The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review

Yupono Bagyo¹, Siwi Dyah Ratnasari²
¹,² STIE Malangkuçeçwara Malang, Indonesia

ABSTRACT: The past is history, the present is accurate, and the future is uncertain. The world is also getting along with many lives and organizations. Along and within the time, the organizations are apparent with leader-member exchange (LMX) that may be unavoidable, realized in the form of any relationships in the social context. The atmosphere brings forth engagement and performance within groups or communities. The essential variables driving and encouraging LMX to become an interesting research focus among scholars. This work aims to investigate the outstanding characteristics or variables of the quality of LMX following engaged employees and high performance. This study employs a systematic literature review. It explores and identifies the characteristics or variables encouraging LMX, engagement, and performance in the organizations. The conclusion says that it reveals various characteristics or variables of the concepts. However, quite a few of them accommodate the cultural context of a particular life of society, which considerably hinders the sound of the atmosphere.

KEYWORDS: Leader-Member Exchange, Engagement, Performance, Systematic Review

I. INTRODUCTION
Leader-Member Exchange (LMX) is a process that makes the relationship between a leader and a follower a unique case. Therefore, this approach rejects using a general style for all followers and employees. In this approach, managers deal with each employee at a different level of social interaction; that is, they do not treat their subordinates the same way (Galloway, Cole, and Lewis 2013). This approach emphasizes a manager’s special relationship with their subordinate; all of these interactions are unique, resulting in loops in pairs (Quarterly 2018). These connection loops of leader-member are formed into in-group and out-group. The in-group behaviors are desirable for followers and, secondly, are more than employees’ job descriptions (Breevaart 2015). This relationship is naturally bidirectional; that is, to gratify subordinates’ job and organizational commitment, a manager gives heed to them when allocating duties, gives them more information, offers more rewards (whether corporeal or spiritual), and when issuing more greater authority, enhance their responsibility level (Peterson, and Aikens 2017); (Matta et al. 2015);(Pellegrini and Scandura 2006).

Conversely, the out-group includes conforming behaviors that prefer formal priorities of the manager’s job. These employees do their work according to the job description and do not work more than regular duties. Therefore, managers expect subordinates to do routine jobs as they are paid a salary (Lee et al. 2019). Several studies have been done relating to the LMX approach and its contents for different levels of the organization. For instance, LMX studies have been done in some fields such as performance evaluation (Sa’adah and Rijanti 2022), labor productivity, organizational atmosphere, organizational justice and organizational citizenship behavior (Kang and Stewart 2007). Herein, as one of the important consequences considered in this research, job satisfaction is an emotional reaction to the job created from comparing actual outcomes with expected and desirable results. One factor that makes an employee’s experience good or bad is relations with their superior. Researchers believe that LMX high-quality subordinates; receive not only external rewards and job promotions for their better performance; but also inner satisfaction of independence and challenging work. (Singh 2013) mention that job satisfaction and satisfaction of manager are two important consequences of interaction quality and believe that a person who is enjoying a high-quality relationship has greater satisfaction than an individual who suffers from a low-quality relationship and, in turn, has minimum satisfaction of the job and their manager.
The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review

II. LITERATURE REVIEW

2.1. Leader-Member Exchange (LMX)
Leader-member exchange (LMX) is a construct of mutual relations between leaders and subordinates in organizational work units (Henderson et al. 2009); (Kang and Stewart 2007); (Matta et al. 2015). LMX consists of high-quality relationships (in-group) and low-quality relationships (out-group) (Hooper and Martin 2008). In-group members will gain greater support from their leaders than out-group members (Hooper and Martin 2008); (Agarwal et al. 2012). A high-quality LMX relationship has easy access to information, support, and participation in decision-making (Newman alex.newman@monash.edu et al. 2017) By contrast, low-quality LMX relationships are characterized by low levels of trust, formal relationships, one-way influences (from managers to employees), limited support, and low levels of interaction.

2.2. Engagement
Engagement is the commitment felt by an employee towards the organization; it is the discretionary effort of doing more than what is typically required (Mehta and Mehta 2013). The relationship between engagement and performance must be obvious to make this process work. Organizations must do their utmost to ensure that discretionary effort is channeled productively, i.e., encouraging cooperation and employee autonomy. Engagement is the ingredient that can transform business performance and can reduce turnover intention (Swathi 2013). Supervisor support enhances employee engagement (Yalabik et al. 2013); (Bakker and Bal 2010).

