

# Influence of Entrepreneurial Leadership Skills on Employees' Motivation and Job Satisfaction: A Leader Member Exchange (LMX) Approach

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## **Abstract**

*The study presents a paradigm shift to exploring the interaction of the entrepreneurial leadership skills and employee interaction in enhancing employee performance and enhanced business productivity. In doing this the study analysed the mediating role of motivation on the relationship between leader member exchange (LMX) and job satisfaction at team level. Additionally, the differences of LMX, motivation and job satisfaction according to demographic variables are also investigated. The major aim is to highlight the relationship between leadership and motivation and what might lead to job dissatisfaction and demotivation as indicated from earlier studies, motivation and LMX can be two of the most fundamental determinants for understanding this issue. The study shows that there is a strong relationship between motivation LMX and job satisfaction, hence appropriate interventions is needed to address this influence. One way of doing this is through the re-addressing of motivation of employees.*

**KEY WORDS:** Entrepreneurship, LMX, Leadership behaviour skills, Motivation, Job satisfaction

## **Introduction**

The important role of entrepreneurial activity in the conversion of technological and organisational innovation into new and more efficient products and services is well known. New businesses created sufficient new job growth during the 1980s and 1990s to overcome the elimination of over five million jobs in big business (Baum & Locke, 2004). However, more than 50% of new ventures terminate within 5 years (Aldrich, 1999); thus, it is important to understand the factors that drive business success.

According to J.B. Says (19<sup>th</sup> Century classical economist), an entrepreneur uses resources in new ways to maximize productivity and effectiveness. Leaders make decisions on behalf of the

organisation, whether that organisation is a public or a private sector institution. The leader may choose to act as a positive or a negative entrepreneur. The leader creates and implements the strategic plan as a means to achieve the mission and purposes set out for the organisation. The leader through a set of entrepreneurial acts seek to achieve objectives intended to realise the mission and mandate. Entrepreneurship in this context is closely associated with quality management process. It is an attitude that starts with the leader who encourages the continuous search to find new ways to do things better; to find new and better products and services which does not simply satisfy, but may even delight clients. Entrepreneurship is the chain of responses to identifiable individual and community needs, and to environmental and organisational change.

Personality and behavioural traits, organisational factors, and environmental factors have been studied by entrepreneurship researchers as causes of new venture success; however, from 1961 to 1990, research about entrepreneurs' traits found only weak effects (Aldrich & Wiedenmayer, 1993 cited in Baum & Locke, 2004). The weak results for traits were surprising because new venture financiers and entrepreneurs themselves pointed to entrepreneurs' personal characteristics as dominant reasons for success (Sexton, 2001; Smith & Smith, 2000). Recently, a growing cohort of psychology-based researchers has renewed interest in entrepreneurs' personal characteristics as predictors of success by moving beyond the past focus on traits to study competencies, motivation, cognition, and behavior.

Entrepreneurs play leadership role at ensuring the success of their business which is important in the today's society as it ensures sustainability of businesses. In a global economy with competition in all industries, it is of importance to have the right skills within an organisation. These has seen majority of companies investing in leadership programmes due to the various challenges at their leadership level. Gentry et al. (2014) identified six likely challenges of leadership which are: developing managerial effectiveness; inspiring others; developing employees; leading a team; guiding change and managing internal stakeholders and politics.

Of notable importance is the role of leaders in inspiring (motivate) subordinates and in developing employees. The various impacts of leadership behaviours on motivation levels of employees and the role of leadership behaviours has already been examined in various empirical studies. One of such is the studies on leadership effectiveness, through applications of the transformational leadership theory (Piccolo & Colquitt, 2006). These studies have shown that a positive relationship exists between transformational leadership, follower attitudes, behaviours and performance (Judge & Piccolo, 2004). It shows that leaders can go on to exhibit different exchange relations (behaviours) to motivate and influence employee behaviours. Bass et al., 2003; Piccolo and Colquitt, 2006 supported this position by stating that;  
*“Individualised consideration is the degree to which leaders attend to followers' needs, act as mentors or coaches, and listen to followers' concerns. Inspirational motivation is the degree to which leaders articulate visions for the future that appeal to followers. Idealised influence is the*

*degree to which leaders behave in such a charismatic way that followers identify with them. Intellectual stimulation is the degree to which leaders challenge assumptions, take risks, and solicit followers' ideas."*

Leader-Member Exchange (LMX) is a contingent leadership theory and the leader-member relationship is an indication of a worker's social-exchange relationship with his or her supervisor, which is most commonly expressed by leader-member exchange quality (LMX). The basic principle of LMX is that leaders develop different types of exchange relationships with their members and high quality leader-member relationships are characterised by high levels of mutual trust, respect, loyalty, and obligation among the relationship partners (Gerstner & Day, 1997; Ilies et al., 2007; Sias, 2005).

#### Aim

To examine the relationship between leader subordinate relationship (LMX) and its influencing factor on employees motivation and job satisfaction to aid productivity.

#### Objectives

1. To examine, history on study of leadership behaviour and different subsequent applications by reviewing literature.
2. Explore the influence of LMX on employees, job satisfaction and motivation through hypothesis generation and testing.

#### Hypotheses

In achieving the above objectives the following null hypotheses were formulated to establish the presumed relationship between variables.

