

# **Bachelor thesis**

## **Work and Organizational Psychology**

***- Leader- member exchange and employees' behavior -***

***How does satisfaction with HR practices influence affective commitment and innovative behavior?***

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## ***Abstract***

This study aims to identify and measure variables that could have a possible impact on employees' work-related outcomes to get a clearer view into the processes that influence employees' behavior. This work- behavior among other things can be seen as a very important factor for organizations to stay competitive.

This study in particular aims to examine the relationships between Leader- member exchange (LMX) on the one hand and affective commitment to the organization and innovative behavior of the employee on the other hand. There have also been tests for a possible moderating effect of employees' satisfaction with Human Resource (HR) practices that are used by their organizations.

Next to LMX affective commitment to the organization, innovative behavior of the employees and the possible moderating effect of satisfaction with the used HR practices, we controlled for age, gender, highest school examination, type of contract, department, marital status and perpetual or temporary engagement.

This work is based upon the data of 151 employed people in the technical service sector of 3 organizations with more than 100 employees in West- Germany. There were 46 women and 105 men taking part in the study and the mean age was 25-35 years. The questioned people were averaged employed for about 2-5 years. 146 respondents are German, 4 are Dutch and 1 is Russian.

Using the received data it can be seen that LMX is an important predictor for employees' affective commitment to their organizations and their innovative behavior.

In contrast the hypothesized moderating effect of employees' satisfaction with HR practices on the relation between LMX and affective commitment as well as on the relation between LMX and innovative behavior could not be confirmed.

## ***1. Introduction***

Somebody's work plays an important role in his or her life and this almost for a period of forty years. Work has to do with daily processes, searching and finding a job, moving upward in an organization, training, evaluation and education of your personal way of working and dealing with related factors (London, 1983). Thus, work influences our life for a great part and we are almost always busy with finding a (right) job, doing it as good as possible and reaching personal goals (George & Jones, 2007).

But the organizations' goals and values we work for are quite as important as our personal ones. The goals an organization aims to reach, e.g. staying competitive and reaching higher outcomes, are influenced by employees' behavior, emotions and feelings for such a great part that it becomes more and more important to think about an adequate and improved job situation through implementing an effective human resource strategy, that is used to manage all factors influencing work and employees' behavior (Boxall & Purcell, 2000; Paauwe, 2004).

The main interest that is influenced by the relation between the employees and the organization they work for is the impact human resource management has on the performance of the employees and therefore on the whole organization. Performance in this sense means, that organizations have to reach particular goals, first and foremost reaching sustainable competitive advantages towards opponents or antagonists (Paauwe, 2004). Competitive advantages are strongly related to human resource (HR) strategies; trying to achieve a fit between organizational and environmental determinants, or developing a way of action to achieve organization's purposes (de Wit and Meyer, 1998 in: Paauwe, 2004). Huselid (1995) claimed that more advanced high performance work practices imply a significant growth in market value and sales per employee. The need for an adequate management of people to achieve competitive advantages is now clear and will further be defined and explained in this study.

The relation between human resource management and its practices and the performance of the organization is for a great part determined by the employees' acceptance and satisfaction the used strategies. Kinnie, Hutchinson, Purcell, Rayton & Swart (2005) stated that there is a critical question related to HR practices and their impact on satisfaction of the employees. They stated that there might be different needs and that employees respond in a different way to HR practices as reflected in their affective organizational commitment. Therefore it is necessary to take a look at the implemented HR practices and employees' reactions on them. Lee and Park (2007) stated

that these reactions are determined for a great part by the leaders and their responsibility of implementation of the HR practices.

Satisfaction with HR practices is therefore in turn related to the relation an employee has with his or her supervisor. This relationship is well described in the model of Leader- member exchange (LMX) that posits that the behavior of leaders in an organization is not necessarily consistent across all subordinates (Lee & Park, 2007). Those subordinates having a high level of LMX with his or her supervisor have reciprocal respect, influence, liking, mutual trust and high exchange of informal information and feedback with their supervisor. For example Hooper & Martin (2008) investigated research if perceptions of the variability of LMX (extend to which members perceive LMX relationships varying within a team) has an effect on the employees' satisfaction and wellbeing beyond the effects of the personal LMX quality. Their results showed a significant accountancy of perceived LMX variability for additional variance in employees' outcomes. While personal LMX quality was a strong predictor of employee reactions, perceived LMX variability was also related to global and extrinsic employee job satisfaction and wellbeing. Perceptions of LMX variability associate with higher reports of team conflict, which was related to lower levels of employees' job satisfaction and wellbeing.

