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# LMX as a Predictor of Performance Behaviour: Empirical Evidence from Life Insurance Sector of Pakistan

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**Abstract:** This study comprehensively evaluated the association between LMX and performance (Task performance, Contextual performance) behavior. Results are based upon a sample of 200 field staff at State Life Insurance Corporation of Pakistan. Sample was identified with snowball sampling method. Pearson coefficient of correlation and linear regression was utilized for data analysis. Results reveal that LMX have significant positive association with subordinates task and contextual performance behavior. Study is novel in its sense, and strengthens the prior research as well.

**Keyword:** LMX, Task Performance, Contextual Performance, Behavior

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## 1. Introduction

In past two decades numerous studies have been conducted on LMX (Leader Member Exchange) theory with respect to its impact on performance of workers and organizations. But there is inconsistency of result about LMX impact on performance (Gerstner & Day, 1997). This research focuses this inconsistency with different approach. Most of the researchers focus on subordinate's performance appraisal by their supervisors in term of target achievement or with respect to efficiency and effectiveness. But there is ample need to focus upon performance behaviors, displayed by subordinates in pure organizational setup (Armstrong & Baron, 2000) because many jobs require some specific behaviors and it's very difficult to quantify target achievement there. Especially where teamwork required, a free rider tendency can create problems for those who are going to apprise their subordinates (Scott & Einstein, 2001). The current study intended to explore LMX impact on job performance (Task performance, Contextual performance) attitude in life insurance sector employees at Pakistan.

### Back Ground:

LMX (Leader Member Exchange) construct, first time studied in 1972 with regard to its theoretical measurement (Schriesheim, Castro, & Cogliser, 1999). Dansereau (1973) defined LMX as quality of exchange between leader and

subordinates. It is a system that is based upon reciprocal relationship; the mutually dependent behaviors, shared outcomes and in result it develops values, norms in an organization (Dienesch & Liden, 1986). Employees performance at job is a topic of interest for researchers but there is discrepancy among researchers, about performance measurement as well as results are also conflicting (Jensen, Olberding, & Rodgers, 1997). Same situation can be seen in case of LMX effect on performance, again results are conflicting. Liden, Wayne, and Stilwell (1993) reported a strong positive association between LMX and performance whereas some other have realized that there is little to no relationship among LMX and performance (Duarte, Goodson, & Klich, 1994). Hence there is need for deep digging to explore LMX association with performance.

## 2. Literature Review

The quality of mutual relationship between team member and team leader is described as LMX (Sparrow, Chadrakumara, & Perera, 2010). LMX theory reveal that top management have courteous attachment with particular assistants (Dansereau Jr, Graen, & Haga, 1975) and quality of LMX affects the organizational success (Truckenbrodt, 2000). Association between the quality of LMX and efficient performance is certainly key point in theoretical concept of LMX (Schriesheim et al., 1999). The construct of

performance is poorly theorized (Campbell, McCloy, Oppler, & Sager, 1993). Performance is defined as the action or process of execution of a task or function (Zhi-wu, 2008). Campbell et al. (1993) illustrate performance as anything that an individual truly does. However this is very limited description of performance and criticized by analysts like Dalal (2005). Performance can be classified in three types like contextual performance, counterproductive behaviors and task performance (Devonish & Greenidge, 2010) and it is advised that task performance must be separated from contextual performance (Motowidlo & Van Scotter, 1994). Foundation of contextual performance is different from task performance (Motowidlo, Borman, & Schmit, 1997).

**2.1. LMX and Task Performance**

Task performance is generally known as proficiency with which workers complete tasks that in result add up to the organization's technical core (Borman & Motowidlo, 1997). It is typically defined as activities that convert raw material into merchandise and services (Kamdar & Van Dyne, 2007). High and positive LMX enhance the task performance because subordinates feel the need to enhance the value for reciprocal relationship with their supervisor (Erdogan, Liden, & Kraimer, 2006; Scandura, 1999). Likewise in case the subordinate show superior level performance, it is highly expected that leader will provide him with substantial

benefits and will boost up relationship strength (Ilies, Nahrgang, & Morgeson, 2007; Schriesheim et al., 1999; Wang, Law, Hackett, Wang, & Chen, 2005).