**H1:** Managerial leadership behaviours have a positive impact on the motivation of employees

**H2:** Motivation will mediate the relationship between the quality of LMX and job satisfaction.

**H3:** There is a positive association between higher degrees of managerial leadership commitment (LMX) and employees' job satisfaction

## THEORITICAL FRAMEWORK

### Leadership Behaviours and LMX

Leadership behaviour has a critical role in the creation of successful organisations and there has been a dramatic increase in the last decade on research of leadership and this has subsequently lead to the development of different leadership theories including leadership behavioural theories (Morris, et al., 2013). The study of most of these theories was to identify aspects of behaviour that explains the influence of leaders on the performance of a team, work unit, or an

organisation. However, studies on leadership behaviours and the variety of behaviour constructs used in these researches has made it difficult to compare and integrate the findings (Bass, 2008). Examples of such theories are the path-goal theory, leadership substitutes theory, situational leadership theory and managerial grid. These were used in the early 1960's – 1980's to emphasise task – oriented and relations oriented behaviour (Avolio, Bass & Jung, 1999). However, since the 1980's a lot of research on leadership behaviour has been based on transformational and charismatic theories of leadership (Avolio, Bass & Jung, 1999; Bass, 1985; House, 1977; Shamir, et. al. 1993).

Yukl (2012) grouped the different leadership behaviour constructs/taxonomies into four broad meta-categories and 15 specific component behaviours these are presented in the figure 1 below:

**Figure 1**

<b>Hierarchical Taxonomy of Leadership Behaviours</b>	
Task-oriented	Clarifying
	Planning
	Monitoring operations
	Problem solving
Relations-oriented	Supporting
	Developing
	Recognizing
	Empowering
Change-oriented	Advocating change
	Envisioning change
	Encouraging innovation
	Facilitating collective learning
External	Networking
	External monitoring
	Representing

*Source: Adapted from Gary Yukl (2012)*

These taxonomies as illustrated on the table above builds on from earlier research from Yukl et. al. (2002). The four(4) leadership behaviours described above are mainly used in studies used to influence the performance of teams, work unit or organisation. This analogy when adapted by an entrepreneur will aid the understanding of the complexities associated managing its employees to improve on the efficiency and productivity of the business. Each of these categories has different objectives. For Task – oriented behaviour, it is accomplishing work in an efficient and reliable way, for relations – oriented, it is to increase human capital, while for change – oriented it is to increase innovation, collective learning, and adaptation to the external environment. External leadership however, is for the acquisition of necessary information and resources, to promote and defend the interests of a team or organisation.

The relationship – oriented approach to leadership as one of the major 4 taxonomies on leadership behaviours and it has undergone several metamorphosis since its inception. As developed by Graen & Cashman (1975), it was initially called the “Vertical Dyad Linkage” (VDL) mode of leadership, but has since evolved into 2 different line of development. The popular LMX (Leader- Member Exchange) by Graen & Uhl-Bien (1991) and the other known as Individualised leadership (IL),(Dansereau et al., 1995).

### **The History of LMX**

The study of LMX started originally as vertical dyad linkage (VDL) theory (Dansereau et al., 1975), challenging the much acclaimed (ALS) model of leadership at the time. The current and most recent development of VDL is now the acclaimed Individualised Leadership” (IL) model of Dansereau et al. (1995b). The earliest LMX studies were exploratory and did not provide much detail on theoretical definition of LMX construct, or the sub-domains which should be considered as part of it. Graen et al. (1974), broke this exploratory research and were responsible for the most common treatments of LMX used today.

In the entire period of the 80’s Graen et al. defined LMX as the quality of exchange between leader and subordinate, while giving varying definitions of its constructs. Over the course of the next 10 years, eighteen (18) sub dimensions were included in over 13 studies by Graen et al. (1974).

After almost a decade of the study of LMX within different sub dimensions, there is still so much disagreement on the basic definition of LMX or how to proceed in the development of the theory. Critiques of the theory on LMX, includes studies in the ’80s by Vecchio & Gobdel (1984) who found mixed results in the relationship between LMX and various outcomes. Attention was also drawn to the lack of theoretical underpinnings of the LMX theory, measurement, analysis and a call for more LMX studies that expanded the range of variables examined. A refinement on how LMX is operationally defined so that the three related sub dimensions-loyalty, effect, and perceived contribution to the exchange-are included and employed on samples of employees in private sector organisations (Dienesch & Liden, 1986).

Similar concerns was also shown by Vecchio and Gobdel (1984) and they proposed that LMX research be conducted at lower levels in organisations. However, in spite of this, there is a good agreement on the theory, that it shows the quality of exchange relationship between a leader and subordinate. Even though the definitions of LMX and its measurements has evolved over time, it is still used widely in the study of relations between leaders and followers. The most clear and detailed definition of the LMX theory is as:

*“a system of components and their relationships, involving both members of a dyad involved interdependent patterns of behaviour, sharing mutual outcome instrumentalities, and producing conceptions of environments, cause maps, and value”* (Scandura, Graen, & Novak, 1986, p. 580).

There has been a great increase in interest of LMX in the last decade, (Gerstner & Day, 1997), with a number of scholarly articles written on this topic. The most basic principle being that leaders develop different types of exchange relationships with their subordinates and high quality leader-member relationships are characterised by high levels of mutual trust, respect, loyalty, and obligation among the relationship partners (Gerstner & Day, 1997; Graen & Uhl-Bien, 1995; Ilies et al., 2007; Sias, 2005). Furthermore, results from some studies have shown a significant correlation between LMX and variables such as satisfaction, (Graen et al., 1982b), increased subordinate performance (Dansereau et al., 1998) enhanced career outcomes (Wakabayashi et. al., 1980) and low turnover (Vecchio, 1982).

### **LMX and Motivation**

Leadership has been an important factor for organisations and the study of leadership behaviour theories in relation to effectiveness, productivity, quality, health and job satisfaction. The understanding of the significant role leadership entrust on the entrepreneur in motivating its employees/subordinates becomes crucial to the success of the organisation. Leadership behaviour as defined by Ivancevich & Matteson (2002) is the ability of a leader to influence the subordinates in performing at the highest level within an organisation framework and leadership within the context of this study is the supervisory authority within an organisational setting. Supervisors or managers are the face of organisations to employees, i.e. they represent the authority in an organisation and serve as agents in an organisation.