One main aspect of creating competitive advantages is the organization's ability to be innovative and motivate and encourage employees' innovative behavior. Being innovative is also determined by the satisfaction with HR practices and the way of leading employees (e.g., Shipton, West, Dawson, Birdi and Patterson, 2006). Bolwijn and Kumpe (1990) emphasized the importance of innovative behavior in an organization. They defined its creation as "a climate that requires openness, leaving scope for the imagination, while innovation must be strictly controlled" (Bolwijn & Kumpe, 1990, p.52). They stated that it is absolutely necessary to be able to estimate the side effects of all sorts of innovation. They characterized innovative organizations as firms that are "able to co-ordinate technological developments, applicable in separate business units"(Bolwijn & Kumpe, 1990, p.52). Therefore innovation cannot be seen just as a conception of new ideas nor the development of a new market. The process includes all of these facets acting together in an incorporated manner (Myers & Marquis, 1969).

Another factor predicting for or included in the organizational performance is employees' affective commitment to the firms they work for. Boxall and Purcell (2000) emphasize the importance of an emotional binding to the organization somebody works for as being determining

for the satisfaction with leadership and overall work performance. Human resource strategy is associated with the great number of cases in which management is trying to follow up performance goals through lower levels of attachment or is seeking to manage a sophisticated, segmented workforce through varying levels of affective commitment (Boxall & Purcell, 2000). Affective commitment is defined as a personal feeling, existing when employees are happy to be a member of the organization, believe in and feel good about the organization and what it stands for, are attached to it and intend to do what is good for the organization. Thus trying to improve, support and boost organizational performance (George & Jones, 2007).

This descriptions result in the following research-questions: “What might influence employees’ behavior in an organization?”, and “How does the kind of relation with the supervisors influence the various levels of the employees’ performance- behavior, especially affective commitment and innovative work- behavior?”, or “What can be done to improve organizations’ effectiveness through their used HR practices?”

The goal of this study for organizations should therefore be an answer to the question “What can be done to accomplish sustainable competitive advantages by using adaptive and effective HR strategies?” This will be done by analyzing the named factors and their mechanisms on each other. The leading research question of this study is therefore: “What is the impact of leader-member-exchange and employees’ satisfaction with HR practices on affective commitment and innovative behavior?” The resulting proposal based upon the hypotheses will be advising for organizations and may help to improve to use effective HR strategies, satisfy employees and reach internal goals through achieving a sustainable competitive strategy.

### ***1.1 Theoretical relevance***

There are a lot of studies highlighting the relevance for organizations to think about these factors and the organizations’ actions in making their employees satisfied and productive in order to stay competitive (Bolwijn & Kumpe, 1990; Paauwe, 2004). This study aims to find underlying mechanisms and their influence on employees’ and organizations’ outcomes. It tries to deliver a contribution to the existing theoretical knowledge and therefore to broaden useful ways of dealing with job related factors and their impact on employees’ behavior. The research question in this study and the leading relations we are interested in might deliver a part to the existing theoretical

findings and further tries to explain and describe what the relations between the named terms are. This might turn into help to improve actual and present factors dealing with the question of managing an adequate HR strategy to result in an organizational competitive state. This study is important for research to get a wider and better understanding of what earlier research has found and will lead to a better insight in theoretical approximation in this field.

### ***1.2 Practical relevance***

For organizations thinking about the improvement of their situation, this research results in suggestions to help reaching their goals concerning affective commitment of the employees, innovative behavior and consequently a way to improve performance. This study aims to enable to take conclusions about the current situation in the organizations taking part and giving them advices to implement and improve their strategies by understanding the underlying mechanisms that influence their employees' behavior and resulting outcomes. Improving the work- situation and reaching organizational goals can be supported by this research through receiving information about facts and constructive suggestions to reach competitive advantages towards opponents or antagonists in the end.

Also organizations might get a clearer understanding of the variables affecting their performance and the behavior of their employees. As already described staying competitive is strongly related to the inner organizational performance and it is therefore important to work with these factors and the related variables. Organizations should take care about what their employees think and how they behave because of resulting sales- behavior and competition with other organizations.

Thus being advising for organizations through analyzing and explaining the relationships between the named work- related factors and therefore enabling them to use strategies more effective through adaptive implemented HR practices is the main practical point in this research.

## ***2. Theoretical framework and hypotheses***

To build up the hypotheses and test the underlying effects of the variables on each other it is necessary to take a look at earlier research and the findings in this field. Some relationships are already described and tested and their effects have been used for practical implications. We will

now take a look at the relationships and the subdivisions of the different variables to set them into new hypothesized relations and afterwards test their mechanisms on each other.

Because leaders are responsible for the implementation of the HR practices for such a great part (Shipton et al. 2006; George & Jones, 2007) we are interested in the consequence of the relation between supervisor and employee. Many factors defining this relationship result in dissatisfaction or satisfaction of the employee, productivity-related behavior and the personal attitude about the organization and the job itself (Laschinger, Purdy & Almost, 2007; Lee, H.E., Lee, T.S., Lee, D.W. & Park, 2007).