H1: LMX and subordinate's task performance behavior are positively related.

**2.2. LMX and Contextual Performance**

Contextual performance relies upon behaviors which are classified as voluntary and contribute toward psychological and social core of the organization and have much impotence in organizational effectiveness (Borman & Motowidlo, 1997). Contextual performance is very near to organizational citizenship behavior (Borman & Motowidlo, 1997) but it is different from OCB (Werner, 2000). It is empirically founded that contextual performance, task performance, OCB, counterproductive behaviors are distinct constructs (Sackett, Berry, Wiemann, & Laczko, 2006). LePine, Erez, and Johnson (2002) reported high correlation between leader support and organizational citizenship behavior. While Van Scotter, Motowidlo, and Cross (2000) point out that OCB and contextual performance have many points in common. Hence we assume there will also positive association between LMX and contextual performance behavior.

H2: LMX and subordinate's contextual performance behavior are positively related.

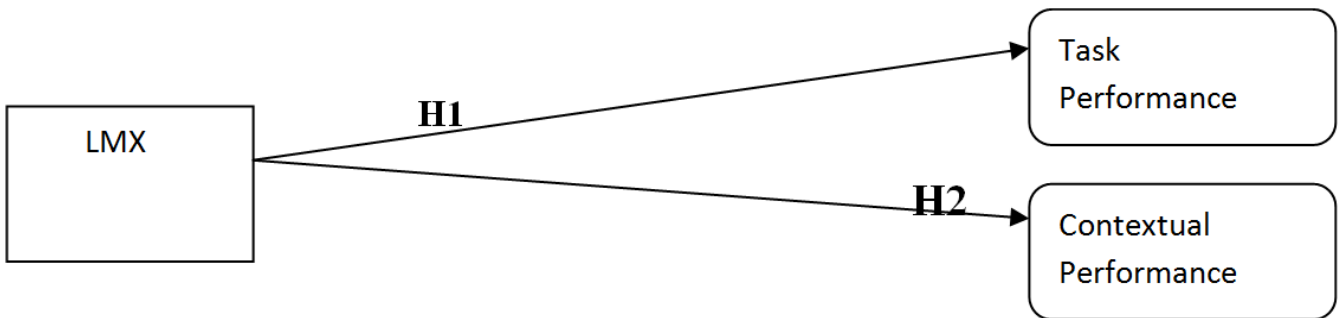


Figure 1. Conceptual Framework

**2.3. Methods**

Participants and Data Collection: Data was collected from 200 employees of stat life insurance corporation of Pakistan at Southern Punjab. Within this organization field staff was identified as target population. Snowball sampling technique was utilized. Employees were requested to fill out self-administrated close ended questionnaires. Demographics include gender, age, qualification and tenure with current supervisor.

Questionnaires were delivered and collected back by hand. Thirteen questionnaires were rejected due to errors and omissions and 187 (93.5% response rate) were included in analysis. Of the 187 filed workers who completed questionnaires, there were 162 male (86.63%) and 25 were female (13.37%). Most of the respondents (73.6%) have higher secondary school certificate and it was followed by graduate workers (22.1%). There was only (4.3%) field staff

with masters' level degree. When it was explores about tenure with current supervisor most of the respondents (95.4%) have worked with existing supervisor about 1- 5 years and it was followed by (4.6%) who work with current supervisor about 6-10 years. Respondent with 25-30 year of age bract were (77.56%) and there were (17.10%) with age 31 to 35 years and only (5.34%) fall in 35-40 year of age bracket.

**3. Measures**

Leader Member Exchange: LMX was measured with the help of 7 item scale devised by Scandura, Graen, and Novak (1986). Coefficient alpha reliability was .81 for this scale.

Performance: Workers behavior towards contextual and task performance, was measured with scale adopted from work of Goodman and Svyantek (1999). Task performance coefficient alpha value was .79 and for contextual

performance is was .88.