While several studies have looked at the role of leadership on employee motivation (Jenster, 2010) not much attention has been paid to the employees perspective on the influence of supervising managers through activities such as leadership behaviour on their motivation. This marks the importance of managerial behaviour in employee motivation and how this reflects on employees' job satisfaction..

Motivation as a predictor of employee job satisfaction is determined by outcomes of a job (Vroom, 1964) and there has been studies done to support this. Theories such as the expectancy theory have been used in the measurement of work motivation and according to

this theory, leaders need to recognise the process by which their subordinates examine and become motivated about their jobs. Another well recognised theory that is used within the context of this research is the Herzberg (1987), Dual Factor Theory of Motivation (DFT). Drawing on DFT theory, it is suggested that the effects of LMX on outcomes occur through need satisfaction and autonomous motivation (House & Wigdor, 1967). The model posits that job performance is determined by an employee's motivation and this is a function of an employee's satisfaction or dissatisfaction with factors associated with their jobs.

The satisfaction factors such as performing interesting work, job responsibility and advancement, were important factors while achievement and recognition from peers or subordinates, provided intense satisfaction. However, dissatisfaction factors were associated with an individual's relationship to the context or environment in which they work and factors such as company policy, administration which promotes ineffectiveness or inefficiency, working conditions, salary, lack of recognition or achievement were noted to cause dissatisfaction amongst employees. Most importantly, incompetent technical supervision, supervisors that lack knowledge of the job or the ability to delegate responsibility and employees interpersonal relations with supervisors were found to cause dissatisfaction (House & Wigdor, 1967).

Herzberg (1966) thereby put forward the hypothesis that "Satisfiers are effective in the motivating the individual to superior performance and effort and dis-satisfiers are not" Although, Dunnette et al. (1967) proposed that the DFT theory is an oversimplification of the relationships between motivation and satisfaction and the sources of job satisfaction or dissatisfaction.

As the goal of this study is to increase the understanding of the mechanisms by which LMX affects employees' job satisfaction and motivation and given the literature summarised above, it is anticipated that in a sample with generally well-established managerial and subordinate relationships:

H1: Managerial leadership behaviours have a positive impact on the motivation of employees

H2: Motivation will mediate the relationship between the quality of LMX and job satisfaction.

### **LMX and Job Satisfaction**

Job satisfaction is an attitude that a person maintains about their jobs and this is developed from their perception of their roles (Caldwell et al. 1990). This in turn influences the productivity of the employee/subordinate which ultimately influence business productivity positively or negatively. Studies on the complexities of job satisfaction help us to better understand how employees form attitudes that affect their job satisfaction (Debats, 1995). The role a leader to a subordinate is one of the factors that influence this relationship.

Literature review has shown compelling results of a positive association between job satisfaction and LMX (Dansereau et al., 1973). Recent work from Volmer et. al., (2011) and Lapierre & Hackett (2007), have also gone further to confirm that there is a 2 way reciprocity relationship between job satisfaction and LMX, which relates job satisfaction as a predictor of LMX, with a link to organisational citizen behaviour (OCB).

Support for this relationship is been shown in the exchange-oriented dual attachment model as postulated by Graen & Ginsburgh (1977), who supports the notion that the decision of an employee to actively participate and remain in a job is a function of the interaction between their roles and leadership. There have been several studies that have supported this relationship, some of the explanations given for this positive relationship include:

- i. A high-quality LMX relationship endows employees with numerous privileges, which gives rise to positive socio-emotional experiences that relate positively to job satisfaction (Epitropaki & Martin, 2005).
- ii. Members in high-quality LMXs feel privileged and superior in comparison to fellow group members who have not been selected as *in-group* members, consequently increasing their job satisfaction.
- iii. Work design models suggest that LMX is positively associated with job satisfaction. i.e. The Job Characteristics Model (Hackman & Oldham, 1976) and The Job-Demand Job-Control Model (Karasek & Theorell, 1990)

Employees with a high LMX relationship have enriched jobs (Lapierre, et. al., 2006) with optimal levels of job characteristics that have been shown to positively influence job satisfaction (Parker & Ohly, 2008). Together, these studies provide consistent support for LMX as a predictor of job satisfaction. Thus, this study will thereby propose to answer the hypothesis that:

H3: There is a positive association between higher degrees of managerial leadership commitment (LMX) and employees' job satisfaction.

### **Leadership Behaviour (LMX): Employee Interaction**

The role of leaders is crucial in the development of employees. This position was supported by Gerstner & Day (1997), argument that high-quality relationship between supervisor and employees is crucial for well-being and performance at work, it can therefore be inferred that the ability of entrepreneurs to maintain a good leadership skills with their employees is pertinent to aiding performance of such employees. Amabile & Gryskiewicz, (1987), also supported this by stating that leaders are an important facet of work context creativity. Given the dominant role that leadership plays in the work place research is needed to identify the myriad of interacting leader and employee factors which may help shape employee career and



development. Entrepreneurs are therefore expected to take into cognisance their leadership roles in order to keep their employees/subordinates motivated, enhance their job satisfaction which will eventually lead to improved business performance.

Leadership itself is a process by which a person can influence a group of individuals in achieving a common goal (Bass, 1985; Katz & Kahn, 1978). As an entrepreneur you are expected to provide leadership for your employee in order to drive them to achieve the goal of your firm. Literature have shown that leaders play a vital role in the motivation of employees (Hannah & Lester, 2009) and effective leadership can be better understood through the various studies of how leaders carry out their roles and responsibilities and engage with their employees.

