data because it had the highest TLI value (0.982).

Model 5

Model 5 examines LMX as a moderator in the relationship models of POS, JS and OC. This is based on the findings of several previous studies (Hwang et al., 2021; Martin et al., 2017; Van den Heuvel et al., 2015). Before being tested with multigroup-SEM, LMX as a moderating variable was evaluated using an independent sample *t*-test. The results are shown in Table 7.

The independent sample *t*-test results indicated differences in POS, JS and OC among employees with high and low-quality LMX (sign at $p < 0.05$ level). The independent samples *t*-test proves that there is a difference between low quality of LMX and high quality of LMX. Furthermore, the relationship model test was carried out using multigroup SEM to examine these dissimilarities. Model 3 is used to test the differences in the relationship models using multi-group SEM. The test results are shown in Table 8, Table 9 and Table 10.

TABLE 6: Comparison of model and data suitability criteria.

Influence of independent variables on dependent variables	χ^2	GFI	AGFI	CFI	NFI	TLI	RMSEA	RMR
Model 1	24.038	0.972	0.907	0.956	0.951	0.912	0.128	0.012
Model 2	11.700	0.987	0.956	0.982	0.976	0.964	0.083	0.006
Model 3	4.905	0.994	0.972	0.994	0.990	0.982	0.058	0.004
Model 4	14.343	0.983	0.894	0.972	0.970	0.823	0.177	0.008

GFI, goodness of fit index; NFI, normed fit index; CFI, comparative fit index; RMSEA, root mean square error of approximation; RMR, root mean square residual; TLI, Tucker-Lewis index; AGFI, adjusted goodness-of-fit index.

TABLE 7: Test results difference between in-group and out-group.

Influence of independent variables on dependent variables	Group	<i>n</i>	Mean	SD	Lavene's test for equality of variance	Sign.
LMX	Low	116	2.3078	0.4501	9.819	0.002
	High	311	3.3872	0.3536	-	-
POS	Low	116	1.3087	0.3236	3.883	0.049
	High	311	1.7937	0.2850	-	-
JS	Low	116	2.4467	0.8110	7.169	0.008
	High	311	2.8179	0.9694	-	-
OC	Low	116	2.3882	0.4420	6.316	0.012
	High	311	2.5460	0.3630	-	-

LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; SD, standard deviation; Sign., significance.

TABLE 8: Multigroup- structural equation modelling results – Constrained parameters.

Influence of independent variables on dependent variables	High quality LMX		Low quality LMX	
	Std. reg. weight	Critical ratio	Std. reg. weight	Critical ratio
LMX → POS	0.678*	12.587	0.700*	12.587
POS → JS	0.323*	6.149	0.425*	6.149
POS → OC	0.249*	4.353	0.263*	4.353
OC → JS	0.239*	4.635	0.297*	4.635

Note: $\chi^2 = 24.509$; $df = 8$; $p = 0.000$; GFI = 0.974; AGFI = 0.934; CFI = 0.934; NFI = 0.906; IFI = 0.935; TLI = 0.901.

Std. reg. weight, standard regression weight; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; TLI, Tucker-Lewis index; AGFI, adjusted goodness-of-fit index; df , degrees of freedom; IFI, incremental fit index.

*, significant at $p < 0.05$ level.

TABLE 9: Multigroup- structural equation modelling results – Unconstrained parameters.

Influence of independent variables on dependent variables	High quality LMX		Low quality LMX	
	Std. reg. weight	Critical ratio	Std. reg. weight	Critical ratio
LMX → POS	0.704*	10.582	0.859*	6.906
POS → JS	0.301*	4.287	0.411*	3.848
POS → OC	0.165*	2.359	0.453*	4.461
OC → JS	0.171*	2.544	0.388*	3.809

Note: $\chi^2 = 12.317$; $df = 4$; $p = 0.014$; GFI = 0.986; AGFI = 0.929; CFI = 0.966; NFI = 0.952; IFI = 0.967; TLI = 0.898.

Std. reg. weight, standard regression weight; LMX, leader-member exchange; POS, perceived organisational support; JS, job satisfaction; OC, organisational commitment; GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; TLI, Tucker-Lewis index; AGFI, adjusted goodness-of-fit index; df , degrees of freedom; IFI, incremental fit index.

*, significant at $p < 0.05$ level.

TABLE 10: Comparison of goodness-of-fit basic and alternative models.

Influence of independent variables on dependent variables	Basic model (Constrained model)	Alternative model (Unconstrained model)
Chi-square (χ^2)	24.509	12.317
df	8.000	4.000
Probability	0.000	0.014
GFI	0.974	0.986
AGFI	0.934	0.929
CFI	0.934	0.966
NFI	0.906	0.952
IFI	0.935	0.967
TLI	0.901	0.898

Note: The gap of goodness-of-fit: Chi-square = 24.509 – 12.317 = 11.992; $df = 8 - 4 = 4$; probability = 0.023.