Questionnaires all items were measured at five point Likert scale ranging from strongly disagree to strongly agree.

## 4. Analysis

Data was analyzed with the help of Pearson coefficient of correlation and simple linier regression. Analysis was conducted at SPSS software VER 19.

## 5. Results

*Table 1. Mean, S.D, Inter correlations, Reliability\*.*

Variables	Mean	S.D	1	2	3
1. LMX	3.53	.83	(.81)		
2. Task	3.88	.71	.563**	(.79)	
3. Contextual	3.93	.73	.676**	.403**	(.88)

N=187 \*. Coefficient alpha values are in parenthesis on the diagonal.

\*\*Correlation is significant at the 0.01 level (2-tailed).

Table 1 contain Mean, Standard deviation and inter correlation and reliability. All correlations prove our suggested model as well as our stated hypothesis. We can see that LMX have moderate positive correlation( $r=.563$ ) with task performance behavior hence it proves our first

*Table 2. Regression Analyses.*

	R	R Square	Adjusted R Square	Unstandardized Beta	Standardized Beta	t	F	sig
Model 1	0.563	0.317	0.290	0.735	0.563	5.329	18.312	.000
Model 2	0.676	0.457	0.418	0.883	0.676	6.399	21.988	.000

## 6. Discussion

Results reveal that LMX have association with contextual and task performance (Michael, Harris, Giles, & Feild, 2005). Study proves previous research but it has its own importance. Our study differs in its intention and data collection. As in prior research performance was appraised by supervisors and peers, but we first time utilized employees own appraisal about their self that how they respond for task performance and contextual performance calls. Results show that when workers feel that LMX is high and positive, they perform well in contextual and task aspects of their jobs. Hence it will be right to say that leaders (Managers) should focus on this psychological aspect of work environment for this purpose organization should arrange developmental programs to take benefits of this association and to create competitive edge.

## 7. Limitations/ Suggestions

There is ever need and gap for improvements. Our study has also some limitation. The major limitation is its small sample size and there is only one business sector was focused, as well as data was collected from small area of country.

hypothesis H1: LMX and subordinate's task performance behavior are positively related. Same tendency can be seen in LMX relationship with contextual performance behavior( $r=.676$ ).It proves our 2<sup>nd</sup> hypothesis H2: LMX and subordinate's contextual performance behavior are positively related.

To measure the effect of IV on DV linier regression was run. Table2 reveals result of regression analysis. It was intended to determine that Task performance and contextual performance behavior (dependent variables) could be predicted from LMX (independent variable). A result in model 1 show that a significant variation can be explained in dependent variable (task performance behavior) was predicted with dependent variable (LMX). In simple word LMX is a good predictor of subordinate's task performance behavior. Adjusted R Square=0.290, F=18.312,  $p<0.05$ , the unstandardized slope (.735) and standardized slop (.563) are statistically significant. Hence we can predict task performance behavior with LMX. When we see in model 2 result, Adjusted R Square=0.418 F=21.988,  $p<0.05$ . Unstandardized slope (.883) and standardized slop (.676), results are statistically significant. Hence it's proved that subordinates contextual performance behavior can be predicted with LMX.

Second limitation is that data was collected only from workers and there are tendencies that in self-appraisal workers appraise themselves highly. Although it have limitations but still it proves prior research. Finally its small sample size ( $n=200$ ) can reduce results generalizability.

For future research it is recommended that sample size should be large and should be collected from large area. It is also advised that study should be conducted in different sectors of economy. We also suggest that in future study behavior should be appraised by workers as well as from supervisors and then it should be correlate, to understand phenomena in better way.

## 8. Conclusion

Research is positive contribution in organizational psychology and human resource performance domain, as well as it highlight performance and its antecedent in different way. Study can provide numerous practical advantages as it highlight how LMX enhance employee's performance behavior. Task performance is rewarded but mostly contextual performance is free of cost, so if leaders enhance LMX in positive way there will also an increase in

efficiency and effectiveness of an organization.

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