The early works of well-known researchers such as Lewin, Lippitt & White (1939) and Bradfords and Lippitt (1945) are one of the countless studies that have looked at the issue of leadership. Early leadership studies have highlighted different traits that make each leader and their mode of leadership different. Different leadership styles have been identified; the autocratic, democratic and laissez-faire leadership, which was first introduced by Lewin et al. (1939). The hersey-blanchard situational leadership (1969) which promotes the use of different leadership styles and the path goal leadership theory (1971) which focuses on tailoring leadership styles to the needs of employee, but most recently, the transactional and transformational modes of leadership have been introduced.

While this leadership style have been found to lead to high productivity and employee engagement (Hannah & Lester, 2009) it is not a one size fits all mode of leadership as leaders still have to adapt their styles to each situation. However, since studies on how leaders create effective organisations has been focused on leaders and their qualities rather than the interaction of leaders with individuals groups or organisations (Dinh et al., 2014), this study expands upon existing theories, which maintains that a key aspect of leadership is to structure the way that the inputs of others are combined to produce organisational outputs (Dinh et al., 2014). As such is the influence of transformative leaders on employees' motivation.

In view of all the benefits highlighted above, and several studies that have looked at the role of leadership on employee motivation (Jenster, 2010) it has been noted that not much attention has been paid to the employees perspective on influence of supervising managers through activities such as leadership behaviour on their motivation. This lack of direct interaction between leaders and workers has consistently demonstrated a negative correlation with motivation toward extra effort among employees (Webb, 2007).

### **Employee Motivation**

The influence of leadership on the motivation of employees is one of the questions that is being addressed in this study. Motivation of employee at work, otherwise referred to as work motivation, includes a series of assessments on behaviour engagement, exertion of effort,

regulation of behaviour, which are all affected by the capability of an employee (Elias, et al., 2012).

Motivation is a key element within organisational behaviour and evidence of this is seen in publications such as the much acclaimed book on motivation, Drive by Pink (2009), and recent studies from Donovan (2001) and Latham & Pinder, (2005). Some more recent theories on work motivation, such as the Self-Determination Theory of motivation (SDT), have proposed that employee job performance and well-being depends on the satisfaction of employee needs for autonomy, competence, and relatedness at work (Gagne & Deci, 2005). The ability of entrepreneurs to recognise these factors identified will help enhance the productivity of its employees.

Several theories have looked at various aspects of entrepreneurial motivation. Adopting Shane and Venkataraman's (2000, p. 218) definition of entrepreneurship. They viewed entrepreneurship as the process by which "opportunities to create future goods and services are discovered, evaluated, and exploited." Going by their analogy, this definition does not require viewing entrepreneurs as the founders of new organisations alone. In this context, according to Shane et al. (2003), an options trader can be an entrepreneur, as can a corporate salesman who discovers and pursues opportunities for the creation of new products. Moreover, this definition shows that entrepreneurship is a creative process. By rearranging resources in a new way, entrepreneurs engage in creative activity. However, the degree of creativity involved in entrepreneurship varies across the types of resource recombination that occurs. Therefore an entrepreneur can be viewed as one who engages in creative process and saddle with the responsibility of leadership. It is therefore pertinent to possess certain motivational skills to drive your employees/subordinates to achieve given/set task.

Theories such as McClelland (1986) focused on the need for achievement, power and affiliation and suggested that individuals usually possess several often competing needs that serve to motivate behaviour when they are activated. While Hackman and Oldham (1976) suggests that particular features of a job can influence employee motivation or demotivation. Another study from Hackman et al., (1974) formulated a theory that three critical psychological states determines an individual motivation and job satisfaction: experienced meaningfulness, responsibility and knowledge of results. The presence of these 3 factors resulted in motivation amongst employees and job satisfaction, while Nadler & Lawler, (1977) researched the interaction between compensation, work motivation and job satisfaction in their latest model.

Motivation as defined by Deci & Ryan (1985) in their SDT theory which is referred to it as work motivation is:

*"a set of energetic forces that originate both within as well as beyond an individual's being, to initiate work related behaviour and to determine its form, direction, intensity, and duration'. Within this definition, Pinder (2008) supports the notion that one's motivation can be either intrinsic or extrinsic, a distinction popularised by Self- Determination Theory"*

Intrinsic motivation as defined by Ryan & Deci, (2000). in their SDT theory is when a person performs an act, just because it is inherently appealing and pleasurable, i.e. an employee performing their job because they find it interesting and enjoyable. While, extrinsic motivation arises when an act performed has a value attached to it, i.e. an employee performing their role for pure financial compensation they receive e.g. salary. Although, it is said that it is best for an employee to be intrinsically motivated (Eccles, et. al. 2002), the importance of extrinsic motivation cannot be overruled. A review of both factors (Intrinsic & Extrinsic factors) have been found to be extremely important in the different variables such as job satisfaction (Ryan & Deci, 2000). However, of importance to this current study is that leadership behaviour (e.g. leader follower relationship) are linked to employee motivation. As, extrinsic and intrinsic motivation (Kark, & Dijk, 2007) have both been shown to positively correlate with leadership behaviour.