One explanation for the relationship between supervisor and employee is, as already named, the model of LMX (Lee & Park, 2007). Subordinates being on a low level of LMX are said not to show anything beyond formal employment contracts with their supervisors. These subordinates develop a more traditional relationship with their leaders, who rely on his or her formal authority and position in the organization to influence the subordinate and the subordinate is expected to perform his or her job in an acceptable manner to follow rules and the directives of the leader. "The subordinate has considerably less influence over the leader and the leader gives the subordinate less freedom to use his or her own judgment. These relationships are characterized by an impersonal, distant or cold way of getting along with each other. These out-group subordinates tend to be less satisfied and perform at lower levels than in-group subordinates" (George & Jones, 2007, p.406).

Affective commitment is defined as a personal feeling that results out of a happy state of the employees about being member of the organization and feeling good about what it stands for. They feel emotionally attached to the organization and are intended to do their best to support the organization and boost its outcomes (George & Jones, 2007). Affective commitment seems to take a great part in work performance of the employees. Research done by Reid, Allen, Armstrong and Riemenschneider (2008) was based upon a model that explores the variables of job characteristics and work experiences that together have influence on affective organizational commitment, job satisfaction, and job involvement. Their results suggested that perceived organizational support, leader- member exchange, role ambiguity and task variety are the most determining variables for affective commitment and job satisfaction of employees.

Leaders are the most direct representatives of the organization to the employees and the relation to this person is therefore determining the overall affection to the organization. Based



upon the finding, that the kind of exchange with the supervisor and the feeling of being supported by him or her leads to a stronger attachment of the subordinates to the organization and affective commitment the first hypothesis states that:

*Hypothesis 1) “In organizations that provide technical services with more than 100 employed members there is a positive relation between Leader- member exchange and affective commitment.”*

There is also an existing relation between employees’ satisfaction with HR practices and their emotional attachment to the organizations they work for. A study done by Kuvaas in 2008 tried to examine whether and how the quality of employee-organization relationship has influences on the relationship between the perceptions of the employee on developmental human resource practices and employee outcomes. Results suggested that the quality of the employee-organization relation is critical for the relationship between HRM and employees’ work performance. The positive relation between perception of developmental HR practices and work performance for employees reporting high levels of perceived support by their organization indicates that a good relation between employees and their leaders may be necessary in order for developmental HR practices to have positive influence on work performance in return (Kuvaas, 2008). These results underline the importance for organizations to think about their practices and in case improving them to reach better employee outcomes.

Affective commitment to the organization takes a great part in work performance of the employees in being one of the most predicting factors for employees’ performance (Paauwe, 2004). A research done by Reid et al. (2008) showed already a significant influence of job characteristics and work experiences on affective organizational commitment, job satisfaction, and job involvement. They showed that organizational support, the used HR strategies in an organization and the kind of leader -member exchange were the most determining variables for affective commitment. Affective commitment is in return related to fewer turnovers of employees (Allen & Meyer, 1990). Literature shows that factors of affective commitment have to do with the wish to stay in the organization and the wish to work hard for the organization (De Gilder et al., 1997). Leader- member exchange is also said to influence the motivation of the employee to work harder and perform better (George & Jones, 2007).

As described in the previous hypothesis it is stated that a high LMX relationship will result in affective commitment to the organization. However, when employees are satisfied with the organizational used HR practices, the relation between LMX and affective commitment is strengthened. Peccei (2004) found evidence for a strong impact of satisfaction with HR practices on employees' well-being. Their tested impact of employees' satisfaction with five tested HR practices and the commitment to the organization give rise to the following hypothesis that sets these two variables into relation. Kinnie et al. (2005) also showed that commitment to the organization, including being motivated to work harder and stay with the organization, was highly related to the satisfaction with different combinations of HR practices.

The underlying mechanism therefore is the emotional binding that exists upon a higher level of exchange with the supervisor because of motivation and satisfaction (Reid et al., 2008). Because Khilij and Wang (2006) state that satisfaction with HR practices leads to fewer turnovers and results in the feeling of being more aligned with the values and expectations of the organization the employee works for it is stated that satisfaction with HR-practices plays a moderating role in the relationship between LMX and affective commitment. Moderating in this sense means that this variable may have impact on the relation between two other terms, because of the underlying mechanism of weaken or strengthening it. Thus organizational support including the used HR strategies has been shown to influence affective commitment to one's organization for an important part (Reid et al., 2008; Peccei, 2004). It is going to be clear that satisfaction with HR practices moderates the relation between LMX and affective commitment of the employees to the organization because the used strategies influence a feeling of trust, security and understanding for the person. Therefore the second hypothesis states that:

*Hypothesis 2) "In organizations that provide technical services with more than 100 employed members the positive relation between Leader- member exchange and affective commitment is moderated by satisfaction with HR practices."*

As described above leader- member exchange has an impact on the employees' way of thinking and feeling about their organization and its values (George & Jones, 2007; Lee & Park, 2001). The importance of LMX for an organization has been tested and supported by many studies. For example Hooper & Martin (2008) investigated research if perceptions of the variability of LMX (extend to which members perceive LMX relationships varying within a team) has effect on the

employees' job satisfaction and wellbeing beyond the effects of the personal LMX quality. Their results showed a significant accountancy of perceived LMX variability for additional variance in employees' outcomes. They concluded that a high change between leader and member lead to a higher willingness of the employee to work harder for the organization which is represented in form of the leader. That means that an employee satisfied with his or her leader is more willing to increase his or her performance and therefore reaches higher levels of so called Organizational Citizenship Behavior (OCB). This term is e.g. defined by Cook (2004) as volunteering to do things that are not in the description of the job, e.g. helping others, following rules willingly and publicly supporting the organization. These behaviors are all described as "highly desirable". Cook also stated that innovative behavior is one of the facets of OCB. It is said to arise if employees feel satisfied with the organizations' values and the used HR practices.