Work engagement is a "positive, fulfilling, affective-motivational state of work-related wellbeing". According to Bakker and Bal (2010), work engagement is a positive form of work-related subjective wellbeing. Bakker’s understanding of wellbeing is based on Purcell (2010) two-dimensional view of subjective wellbeing. According to Kenexa (2012), two fundamental neuropsychological systems (a pleasure-displeasure dimension on the one hand and an arousal and activation dimension on the other) influence a person’s affect states. According to Radda, Majidadi, and Akanno (2015); Admasachew and Dawson (2011), engaged employees are characterized by high levels of activation and pleasure. Engaged employees feel pleased and happy, are excited and enthusiastic about their work, and gain much energy from it (Osborne, Schrita & Hammoud 2017). Engagement exists in contrast to feelings of burnout (Hewitt 2013); (Inceoglu et al. 2012).

2.3. Performance
Performance management is a continuous cycle of improving employee performance by setting goals, feedback, appreciation, and positive reinforcement (Biron, Farndaljaap, and Paauw 2011). Employee performance is also a result of work achieved by someone in carrying out tasks assigned to them based on quantity, quality, time, and cooperation (Denisi and Murphy 2017). Optimal employee performance is a picture of quality that reflects the organization’s success. High employee performance will increase company productivity, which impacts the company’s competitive advantage. Employee performance will directly affect organizational performance as one aspect of creating a competitive advantage (Ahmad 2012). High employee performance will increase employee loyalty to the organization, motivation at work, work with pleasure and fun at work which has an impact on increasing high productivity in the company. During formal work activities, the employee may experience physical, psychological, and social influences that can be stressful (Schleicher et al. 2018). Therefore, it must be known what factors influence employee performance to improve employee performance (Ehtesham, Muhammad, and Muhammad 2011).

III. Methodology
This research is a systematic literature review using the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-analysis) method, which is carried out systematically by following the correct stages or research protocols. A systematic review is a research method that aims to evaluate, identify, and analyze all previous research results that are related and relevant to a particular topic, particular research, or the latest phenomenon of concern. The facts presented are comprehensive and balanced because systematic reviews are used to synthesize relevant research findings. The systematic literature review includes the following steps: Formulating research questions, conducting systematic literature review searches, screening and selecting suitable research articles, conducting analysis and synthesis of qualitative findings, implementing quality control, prepare a final report (Cruz-Benito 2016). After an in-depth review of the literature for analysis, several articles were selected as the main corpus. Various scientific articles are taken from special journals that have helped build characterization of the most prominent elements that illustrate effective leadership style and the millennial generation, based on several important points explained by different authors. The procedure of this systematic review consists of several steps, namely 1) compile background and purpose (Background and objectives), 2) research question, 3) search for the literature, 4) selection criteria, 5) data extraction strategy, 6) assess the quality of primary studies, 7) data synthesis (Barbara Kitchenham 2014).
The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review

3.2. Research Questions on Literature Review
3.2.1. What is the linear association between the leader-member exchange (LMX) and employee engagement in organizations?
3.2.2. What are the dominant characteristics/variables of the quality of leader-member exchange which influence employee engagement and performance in the organization?

3.3. Searching for the literature
This research was conducted in October-November 2022 in Malang. Search for relevant research articles with the topic of this research conducted using keywords: Leader-Member Exchange, Engagement, and Performance. The following databases, namely Scopus, DOAJ, and ResearchGate, are used to select the articles. Adjustments were made in the strategy used to find the article, and the inclusion criteria were predetermined to maintain consistency in finding the articles and avoid possible bias.

3.4. Selection Criteria
The inclusion criteria used to guide the search and selection of articles are research in English, complete articles published in national and international journals in the 2012-2022 period, indexed in the database used, and focused on Leader-Member Exchange, Engagement, and Performance. After getting a sample, the selected article is analyzed to collect relevant information. The analysis and synthesis of data extracted from the article are made descriptively to observe, describe, and classify data to gather knowledge generated on the themes explored in the meta-synthesis. Therefore, meta-analysis can produce new concepts by synthesizing the study content to transform some qualitative studies into new studies and contribute to the dissemination of scientific knowledge (van Dinter, Tekinerdogan, and Catal 2021).