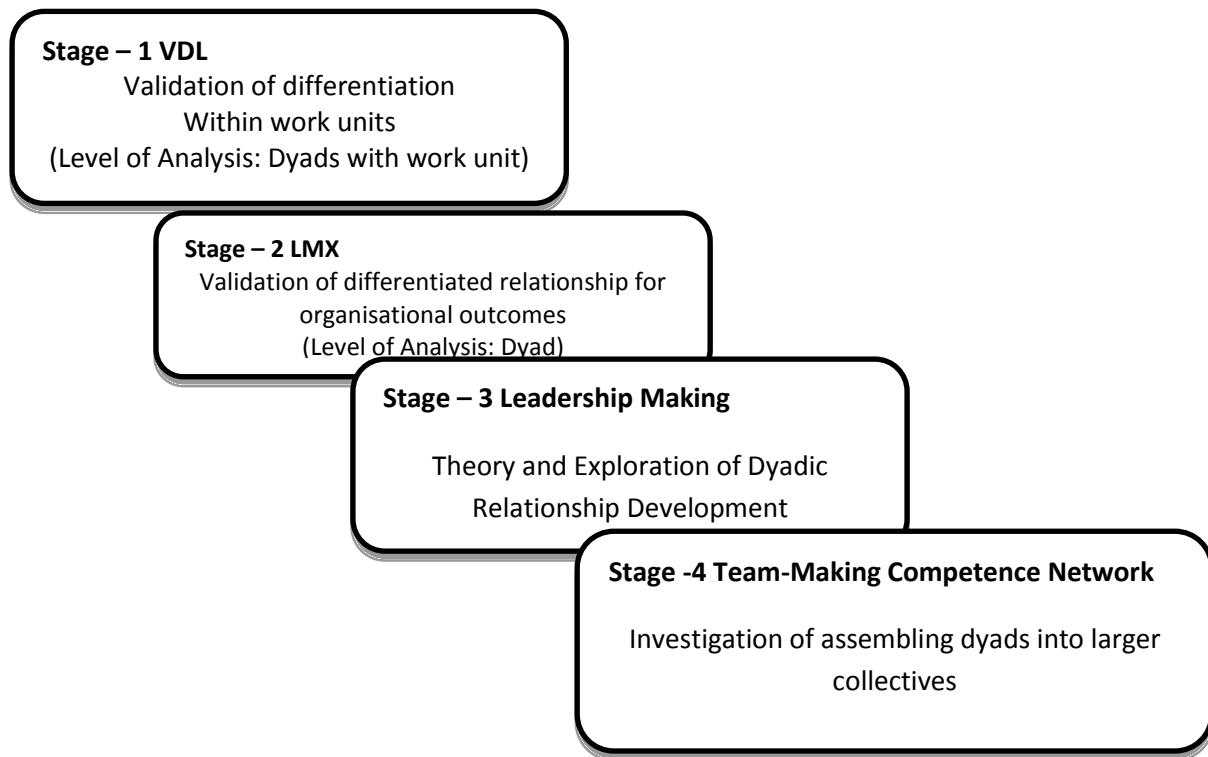
## **DEVELOPMENTS AND ISSUES IN LEADER-MEMBER EXCHANGE LITERATURE**

### **Developments in LMX Literature Research (LMX – VDL)**

The concept of LMX has evolved out of 'reciprocity' (Gouldner, 1960; Adams, 2013), 'social exchange' (Blau, 1964), 'similarity-attraction' (Byrne, 1971), and 'role' (Katz & Kahn, 1978) and ever since its first construct, LMX and its conceptual definitions have evolved, sometime with little or no rationale given for the changes. Graen & Uhl-Bien (1995) suggested that the LMX theory has passed through four stages:

The first was the Vertical Dyad Linkage (VDL) research (Dansereau, et al., 1975), which recognised that leaders develop differentiated relationships with their direct reports (dyads within units). The second stage investigated the nature of these differentiated relationships and their organisational implications. The third stage (Graen & Uhl-Bien, 1991; Uhl-Bien & Graen, 1992; Uhl-Bien & Graen, 1993a) which recognised the utility of increasing proportions of high-quality relationships in organisations and described a process for accomplishing this through dyadic partnership building (dyad-level effect). And finally, most current work on LMX is focused on how these differentiated dyads can be effectively assembled into larger collectivises (collectivises as aggregations of dyads).

Each of the stages is described below:



**Figure 2: As Adapted from Graen & Uhl – Bien (1995)**

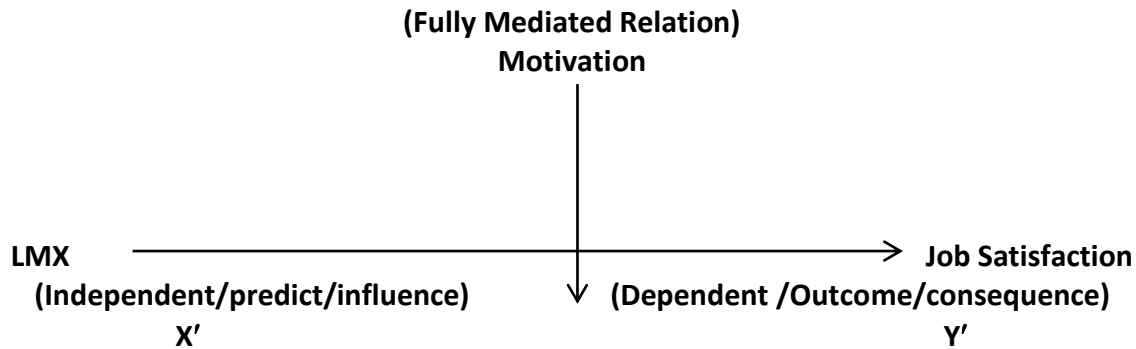
For most of the era of the 1980's the work on LMX was focused on LMX relationship as dyads within work groups and independent dyads. By the 90's Graen and Scandura recognised that within complex organisations, studies in the early 80's were not a true representation of nature of leadership situations especially in large organisations, they proposed that rather than independent dyads, LMX should be viewed as systems of interdependent dyadic relationships, or network assemblies (Scandura, 1995). This gave rise to the 4th stage of development of LMX.

The 4th level adopts a system level perspective, which addresses the issues on how differentiated dyadic relationships combine together to form larger systems of network assemblies (Uhl-Bien & Graen, 1992, 1993a, 1993b). These network assemblies constitute the leadership structure within the organisational units, which are defined as work unit, functional, divisional, and even organisational boundaries. At this level, the level maps of leadership structure is based on task structure of an organisation and very little empirical research has been done in this area till date.