GFI, goodness-of-fit index; NFI, normed fit index; CFI, comparative fit index; TLI, Tucker-Lewis index; AGFI, adjusted goodness-of-fit index; IFI, incremental fit index; df , degrees of freedom.

Based on the GFI gap calculation, the probability was 0.023 or less than the significance of 0.050. These indicate that there are differences in the relationship model between high- and low-quality LMX. It was also proven by using an independent samples *t*-test and multigroup SEM; hence Hypothesis 7 is supported. The test results of this model further strengthen the difference between in-group and out-group in LMX.

Discussion

This study examined the effect of LMX on work outcomes such as the JS and OC of employees that practice a collectivistic culture with high-power distance. Although not very strong, there is a positive correlation between LMX and POS with work outcomes. This study supports the

results of previous studies. The relationship between LMX and work outcomes is stronger in individualistic than collectivistic cultures (e.g., González-Navarro et al., 2019; Rockstuhl et al., 2012). It is in line with previous studies that found that a harmonious relationship between leaders and followers can lead to the development of positive employees' attitudes and behaviours in the workplace (Dai et al., 2020; Dulebohn et al., 2017; Robert & Vandenberghe, 2021; Xu et al., 2015). These characteristics are often associated with work outcomes. Job satisfaction and OC are two work outcomes that are widely studied because these morales tend to affect employees' and organisational performances.

Several previous studies have proven that LMX is related to employees' JS and OC (Hwang et al., 2016; Jyoti & Bhau, 2015; Ng & Feldman, 2015). This research further strengthens the results of these studies that LMX is associated with employees' JS and OC (Marstand et al., 2016; Usadolo et al., 2020). Furthermore, this is in line with previous studies that indicated that LMX is related to employees' perceptions of organisational support for them (Gill et al., 2015; Kim et al., 2016; Xu et al., 2015). Leader-member exchange and supervisor's behaviour need to be consistent in order to predict and control the work context.

However, two hypotheses proposed by this study are not supported. The results of testing Hypothesis 2 do not support the results of previous studies regarding the direct effect of LMX on JS and OC. The results of this study indicate that LMX has no direct effect on JS. This study reported that LMX affected OC and JS indirectly. Perceived organisational support mediates its effect on JS, which is consistent with previous studies conducted by Griep et al. (2016), Kim et al. (2016), Li et al. (2012) and Usadolo et al. (2020). High LMX shows emotional, instrumental, and informational leadership support, including encouragement, opportunities, careers and various other resources. Followers categorised under high-quality LMX are strongly supported by their leaders. Leader-member exchange is important, although it is not enough, POS is needed to increase OC and JS in the workplace. Leader-member exchange can only increase POS, while POS tends to improve OC and JS.

The same results also occur in Hypothesis 3, which also does not get support in this study. The results of previous studies have consistently found that LMX is associated and has a positive effect on OC (e.g., Jyoti & Bhau, 2015; Kim et al., 2017; Spurk et al., 2021; Usadolo et al., 2020). This study found that LMX actually weakened employee OC (Model 1 and Model 4). This is because when the employee's perceived LMX is high while the leadership perceives it to be low; then this exaggerated relationship by employees actually reduces work outcomes. Therefore, the perception of LMX must be carried out by leaders and followers using the dyadic method (Cogliser et al., 2009). In addition, LMX is heavily influenced by the culture of a country (Hao et al., 2019). Research on LMX has so far been conducted in western countries with different cultures from eastern countries.

The characteristics of leaders and followers in Indonesia with a collectivistic culture with high power distance are appropriate for testing LMX. In this culture, employees always try to show references and maintain good relations with supervisors. In collectivistic cultures with high power distance, followers are influenced by shared interests, role-based loyalty and respect for authority, thus influencing the behaviour and work attitudes of followers (González-Navarro et al., 2019). This confirms the results of research by Li and Sun (2015) and Dai et al. (2020). Because of these cultural differences, some of the results of this study are not in line with the results of previous studies. However, LMX and POS in Indonesia are considered as variables that are not very important (the mean of LMX and POS are 3.413 and 3.384, respectively), so that their effect on work outcomes is inconsistent (Che et al., 2021).

This research has also proven that intentionally or unintentionally, leaders build diverse relationships with their followers. It is evident that JS, OC and followers' perceptions of organisational support differ between in and out-groups or low- and high-quality LMX. Perceived organisational support, JS, and OC mean scores on high-quality LMX is greater than its average on low-quality LMX. Similarly, in high-quality LMX, employees tend to experience greater support from their leaders, are satisfied with their work and organisation and have higher OC. This strengthens the results of previous studies that found that LMX acts as a moderating variable; therefore, there are differences between in- and out-groups (Anand et al., 2018; Dulebohn et al., 2017; Terpstra-Tong et al., 2020).