3.5. Data Extraction, Assess Quality of Primary Studies, and Data Synthesis
The main study chosen is then extracted to collect data that contributes to answering research questions. Assessment of research quality can be used to guide the interpretation of the synthesis findings and to determine the conclusions described. Data synthesis aims to gather evidence from selected studies to answer research questions.

IV. DISCUSSION
Upon completing the digital searches of the articles, it was found 60 articles in a predetermined database. There were 37 articles considerably excluded because they were out of the inclusion criteria. The theme of LMX and engagement in association with performance was set up as the core of this meta-analysis because 23 selected articles discussed LMX quality dealing with its variables in association with engagement and performance. It was realized that LMX reflected a social atmosphere in the context of organizational lives performed by the leaders and members or superiors and subordinates. Such social interactions occurred under various motives and social and cultural backgrounds. This has been a crucial issue in the case of leader-member exchange directed to build work engagement and performance. The following are some analyses dealing with the articles on the theme of this study.

Firstly, based on the analysis of the article by (Swarthi 2013), it is stated that engaged employees work vigorously, feeling dedicated and mentally absorbed in their work. Much is known about the kinds of jobs and work environments that stimulate employee engagement. However, they found that the levels of disengagement remain high in many organizations, and the private sector is more engaged than the public sector (Harter, Schmidt, and Hayes 2002). It is implied that organizations with engaged employees are considerably fewer than those with disengaged ones. Furthermore, the mindsets as a personal resource are required to set up for building employees’ engagement via their enthusiasm for development, the construal of effort, focus of attention, perception of setbacks, and interpersonal interactions.

Moreover, the other finding shows that work engagement driven by commitment and job satisfaction leads to higher individual performance. The employees are improving at performing tasks and making meaningful contributions to the organization (Yalabik et al. 2013). The engagement may be driven by procedural fairness rather than distributive fairness among the employees (Yalabik et al. 2013), and disengagement is also caused by workplace loneliness, which may be relieved with positive social exchange relationships with their coworkers or quality of leader-member exchange (LMX) (Admasachew and Dawson 2011).

Also, based on the analysis of the article by (Admasachew and Dawson 2011), it was found that employee engagement is the most important factor to be considered to keep employees motivated, enthusiastic, and completely absorbed in their work. It can also be concluded that employee engagement is not only helpful in keeping the employees satisfied and motivated towards giving their best efforts and going the extra mile to improve the performance of the organization but it is also woven together with other positive results in a performance like improvement in productivity, profitability, customer satisfaction and customer loyalty lower employee turnover and absenteeism. Employee engagement has various drivers, like empowering the employees,
The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review

providing full information and support from the top management, and aligning efforts with strategy. The organization should keep this in mind while engaging its employees effectively.

Secondly, based on the analysis of the article by Lee et al. (2019); Martin et al. (2018); Henderson et al. (2009), it was found that LMX, which is soundly developed, brings forth a positive effect on engagement turning to the higher performance. Such LMX may be positioned as leader-member passion, which might be much more valuable in a particular context. In this case, organizational culture should be well designed and set up under consideration of any individual background. Using the Leader-Member Passion as the other derivatives of LMX, the organization's expected human assets as a long-term investment can be sustained and realized. The same sound finding was inferred from the article by Agarwal et al. (2012) that LMX, intrinsic motivation and psychological empowerment interacted to affect employee innovative work behavior in such a way that when inherent motivation and psychological empowerment were both high, leader-member exchange had the strongest positive relationship with innovative work behavior and creative process engagement mediated this relationship. Also, it is implied that under the analysis, the individual performance is driven and convinced by a highly-valued LMX initiated by the leader or organization member, as known that LMX and the psychological aspects such as intrinsic motivation and empowerment are apparent with work engagement and performance.

Also, based on the analysis of the article by Sa’adah and Rijanti (2022), it was inferred that LMX has a positive and significant influence on work engagement and employee performance, as well as work engagement has a positive and significant influence on employee performance. The theoretical implications of this study have been able to build a theoretical model of the relationship between leaders and subordinates in the values of Tat Tvam Asi. The practical implications can provide more understanding of the role of local values practices by leaders and subordinates in enhancing employee performance. They were convinced that corporate culture built based on local wisdom surely brought forth the quality of LMX, leading to high engagement and performance. The article has the same sound of sense as articles by (Galloway, Cole, and Lewis 2013); (Henderson et al. 2009); (Agarwal et al. 2012), implying that LMX significantly affects work engagement and performance. The related article on the cultural values for the quality of LMX, engagement, and performance was done by Agarwal et al. (2012).