To name another performance- related factor, Kanter (1983) described innovative behavior as a process of thinking about any new way of problem-solving. Also referred to as innovations are ideas for cutting costs, reorganization, improved communication, putting in new budgeting systems or assembling products in teams. Innovation includes the generation and/or acceptance of new products, ideas, services and products as well as their implementation.

The adoption of innovation is generally intended to contribute to the performance or effectiveness of the adopting organization. Innovation is an expression of changing an organization, whether as a response to changes in its internal or external environment or as a pre-emptive action taken to influence the environment (Damanpour, 1991).

Shipton, West, Dawson, Birdi and Patterson (2006) used a definition of innovative behavior that described innovative behavior as an intentional introduction and application within an organization of ideas, products, processes, and procedures to benefit the organization or the wider society. They stated that innovation is an evolutionary and continuous process that involves the application and re-application of existing and new scientific knowledge. They suggest that innovation can be achieved by two important factors: first, all members of an organization have to be receptive to change and second, all members have got the necessary skills to be able to support changes (Shipton et al. 2006).

As it can be seen in earlier research, employees' satisfaction with HR practices results in fewer turnovers and working harder for the organization (Khilji & Wang, 2006). This implies that there might be a relation between the satisfaction with the used HR practices and the willingness

of the employees to work harder and more productive for the organization. If somebody feels satisfied with his or her job and the used practices by the personnel office, one might think that this person feels safe to try new activities and search for new ways of dealing with problems and that there is a greater readiness to take part in changes and the related actions for innovative strategies. There might be a motivating way of leading the employees through the supervisor and this in turn could lead to a higher feeling of trust, acceptance and as shown in earlier research, innovation. Cook included innovative behavior into the term OCB. As a facet of this he related it positively to the way of exchange between leader and subordinate because of the underlying mechanism of willingness to do something good for the organization. Therefore we state that:

*Hypothesis 3) "In organizations that provide technical services with more than 100 employed members there is a positive relation between Leader- member exchange and innovative behavior."*

Innovation plays an important role for the employee, the leader and the organization itself. Delaney and Huselid (1995) made clear that organizations have to take care about this factor and that there might be a great support by using adaptive HR strategies. Their results during a study in 1995 showed that "progressive practices (selectivity in staffing, training and incentive compensation) are positively related to perceptual measures of organizational performance." (Delaney & Huselid, 1995, p. 950). Positive associations between Human Resource Management (HRM) practices and perceptual company performance have also been found what further suggest that there might be a "methodological issue for the consideration in examination of the relationship between HRM systems and the performance of an organization" (Delaney & Huselid, 1995, p.949).

The impact HR strategies have on the performance of the organization are widely tested; e.g. by Huselid, Jackson and Schuler (1997). They stated that the performance of a company is influenced by the set of HRM practices these organizations use. Strategic human resource management strategies are seen as relevant recent innovations involving designs and implementations of a set of internal policies that are consistent and related practices that ensure an organization's human capital.

Delery and Doty (1996) stated that much of the variation in HR practices across different organizations can be explained by the organizations' strategies. Organizations that have a greater

congruence between their used HR practices and their applied strategies will earn highest levels of performance. Performance includes innovative behavior (Bolwijn & Kumpe, 1990) and therefore we might think that the relation between the supervisor and innovation of the employees might be moderated by the used HR practices because research (e.g., Delery and Doty. 1996; Huselid et al., 1997) has shown that the last two terms are positively related. Because of the fact that if employees are more satisfied with the used HR practices they are more willing to do something good for the organization (that is not necessarily directly asked) like innovative behavior as one factor of the described OCB, we set these variables into relation. OCB, especially innovative behavior is said to result out of a higher exchange between leader and employee (Cook, 2004). This relation is stated to be strengthened by the satisfaction of the employee with the used HR practices because this determinant also leads to a higher willingness of the employee to work harder for the organization. Therefore the fourth hypothesis states that:

*Hypothesis 4) “In organizations that provide technical services with more than 100 employed members the positive relation between Leader- member exchange and innovative behavior is moderated by satisfaction with HR practices.”*

## 2.1 Model to be tested

Because the hypothesized effects all could have a great impact on the organization's performance and effectiveness they will be tested and analyzed. The relationships (H1-H4) are presumed in the research model (Figure A).