## METHODOLOGY

### Research Approach

This study will be taking a positivistic view and a quantitative approach in searching for regularities and causal relationships between dependent variables - job satisfaction/ motivation and independent variable leadership behaviour (LMX).



### Research Design

This was an individual cross-sectional case study with participants chosen from 2 professional services institution. An on-line anonymous survey was distributed to all participants in both Pricewater House Coopers Iip and Ernst and Young Iip, UK.

This research was aimed at employees at pre-managerial positions within a professional services organisation. This was in response to the call from Vecchio and Gobdel (1984), who proposed that study to be repeated in private organisations and conducted at lower levels within organisations. The objective is to gain insights on how entrepreneurs in private organisation handle their relationship with employee/subordinates, keeping them motivated to ensure efficiency and improved productivity in the organisations. A few managers also responded to these questionnaires.

A combination of LMX questionnaire (**LMX -7**) and structured questions that measure motivation and job satisfaction was used to collect data. A one line question in respect job satisfaction was used in this survey. Intrinsic and extrinsic motivation was measured separately using 2 line questions.

### Sample Selection

The sampling technique used for this research was random/convenience sampling, as the target of this research was at lower level employees within different teams in the organisation. An email with a link to the questionnaire was sent out to a total of 50 employees in each of the organisations who worked within this role for a total sample size was 100. The total response rate was 66%, with a total of 66 respondents from both organisation, completing the questionnaire. This is supported by Johnson (2003), who argued that if a study falls short of 100 participants, a sample of 60 participants is acceptable because the intent of the population size

is to gather “a sample size of 10 subjects for each variable”. All responses were taken into account. All participants worked within similar organisations, had similar job titles and job descriptions but at different experience levels.

### **Data Collection Techniques**

The data collection techniques employed was solely quantitative (questionnaire). This is to further support earlier studies conducted with LMX -7. Respondents who elected to participate were emailed a web site where they could confidentially complete the questionnaire. As this study seeks to add to pre-existing knowledge, a 10 item online questionnaire, including the LMX- 7 and questions on job satisfaction and motivation were used to collect data.

### **Data Analysis**

The focus of the research is to examine association between several continuous variable, hence data from the study will be imputed to SPSS and analysed using simple correlation and multiple regression analysis to confirm the existence of a relationship between each independent variable and each dependent variable. The result should assess how well the dependent variables can be explained by knowing the value of the independent variable.

To produce an estimate of the effect size, the researcher calculates the Pearson correlation coefficient ( $r$ ) and the percentage of variance in the dependent variable accounted for by the independent variable will be calculated from the correlation coefficient.

To establish the correlation between the independent variable and each dependent variable and to examine the extent to which LMX is uniquely important in predicting each dependent variable (motivation and job satisfaction), the researcher used the analysis of variance(ANOVA) test. A multiple regressions (Dewberry, 2005) analysis will be used to calculate the multiple correlation coefficients for the independent variable, so as to establish the unique contribution made by motivation and those made by other dependent variables.

The reliability of each of the measurement scales is checked using SPSS to calculate Cronbach’s alpha (the inter-item correlation) for each variable and check that this is greater than 0.70. The validity of each measurement scale was also assessed by face validity, and by using scales from published studies where measures of construct validity and predictive validity are given.

### **Descriptive Statistics**

The questionnaire was sent a total of 50 employees at 2 different professional services organisations with similar structure. The response rate was 52% (26 respondents) at company 1 and 80% (40 respondents) at company 2. The results were combined together for analysis. The total mean age of the respondents was 27.6 years of which 71.2% were women. 47% had worked in their organisations for over 3years and the mean job tenure was 1.9years. As this research was aimed at employees with a support function and at the lower level of the organisation, results show that 42.4% of respondents were at the first level of their career

within the organisation (Level- 1) and a cumulative of 88.4% were at level 1 &2 and had no form of supervisory activities.

**RESULT AND DISCUSSION**

**Testing for demographic and background variable effects**

A few demographic variables were measured in this study in an attempt to statistically control for variables that may affect the independent variable and also to gain a better understanding these variables so as to avoid confounding the relationship proposed in hypotheses i & ii. These factors were chosen due to their being mentioned as influences. As cited by Schriesheim et al., (1998) in Leana (1987), three demo-graphic variables were found to be significantly correlated with delegation; age, gender, and job tenure. Additionally, Tsui & O'Reilly (1989) suggested that organisational tenure and time under a supervisor are potentially important statistical control variables, in the present study we first examined all hypothesized relationships while statistically controlling for 4 of these variables (age, gender, job tenure and organisational tenure).

Before beginning to run the correlations, it was necessary to explore the data set to determine normality, so as to confirm whether parametric or non-parametric correlation techniques would be most appropriate. Using the SPSS Version 15.0 explore function, we ran the data descriptive statistics, to obtain frequency distributions for all of the variables. A visual scan of the frequency distributions for LMX, job satisfaction and motivation data sets indicated a normal distribution but with varying degrees of apparent skewness and kurtosis, as seen in Table 1 below and in frequency distribution histograms shown in figure 3.