Furthermore, the leader can only develop harmonious and close relationships with a few followers because of limited time and resources. This is often a problem because these employees are classified as in- and out-groups. Leaders or supervisors usually offer attention, assistance, advice and support to followers belonging to the in-group (Nahum-Sani et al., 2014). Moreover, those who are classified as out-group do not enjoy these benefits, which leads to employee dissatisfaction. This is because there are differences in information, opportunities, trust, career development and access to and respect from leaders. According to Hwang et al. (2016), in- and out-group employees are regarded as having transformational and transactional relationships. This difference in the quality of LMX causes the level of employee concern to also be different (e.g., Robert & Vandenberghe, 2021; Spurk et al., 2021; Usadolo et al., 2020).

Furthermore, this study tested four relationship mediation models and one relationship moderation model. The four relationship mediation models have consistently found that it is POS, not LMX, that improves work outcomes. This confirms the results of previous studies (e.g., Gaudet & Tremblay, 2017; Kurtessiss et al., 2017; Canboy et al., 2021; Lee et al., 2017). Although it is not the most fit model to the data, this study also supports the findings of Megheirkouni (2017) and Volmer et al. (2011) that indicated that JS has an effect on LMX and POS. This is because satisfied employees will perceive organisational support and feel as in-group. They try to do interpersonal tasks well and develop high quality of LMX.

This study supports the research on the person-environment fit that suggests that when individuals experience conformity with the leaders, their work outcomes are usually exceptional (Boon & Biron, 2016). Leaders play a strong role in motivating employees, which creates hope for citizens of countries with a strong reciprocal relationship. Differences between in- and out-groups in LMX and differences in individualistic and collectivistic cultures lead to different effects of LMX on work outcomes. (e.g., González-Romá, 2016, Montano et al., 2017).

Several studies have tested LMX with a number of antecedents and consequences, including mediating and moderating variables. This research shows that the more individuals are accepted and properly treated by their leaders, the more empowered and motivated they tend to be in ensuring they put in their best for the company. Organisational support and leadership perceived by employees will improve work results and employee morale.

Practical implications

The results of this study show that leader's behaviours does have an effect on the attitudes and work behaviour of followers. This is increasingly felt in collectivist cultures where the interdependence between the two is very strong and the relationship is based on responsibility. This condition requires the treatment of leaders to their followers equally. In- and out-group distinctions are no longer necessary. An organisational culture that contains shared values needs to emphasise friendliness, cooperation, support, mutual trust and teamwork needed for better leader and follower relationships.

Limitations

This research has several weaknesses that need to be improved in future studies. Firstly, the data collected from the self-assessment results can cause common method variance, which obscures the influence of the independent variable on the dependent one. Future research is expected to employ the dyadic method in assessing the quality of LMX. Secondly, the use of cross-section data to test the mediation model is inappropriate. Longitudinal data should be employed to assess the mediation model accurately. Thirdly, the limited data that were collected makes it difficult to generalise the research. Therefore, future research is expected to expand the distribution of questionnaires to get better results.

Recommendations

To overcome research limitations, it is hoped that future research can use the dyadic method to assess the quality of LMX so that the quality of the relationship can be better understood. Longitudinal data should also be used to accurately assess mediation models. Apart from that, in future research, it is hoped that we can expand the distribution of questionnaires in order to get better and generalisable results.

Conclusion

The quality of the relationship between leaders and followers in an organisation is related to many work outcomes. Empirical evidence has consistently shown that followers' attitudes and behaviours are positively influenced by their relationship with the leader. They feel supported and give positive feedback to achieve organisational goals. High-quality LMX enables employees to perceive the organisation's support for them, thereby empowering them to face work-related challenges. This has a positive impact on employee satisfaction and commitment to the organisation. Therefore, the leadership needs to ensure a positive relationship with all employees to minimise the presence of in- and out-groups as well as to equality.

Different from previous studies, this study showed that the OC of the employees decreased with increasing LMX because the perception of employees in this study on LMX was not too high. In addition, JS is also not a direct consequence of LMX. Most of the employees of SMEs in Indonesia are not in-groups, so their commitment is not affected by their relationship with their leaders. This is contrary to Indonesia's collectivistic culture with a high power distance, which expects references and close relationships with its leaders. The type of work and how they work also needs to be proven to have an influence on the employee's relationship with their leader or supervisor.

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Competing interests

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Authors' contributions

D.W.A. contributed towards the topic selection, conceptualisation, theory development and previous research studies, data collection, data validation, research methods, data processing, data analysis, writing and editing articles. N.F. contributed towards the topic selection, conceptualisation, data analysis, article editing, supervision, and project administration.

Ethical considerations

This article does not use secondary data. The data used is primary data collected using a questionnaire filled out by employees and approval has been obtained from their leaders (employers). The research ethics that apply in my country regulates the problem of plagiarism. My article writing does not plagiarise other articles.

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Data availability

Data were collected from employees through the Google Form after being permitted by heads of the SMEs.

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