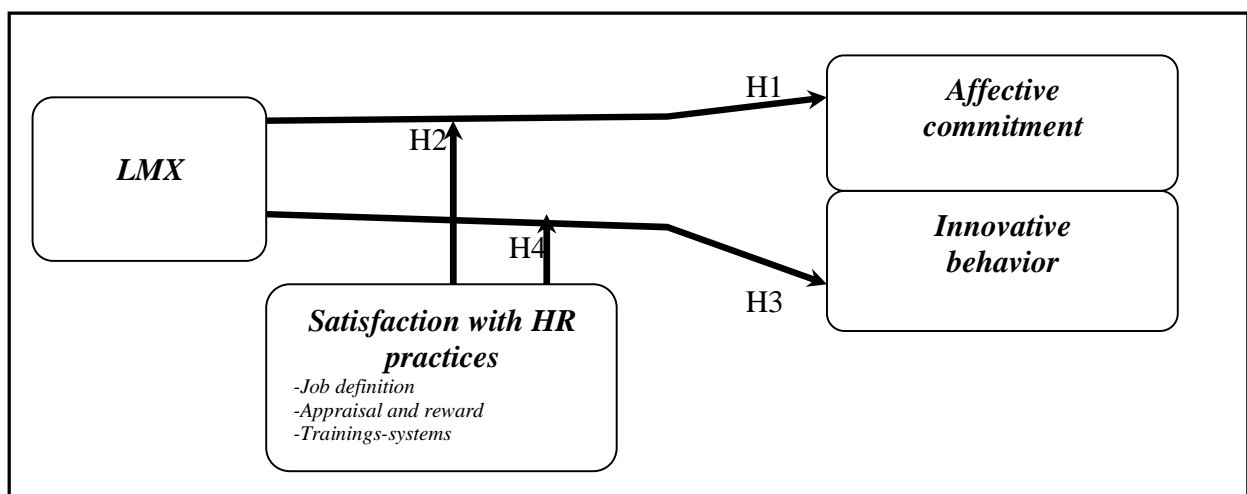


Figure A: Model of this study

### **3. Method**

#### *3.1 Respondents*

The subjects in this research are three technical applied organizations that work in the service offering sector with more than hundred employed members established in West-Germany. Because 49 organizations were contacted by students and 3 decided to take part in this study the response rate is 1, 47%. Organizations declining to take part in our study were asked to give a reason to be able to find a possible pattern in the given answers. These are described later in the discussion. The organizations that were appropriate to take part in the survey first received a letter including the request to take part and information about the topic and the benefits they can receive for their organization. Afterwards they received an email and got a phone call for an invitation. In case of accordance they were visited by the researchers to receive the questionnaires and were asked to fill them out within about one week. In total there were 151 employees who answered the questionnaire and which were all analyzed. The response rate of all sent questionnaires was 46.46% (151 received out of 325 sent). The following analysis consists of the three organizations taken together in the analysis as one. Control variables were analyzed averaged; there were 46 women (30, 5%) and 105 men (69, 5%) taking part in the study and the mean age is 25-35 years (SD=1, 19). The questioned people are averaged employed for about 2-5 years (SD=1, 39). 146 respondents are German, 4 are Dutch and 1 is Russian. The averaged passed school- leaving qualification is college or university diploma (SD=1, 22). Martial status is averaged married living together with children (SD=0, 82). Type of contract is averaged unrestricted (SD= 0, 42) and fulltime (SD=0, 08).

#### *3.2 Instruments*

The used questionnaire in this study first includes some general questions to be answered about the employee, so called control variables: gender, age, years of being employed in the organization, martial status, fulltime-or part-time employment, perpetual or temporary engaged, department of the organization.

The rest of the questionnaire was separated into six dimensions each including related statements to be answered. To be able to take conclusions about the hypothesized relationships between the variables and their effects on the employees, a survey is used in this research. Answers should be given on a Likert scale, including statements as 1= “absolutely disagree”

to 5= “absolutely agree”. Using an attitude scale, a “multiple item questionnaire designed to measure a person’s attitude towards some object” is conducive to this study.

The first domain considers 37 statements about the employees’ satisfaction with HR practices (Cronbachs’ alpha =.96). These statements are related to communication, objection (e.g. “How satisfied are you about the extend to which your opinion is asked?”), the right to say (e.g., “How satisfied are you about the extend to which you have actually impact on (changes in) your function?”), primary- and secondary work- conditions (e.g. “There are enough opportunities of deciding related to my secondary work-conditions.“), opportunity for advancement, work content (e.g. “How satisfied are you about the provided variety of your function?”) and global satisfaction.

The second domain (Cronbachs’ alpha =.95) consists of 42 statements about the employees’ relation with the leader; about Leader-Member exchange (e.g. “It is very nice to work with my team leader.”). These questions are based on Liden & Maslyn (1998).