Thirdly, based on the analysis of the article by (Tordera, González-Romá, and Peiró 2008); (Furunes et al. 2015); (Brondino, Bazzoli, and Pasini 2020), it was found that employees in high-quality LMX relationships work in a more resourceful work environment, such as report more developmental opportunities and social support, but not more autonomy. This resourceful work environment, in turn, facilitates work engagement and job performance by Graen and Schiemann (2013); (Morrow et al. 2005). Based on the analysis of the article by Elanain (2014), it was inferred that compared with incongruent work engagement, employees perceived high levels of LMX quality when their work engagement was aligned with that of their leaders. Regarding congruence, the employees reported higher levels of LMX when congruence in work engagement was higher than lower. Regarding the incongruence, when the employees engaged less in their work tasks than their leaders, they were more likely to experience lower LMX. Also, the other article by (Tordera, González-Romá, and Peiró 2008) stated that leaders’ work engagement enhanced leader-member exchange quality, boosting employee engagement (mediation model).

Moreover, employee engagement was positively linked to performance and negatively linked to turnover intentions. As such, our multilevel field study connects the dots between work engagement research and the leadership literature by (Breevaart 2015); (Hardianto and Sari 2021). We identify leaders’ work engagement as a key to positive leader–follower relationships and a means for promoting employee engagement and performance; promoting work engagement at the managerial level may be a fruitful starting point for fostering an organizational culture of engagement. Another article by Ali et al. (2018) stated that managerial coaching indirectly affects job performance through work engagement, leader-member exchange quality, job satisfaction, and turnover intentions.

Fourthly, based on the analysis of the article by Ali et al. (2018), it was found that managerial coaching was connected more to the unit level of performance. LMX had a stronger effect on individual performance and work engagement, connected with unit-level performance. Analyzing two leadership constructs simultaneously suggests different mechanisms driving managerial coaching and the LMX relationship in the motivational process and toward good performance. The same sense is revealed from the articles by Breevaart (2015); Ali et al. (2018) that the influence of LMX and personal characteristics positively impact work engagement and employee performance. Meanwhile, in a practical context, LMX was found to be a major predictor of work engagement. The practical implication is important for the principals to improve work engagement in efforts to improve employee performance.

As the result of interpretations of the research found in the selected studies and demonstrated in the meta-analysis, it is inferred that just one theory is insufficient to build the quality of LMX, engagement, and performance. However, a new and more variable of LMX, engagement, and performance is required. This essence is important in building the basis for developing and
The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review

increasing the quality of LMX, engagement, and performance. The prospect of organizations is uncertain, which may be anticipated with high-quality LMX relationships, engaged employees, and better performance. Therefore, the culturally-based LMX is for engaged employees and higher performance. This is because of employees' various backgrounds and the surroundings' values. The culturally-based LMX is inspired and encouraged by the findings of the selected studies.

V. CONCLUSION

It is concluded that the systematic literature review in this study aims to identify and analyze particular trends, and data sets, employed in investigating the variables of quality of LMX, engaged employees, and high performance in the organizations. Referring to the inclusion and exclusion criteria designed in this study, 23 articles were manually selected. Also, the systematic literature review brings forth some reflections on gaps in the reality of completing or making up the characteristics or variables of the quality of LMX, engagement, and performance in the organizations, drumming in the requirements to explore what and how the extent of LMX quality is directed to develop engaged employees and high performance. In fine, the recommendation comes to light that some characteristics or variables of LMX quality should be presented, namely ‘the culturally-based LMX’ other than the present theories of LMX, engagement, and performance.

Limitations and Future Research

It is argued that the gaps in the appropriate characteristics or variables of quality of LMX, engagement, and performance in this work do not kick aside the current theories on the quality of LMX, engaged employees, and high performance. However, it functions as the complement point for them. This study employs a systematic review method. Therefore, empirical testing is required to prove this study. Moreover, further research may investigate the other characteristics or variables of LMX quality based on psychological, social, and cultural context as complementary to the previous and the present. For referring to the appropriate sense, it is necessary to make the theories adapted in a particular setting and context to cope with some changes occurred in the organizations. This work is considerably contributive as complementary to the organizations in building and fostering the quality of LMX, engaged employees, and high performance as expected.

REFERENCES


The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review


The Quality of Leader-Member Exchange, Engagement, and Performance: a Systematic Literature Review