**Table – 1 Frequency Distribution**

		Statistics						
		Job Satisfaction	LMX	Total Motivation	Gender	Organisation Tenure	Organisation Level	Age of Respondents
N	Valid	66	66	66	66	66	66	66
	Missing	0	0	0	0	0	0	0
	Mean	3.5303	3.5368	3.6471	1.7121	1.8939	1.6818	2.8182
	Median	4.0000	3.5000	3.6250	2.0000	1.0000	2.0000	3.0000
	Mode	4.00	3.43	3.42	2.00	1.00	2.00	2.00
	Std. Deviation	.82685	.60767	.59862	.45624	1.11118	.66005	.95931
	Variance	.684	.369	.358	.208	1.235	.436	.920
	Range	4.00	2.14	2.25	1.00	3.00	2.00	4.00
	Minimum	1.00	2.29	2.46	1.00	1.00	1.00	1.00
	Maximum	5.00	4.43	4.71	2.00	4.00	3.00	5.00
Percentiles	25	3.0000	3.1429	3.2188	1.0000	1.0000	1.0000	2.0000
	50	4.0000	3.5000	3.6250	2.0000	1.0000	2.0000	3.0000
	75	4.0000	4.0357	4.1354	2.0000	3.0000	2.0000	4.0000

**Table- 2 Correlation Table**

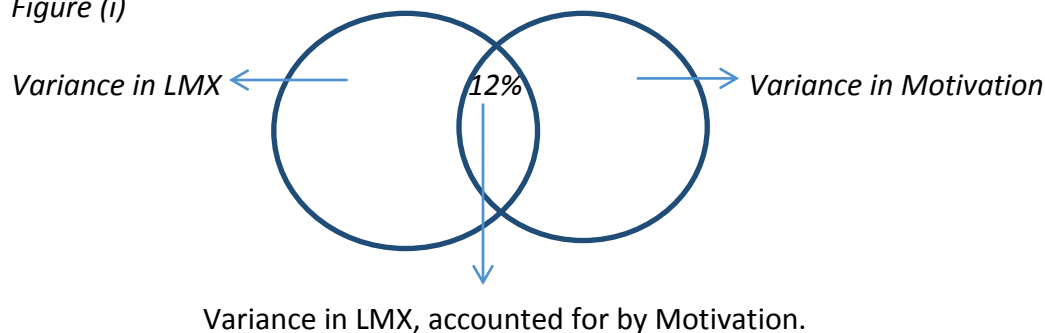
		Correlations								
		Mean	Std. Deviation	Gender	Organisation Tenure	Organisation Level	Age of Respondents	LMX	Total Motivation	Job Satisfaction
Gender	Pearson Correlation Sig. (2-tailed)	1.7121	.45624	1	.030	-.104	.019	-.209	-.211	-.016
					.812	.404	.879	.100	.089	.199
Organisation Tenure	Pearson Correlation Sig. (2-tailed)	1.8939	1.11118		1	<b>.373*</b>	<b>.443**</b>	.056	.040	-.022
						.002	.000	.653	.749	.864
Organisation Level	Pearson Correlation Sig. (2-tailed)	1.6818	.66005			1	<b>.345**</b>	.175	.089	-.053
							.005	.160	.475	.675
Age of Respondents	Pearson Correlation Sig. (2-tailed)	2.8182	.95931				1	-.030	.048	.046
								.812	.700	.715
LMX	Pearson Correlation Sig. (2-tailed)	3.5368	.60767					1	<b>.346*</b>	<b>.426*</b>
									.004	.000
Total Motivation	Pearson Correlation Sig. (2-tailed)	3.6471	.59862						1	<b>.437*</b>
										.000
Job Satisfaction	Pearson Correlation Sig. (2-tailed)	3.5303	.82685							1

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

\* Correlation is significant at the 0.05 level (2-tailed).

The first hypothesis evaluated if the relationship between the leader and their subordinates was positively related to the subordinate’s motivation level, analysis shows that there was significant positive correlation between LMX and motivation ( $p = .004$ ,  $r = .35$ ), with the percentage variance accounted for being 12%. This indicated that there is a strong positive association between LMX and motivation as illustrated below;

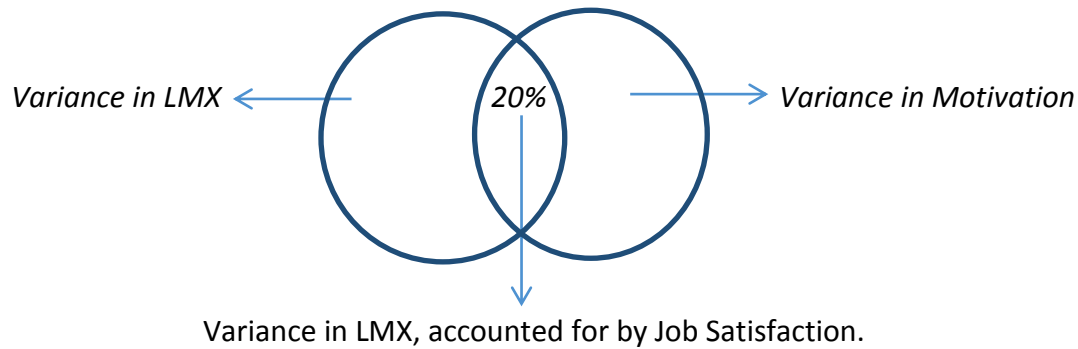
Figure (i)



Similar relationship was also observed with Job Satisfaction and LMX ( $p = .00$ ,  $r = .43$ ), as seen in Fig (ii). Job Satisfaction accounts for 20% of the variance observed in LMX, indicating that there is a strong positive association between LMX and Job Satisfaction.