Commitment, the third domain in the survey, includes 50 statements to be answered about affective commitment with work, normative commitment with work (e.g. “It is important to me, to do my job the best I can.”), affective commitment with the organization (e.g. “I like talking about my job with people outside my work.”), normative commitment with the organization (e.g. “I don’t think that people always have to be loyal to his/her organization.”), affective commitment with the occupation, normative commitment with the occupation, continuity commitment with the organization (e.g., “I think I have not enough options to think about leaving this organization.”) and continuity commitment with it. These statements are related to the 3-component model by De Gilder, van den Heuvel and Ellemers (1998) described in the theoretical framework. Further statements are taken from Meyer, Allen and Smith (1993); Vandenberghe, Bentein and Stinglhamber (2002); Torka (2007) and Allen and Meyer (1990). As it can be seen in the hypotheses, I will restrict my analysis to the affective commitment to the organization (Cronbachs’ alpha =.79)

Fourth, the domain “innovative behavior” includes 8 statements (Cronbachs’ alpha =.92), e.g. “How often do you think about new ways of working, techniques or instruments?” (Janssen, 2000).

The control variables in this study have been: gender, age (respondents could chose between five categories: 1: younger than 25 years old; 2:25-35 years old; 3: 35-45 years old; 4: 45-55 years

old; 5: 55 years or older), years of being employed by the organization (respondents had to choose between five categories: 1: 0-2 years; 2: 2-5 years; 3: 5-10 years; 4: 10-20 years; 5: 20 years or longer), nationality (choice between: 1: Netherlands; 2: German; 3: Brazilian; 4: Argentinean; 5: Russian; 6: Ukrainian; 7: Columbian; 8: another), highest degree of education (choice between 1: college of further education; 2: college; 3: university; 4: another education), martial status (choice between 1: married/living without children; 2: married/living together with children; 3: single; 4: single/with child/children), fulltime-or part-time employed, perpetual or temporary engaged and the department of the organization.

### *3.3 Data analysis*

The used measurement identifies the regression coefficient that indicates the strength and direction of a linear relationship between two variables. In general statistical usage, regression refers to the departure of two variables from independence. Satisfaction with HR practices plays in this study in one hypothesis the role of a moderator variable. This moderator relation is calculated by using the so called hierarchical regression analysis based on Baron and Kenny (1986). The minimum significance-level of the results in this study is 0.5. That means that the conclusions about the hypotheses will be significant with a 95% probability. Because we cannot proceed on the assumption of a normal distribution of the data we have to use Spearman's correlation ( $r_s$ ) in our analysis.

## **4. Results**

Table 1 sums up the means, standard deviations (SD) and correlations between the research variables of this study.

Table 2 includes the results for the regression analysis with affective commitment as the dependent variable and the control variables as independent variables (Model 1), LMX as independent variable (Model 2), LMX and satisfaction with HR practices as the independent variables (Model 3) and the interaction between LMX and satisfaction with HR practices as the possible moderator (Model 4).

Table 3 shows the results of the regression- analysis with innovative behavior as dependent variable and in Model 1 the control variables as independent variables, in Model 2



LMX as predictor, in Model 3 LMX and satisfaction with HR practices as independent variables and in Model 4 the interaction between LMX and satisfaction with HR practices as the possible moderator.

Hypothesis 1 stated that there is a positive relation between LMX and affective commitment. There seems to be a significant relationship (see Table 1) between these two variables ( $\beta = .26, p \leq .01$ ). That means that we can confirm that there is a relationship between LMX and the emotional attachment of the employees to the organization.

Hypothesis 2 stated that the positive relationship between LMX and affective commitment to the organization is moderated by satisfaction with HR practices. Table 2 (Model 4) shows that this statement can not be confirmed ( $\beta = .02, ns$ ). The relationship between LMX and affective commitment is not moderated by the employees' satisfaction with HR practices.

Hypothesis 3 stated that there is a positive relation between LMX and innovative behavior of the employees (see Table 1). This relationship seems to be significant ( $\beta = .23, p \leq .05$ ). Hypothesis 3 can therefore be confirmed.

Hypothesis 4 stated that the positive relation between LMX and innovative behavior is moderated by satisfaction with HR practices. Table 3 (Model 3) shows that this is not the case ( $\beta = .00, ns$ ). Therefore we have to rule out hypothesis 4.

## **5.1 Discussion and conclusions**

Hypothesis 1 included a positive relationship between LMX and affective commitment to the organization somebody works for. Because of the results we had to confirm this assumption. There seems to be indeed an impact of the way of exchange between employees and their leaders on the emotional binding of the employees to their organizations. Literature showed that this relationship was found in other studies, too (George & Jones, 2007). It seems as if LMX is of direct strong influence on affective commitment. This could be possibly explained by the fact that a higher degree of Leader- member exchange leads to a higher emotional binding and the adoption of the values and norms of the organization somebody works for. LMX and affective commitment are composed of some factors, what means that LMX can be related to some underlying factors of affective commitment, e.g. the wish to stay with the organization and to work hard for it (De Gilder, et al., 1997) or being more aligned with the organizations' values (Peccei, 2004) and less turnover because of being more satisfied and a higher well- being of the

employee (George & Jones, 2007). These could be possible explanations why we found a strong relationship between these two variables.