Figure (ii)



### Regression Analysis

A hierarchical multiple regression analysis was carried out to investigate whether motivation and job satisfaction made a significant contribution to the variance in LMX after controlling for age, gender, job tenure and organisational tenure. The demographic variables and back-ground variables were first entered as a set then motivation and job satisfaction was later added as a subsequent steps. No evidence of multicollinearity was found. Descriptive statistics and correlations between the variables entered into the model are presented in Table 3 below and the results of the regression analysis with all four predictor variables entered is shown in Table 4

**Table 3 Regression Table**

Correlations between age, gender, organisation tenure, organisation level, job satisfaction, motivation and LMX

	Variables	Mean	Standard Deviation	LMX	Gender	Organisation Tenure	Organisation Level	Age (Years)	Motivation	Job satisfaction
1	LMX	3.5368	.60767	-	-.21	0.06	0.18	-.03	.35*	0.43*
2	Gender	1.7121	.45624		-	0.03	-0.10	.01	-.02	-0.16
3	Organisation Tenure	1.8939	1.11118			-	0.37*	.44*	.04	-0.02
4	Organisation Level	1.6818	.66005				-	.35*	0.09	-.05
5	Age (Years)	2.8182	.95931					-	0.05	0.05
6	Motivation	3.6471	.59862						-	0.44*
7	Job Satisfaction	3.5215	.58686							-

**Table 4**

**Model Summary<sup>d</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.277 <sup>a</sup>	.077	.016	.60275	.077	1.267	4	61	.293
2	.432 <sup>b</sup>	.187	.119	.57044	.110	8.106	1	60	.006
3	.527 <sup>c</sup>	.278	.204	.54211	.091	7.434	1	59	.008

a. Predictors: (Constant), Age of Respondents, Gender, Organisation Level, Organisation Tenure

b. Predictors: (Constant), Age of Respondents, Gender, Organisation Level, Organisation Tenure, Total Motivation

c. Predictors: (Constant), Age of Respondents, Gender, Organisation Level, Organisation Tenure, Total Motivation, Job Satisfaction

d. Dependent Variable: LMX

Entry of the main effect variable in step two of the regression equation accounted for an additional 11% of the variance in LMX. Examination of the main effects indicated that motivation  $F(1, 60) = 8.11, p=.01$  was a significant predictor of LMX and there was also a significant change in variance ( $\Delta R^2=.11, p=.01$ ) supporting hypothesis (i). The  $R^2$  was increased by .11 (from .016 to .119) when motivation was added to the regression model and the increase in the variance was significant. The overall Anova results shows that motivation makes a statistically significant contribution to the variance in LMX ( $P=.03$ ), which supports H1). The implication of this for entrepreneurs thrust in leadership position is that their leadership role aids the motivation of their subordinates/employee which will invariably boost efficiency and productivity in the business.

H2 evaluated if, motivation will mediate the relationship between the quality of LMX and job satisfaction, to measure the mediating effect, the motivation regression analysis was applied in three steps. As suggested by Baron and Kenney (1986), first step is to take job satisfaction as a dependent variable and LMX as an independent variable. In the second step of regression analysis LMX is considered to be a dependent variable, whereas motivation is as an independent variable. In the last step of the regression analysis, the dependent variable is job satisfaction and independent variables are LMX and motivation.

There was also a significant change in the variance by the addition of job satisfaction  $F(1, 59) = 7.43, p=.01$ . The  $R^2$  increased by .09 (from .119 to .204), showing a significant increase in variance. The overall Anova results shows that job satisfaction also makes a statistically significant contribution to the variance in LMX ( $P=.01$ ). This supports H3.

The coefficients of the regression analysis are given in Table 5.

**Table 5- Mediating variable**

**Regression Analysis**

H1: First step of regression analysis			
Dependent variable: Job satisfaction			
Independent variable: LMX	$\beta$	t	p
LMX	0.426	3.77	0.0001

R=0.429; Adjusted R2=0.169; F =14.223; p=0.000

H2: Second step of regression analysis			
Dependent variable: LMX			
Independent variable: Motivation	$\beta$	t	p
Motivation	0.351	2.945	0.004

R=0.346; Adjusted R2=0.106; F=8.676; p =0.004

H2:Third step of regression analysis			
Dependent variable: Job satisfaction			
Independent variable: LMX & Motivation	$\beta$	t	p
LMX	0.313	2.74	0.008
Motivation	0.329	2.882	0.005

R=0.526; Adjusted R2=0.277; F =12.075; p =0.000

As shown in Table 5 above and as established in H1, there is a significant relationship between LMX and job satisfaction. In the second step for the regression analysis, for measuring the mediating variable, which is motivation, there was a significant correlation with LMX ( $\beta=0.35$ ,  $p=.004$ ). For the third step, while controlling for LMX, there was also a significant relation between job satisfaction and motivation.

In order to determine the mediating role of the motivation according to the relationship between LMX and job satisfaction, both steps were examined. The results demonstrated that

the effect of LMX on job satisfaction when controlling for motivation ( $\beta$  in step-3 (0.313) is significantly less than  $\beta$  in step-1 (0.426); thus, H2 is supported and motivation is accepted as a partial mediator of the relationship between LMX and job satisfaction.

This study also added to the understanding of the importance of motivation in employees in view of the relationship between managers and their subordinates and consequently whether or not an employee is satisfied with their jobs. It provided the baseline for further exploration of identifying the various motivational factors in employees and the use of this by leaders in organisations will help increase the LMX level which will in turn increase job satisfaction.

One of the practical implications of this study is on emphasis laid on the role motivation plays between a leader and subordinate. If this relationship is not well understood, results such as the demotivation of employees could be observed in a team. As supported by Wunderer & Kupers (2003), who stated that “transformational leadership knows the creative qualities of an intrinsic motivation and prevents or reduces demotivation while seeking mutually beneficial relationships”. This analogy will help aid entrepreneurs in understanding the important role of motivation at ensuring organisational success. A breakdown of the dyad communication and poor relationship if observed would result in job satisfaction being affected and as low motivation also affects job satisfaction, there is an increased chance of dysfunctional relationship between leader and followers and thereby leading to low productivity and profitability. This makes motivation vital in LMX dyad relationship.

### **Conclusion:**

The retention of best talent is one of the main issues faced by today’s entrepreneurs and organisations are looking into different ways of investing in their employees so as to keep them motivated to ensuring business sustainability. As each organisation needs to retain its best talent so as to remain competitive. It is hoped that the findings of this study will help lay emphasis on the motivation of employees and the importance of the leader follower relationship

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