Hypothesis 2 stated that the positive relation between LMX and affective commitment to the organization is further moderated by employees' satisfaction with the used HR practices. This hypothesis could not be confirmed. That means that the relation between a higher degree of the exchange between leader and member and the affective commitment to the organization doesn't depend on employees' satisfaction with HR practices or is not moderated, thus not influenced by them. Literature showed that the satisfaction with HR practices leads to a higher estimation for the organizations' values and expectations (Khilij and Wang, 2006). Therefore we hypothesized a higher degree of emotional binding because of the acceptance and adoption of the values and norms. This relationship was not found to be existent in this study. It is possibly explainable by the fact that the kind of going along with someone's leader does directly influence the affective commitment of an employee but that satisfaction with HR practices does not strengthen this response of an emotional binding. It seems as if LMX is such a strong predictor for affective commitment and that this relationship is strong towards influences of satisfaction with HR practices.

Hypothesis 3 stated that a positive relationship between LMX and innovative behavior exists. This relation was found to be significant what means that the way of exchange between leader and subordinates has obviously impact on employees' innovative behavior. The underlying influence that the kind of leading employees leads to be more motivated to find new solutions for problems, trying new ways of working and the application of new products and processes is thus found. Shipton et al. (2006) stated that innovation has a lot to do with getting the necessary skills and support to be innovative. Leaders play a great part in supporting their subordinates by explaining them new things, attending them changes, taking care of their way of working and explaining them how to improve or change their way of working. Because of this possible direct influence of the style of leading on the innovative work- behavior of the employees the analyzed relation can be explained.

Hypothesis 4 adopted that the positive relation between LMX and innovative behavior is moderated by employees' satisfaction with HR practices. This effect was not significant what means that satisfaction with the used HR practices doesn't seem to influence the relation between these two variables. The previous hypothesis was confirmed but satisfaction with HR practices

does here obviously have no impact. Literature (Delery & Doty, 1996, Delaney, 1995) showed that satisfaction with HR practices was positively related to the factor performance. It might be that the satisfaction with HR practices, as well as in hypotheses 2, is not of such a strong influence to strengthen the relation between LMX and the innovative behavior. That means that in this study employees' satisfaction with HR practices is not strong enough to influence or moderate the relation between these two variables.

### ***5. 2 Limitations of this study and further implications***

While interpreting these results we have to pay attention to some possible shortcomings. For example the overall problem we faced in this study was that respondents worried about their anonymity when answering the questions. In an organization with about three or four departments and where just a few women are employed e.g. those women could have been identified by their age or their marital status. A lot of them worried that their leadership might control the questionnaires before they have sent them back to the researchers. Employees worried about the answers they gave and that their supervisors could get information about the individual. We might have eliminated this by excluding the question "department" (for smaller organizations) and sending the questionnaires directly (online) to the respondents. Because of sending them back to us, the employees wouldn't have to worry about their supervisor to get some information. This could also be a possible reason for them not to give honest answers or to tend to averaged answers (e.g. often giving a "3"). Some participants are initially motivated to take part in a survey but later become increasingly fatigued, disinterested or impatient and distracted, they tend to give more averaged answers and they think less about the possible deeper meaning of the question. That means that people avoid using extreme response categories (i.e. points 1 and 5 on the scale) also known as 'central tendency bias'.

Another problem we faced was the little response rate we had to work with. If we have had received more than 151 out of 325 sent questionnaires we might have been able to meet a more representative sample.

At least we ought to have better explained better that there were questions the respondents did not necessarily needed to answer because of any worries. It would have been better not to fill in some questions than to decide not to take part at all. We also faced that personal contact resulted in a higher agreement to take part than the letters and emails did. The readiness to take

part was also determined by the lack of time and the organizations' views of this study not being useful for them. Some people stated that they didn't take part because the questions were boring and too often repeated (just differently formulated) or that they have been too private. They started filling in the answers and then stopped because of the length or the repetition. This can also be explained by the theory of getting fatigued or disinterested (Kampen, J., 2006).

We have to conclude that the described problems form limitations and that the possible solutions might have led to a higher response and more honest answers. Anyway we are able to take an overall summarizing conclusion about the research question: "What is the impact of Leader- member exchange and employees' satisfaction with HR practices on affective commitment and innovative behavior?" to deliver a practical and theoretical value.

We have seen by analyzing the described variables and their impact on each other that there are influential relationships (between LMX and affective commitment as well as between LMX and innovative behavior) and that there have been relationships not being significant in our study (the moderating effect of satisfaction with HR practices on the relation between LMX and innovative behavior and on the relation between LMX and affective commitment). That shows that it is indeed important for organizations to support and help their employees in feeling more safe and motivated to become innovative and attached. They should take care about the supporting effect of LMX for a more innovative work- behavior of their employees as well as an emotional binding with their organizations. This may result in a higher degree of sustainable competitive advantages for the organizations (Bolwijn & Kumpe, 1990).

Additionally this study may deliver a meaningful contribution to the already existing theoretical knowledge about the relation between LMX and affective commitment as well as between LMX and innovative behavior. This impact is highlighted in this study. Furthermore this study can deliver insight in the processes surrounding the way of leading employees and the impact on their behavior. Especially important seems to be that these two kinds of employee-outcomes do not differ in the way of being influenced. It might be important for organizations that satisfaction with the used HR practices has no impact whether on the relation neither between LMX and affective commitment nor on the relation between LMX and innovative behavior.

Further research should take the limitations and problems of this study into account and try to see if there are significant results for other relationships or if these results might differ under

certain different conditions. That means that the study might be replicated in other work sectors or other kinds of organizations (e.g. smaller number of employees, organizations in other countries) to get a broader and more completed view of the used predictors and outcome variables. It is also possible to take other theories into account that might be better in explaining the relationship of some of the hypothesized effects. For example studies about transformational leadership might explain the relation between supervisor and follower depending on other factors than LMX does (Sendjaya, 2005; Parry et al., 2002). Further research might also take a look at other determining factors that influence the relation between leader and employees' outcomes possibly, too. One might think about employees' being able to manage work- related and private demands, called work- life balance (e.g. Dex & Bond, 2005; Tausig et al., 2001). Maybe the effects of the named dependent variables (LMX and satisfaction with HR practices) might be interesting to be tested on other outcome variables, too. For example, customer orientation is one possible variable for such a further research. Literature shows that the kind of leading can have impact on this factor of employee performance (e.g. Saxe & Weitz, 1982; Stock et al., 2002).

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**Table 1 Means, standard deviations (SD) and correlations between the research variables (N=151)**

	<i>Mean</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>
<b>1 Gender</b>	1,30	.46	1	-.09	-.10	-.03	.15	.04	-.63	.12	-.27**	.17*	.27	-.17*
<b>2 Age</b>	2,24	1,19		1	.64**	.15	.07	-.15	-.36**	.05	.01	-.16	.06	.21*
<b>3 Employment</b>	2,30	1,39			1	.16*	-.11	-.22**	-.53**	.04	-.06	-.32**	.00	.07
<b>4 Nationality</b>	1,99	.29				1	.00	.08	.16*	.00	-.91	.10	.16	.03
<b>5 School-Examination</b>	2,45	1,21					1	.05	.63	-.03	.15	.23**	.25*	.06
<b>6 Martial status</b>	2,17	.82						1	.41**	-.01	-.03	.02	-.17	-.12
<b>7 Un-/restricted contract</b>	1,30	.46							1	-.05	.09	.18*	-.11	-.20*
<b>8 Full-/ part-time employed</b>	1,01	.08								1	-.06	.06	.(a)	.15
<b>9 Satisfaction with HR practices</b>	124,12	20,84									1	.06	.12	.24*
<b>10. LMX</b>	44,36	8,89										1	.26**	.23*
<b>11 Affective Commitment</b>	30,27	4,04											1	.03
<b>12 Innovative Behavior</b>	28,16	7,01												1

\*= $p < .05$  \*\*= $p < .01$

**Table 2: Regression analysis with affective commitment as dependent variable (N=151)**

	<i>Model 1</i>	<i>Model 2</i>	<i>Model3</i>	<b>Model 4</b>
<b><i>Control variables</i></b>				
Gender	.08	.06	.06	.06
Age	.19	.15	.11	.12
Time employed	-.20	-.05	-.04	-.02
Nationality	.03	-.00	.03	.02
Education degree	.01	.07	.03	.03
Marital status	.03	.07	.06	.07
Type employment	-.19	-.19	-.17	-.16
Full- or part-time	.13	.11	.13	.13
<b><i>Leader- member exchange</i></b>		.26**	.25*	-.07
<b><i>Satisfaction with HR practices</i></b>			.23*	-.08
<b><i>Interaction with affective commitment</i></b>				.52
**: $p \leq 0,01$ ; *: $p \leq 0,05$				

**Table 3: Regression analysis with innovative behavior as dependent variable (N=151)**

	<i>Model 1</i>	<i>Model 2</i>	<i>Model3</i>	<b>Model 4</b>
<b><i>Control variables</i></b>				
Gender	-.17	-.19	-.19	-.19
Age	.43	.39	.39	.39
Time employed	-.32	-.18	-.18	-.20
Nationality	-.01	-.07	-.06	-.05
Education degree	.06	.03	.03	.03
Marital status	-.07	-.02	-.03	-.03
Type employment	-.29	-.29	-.29	-.30
Full- or part-time	.13	.11	.11	.11
<b><i>Leader- member exchange</i></b>	.	.23**	.31**	.71
<b><i>Satisfaction with HR practices</i></b>			.02	.42
<b><i>Interaction with innovative behavior</i></b>				-.66
**: $p \leq 0,01$ ; *: $p \leq 0,05$				