



Impact of Leader-Member Exchange and Organizational Commitment on Enhancing Employee Performance

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Abstract

This study aims to describe and understand the influence of Leader Member Exchange (LMX) and Organizational Commitment on Employee Performance. The sample used in this study involved 40 employees, where the sampling method was carried out by census, so that the entire population was used as respondents. The data obtained were analyzed using multiple linear regression analysis, with statistical tests that included the F test to see the influence of the variable as a whole, and the t test to test the influence of each variable partially. The results of the F Test show that the Leader Member Exchange and Overall Organizational Commitment have a significant effect on employee performance. Likewise with the Test t, where the Leader Member Exchange and Organizational Commitment each have a positive and significant influence on employee performance. The magnitude of the influence of the variables Leader Member Exchange and Organizational Commitment on Employee Performance is explained by the determination coefficient, which shows that most of the changes in employee performance can be explained by these two variables, while the rest are influenced by other factors that are not included in this study

Keywords: LMX, Organizational Commitment, Performance

Introduction

In the modern organizational world, employee performance is a key element that determines the success of a company or institution. To achieve optimal performance, the interpersonal relationship between leaders and employees is one of the important factors (Ali & Anwar, 2021; Almatrooshi et al., 2016; Diamantidis & Chatzoglou, 2019). The Leader-Member Exchange (LMX) concept offers an interesting perspective on the quality of the relationship between leaders and team members. LMX emphasizes that leaders do not treat all subordinates equally, but tend to develop closer relationships with some employees which then impacts the productivity and performance of those employees (Epitropaki et al., 2016; Quade et al., 2020).

In addition to interpersonal relationships, organizational commitment also plays a central role in determining the extent to which employees can demonstrate optimal performance. Organizational commitment describes the extent to which an employee is engaged and loyal to the company, which has implications for their motivation and dedication at work (Geldenhuis et al., 2014; Shahid & Azhar, 2013). Previous research has shown that employees with high levels of organizational commitment tend to perform better, are more loyal, and are more motivated to achieve organizational goals. Therefore, understanding the influence of LMX and the organization's commitment to employee performance is essential to formulate a more effective performance improvement strategy.

Leader-Member Exchange (LMX) serves as one of the key variables that affect the dynamics of the relationship between superiors and subordinates in the organization. The LMX concept highlights the importance of building a trusting and respectful relationship between leaders and team members (Keskes et al., 2018). Research shows that when the relationship between leaders and team members develops in a positive direction, employees feel more valued and supported, which in turn increases their job satisfaction and productivity. According to a study conducted by Bauer and Erdogan (2015), employees who are in a high LMX relationship are more likely to get the resources and support they need to achieve their work goals, so their performance improves.

Organizational commitment as the second variable also plays an important role in predicting employee performance. There are three main components in the commitment model, namely affective commitment, normative commitment, and sustainable commitment (Haque et al., 2021). These three aspects contribute to motivating employees to make optimal contributions to the organization. Employees who have a high level of organizational commitment tend to work harder, are more loyal, and have better retention rates (Anitha & Begum, 2016). The combination of a strong LMX relationship and high organizational commitment can be an important predictor of improving employee performance within the organization.

Many studies have examined the influence of Leader-Member Exchange (LMX) and organizational commitment on employee performance, but there is still a significant gap in understanding the interaction of these two variables in various organizational contexts (Chang et al., 2020; Rashid et al., 2018). Previous research has tended to focus on one variable separately without highlighting how these two concepts simultaneously affect employee performance. In a dynamic work environment, the interaction between interpersonal relationships (LMX) and internal employee factors (organizational commitment) can be very complex. This study tries to fill this gap by analyzing both variables simultaneously to see the effect on employee performance (Omilion-Hodges & Ptacek, 2021).

In addition, there are still limitations in the literature that examines the mediating role of organizational commitment in the relationship between LMX and employee performance. Several studies have mentioned the relationship between leaders and employees and employee commitment to the organization, but not many have explored how this commitment mediates the influence of LMX on employee performance (Keskes et al., 2018; Park et al., 2022). Therefore, this study also aims to address this theoretical gap by exploring a deeper mechanism regarding the role of organizational commitment as a mediator between LMX and employee performance.

This research was conducted in a national private company engaged in the service sector. The company has a hierarchical organizational structure with varying leadership styles in each department. The relationship between leaders and team members in this company is an important focus in determining operational success, especially in improving employee performance (Al-Sa'di et al., 2017). Based on initial observations, it was found that there was a difference in the quality of the relationship between the leader and the team members, which had an impact on the variation in performance among employees in various departments.

In addition, organizational commitment is also a prominent issue, where some employees show different levels of loyalty and dedication to the company. Through this study, the researcher wanted to explore the extent to which LMX and organizational commitment affect employee performance in this company, as well as provide recommendations to improve working relationships and organizational commitment to achieve better performance. This study aims to explore and analyze the influence of Leader-Member Exchange (LMX) and organizational commitment on employee performance in service companies (Jaiswal & Dhar, 2016; Wirotama, 2022). This study aims to understand how the quality of the relationship between leaders and employees affects performance, as well as how employee commitment to the organization can mediate that relationship.

This research also aims to make a practical contribution in the form of recommendations for company management related to the management of work relationships between leaders and employees as well as strategies to increase organizational commitment. The results of the research are expected to help companies in designing policies and programs that support improving overall employee performance through improving the quality of LMX relationships and strengthening organizational commitment.

Research Method

This research was conducted on PT. Bank Panin Tbk Kendari Branch, which is located at Jl. A. Yani No. 30E, Kadia District, Kadia Village, Kendari City, Southeast Sulawesi Province (Sulawesi). The focus of this study is to analyze the influence of Leader Member Exchange (X1) and Organizational Commitment (X2) on the performance (Y) of employees in the branch. This study uses a population approach, which means that all individuals included in the research object are made respondents. The population in this study amounted to 40 people, and all were selected to participate as research respondents. Population research, also known as population studies or census studies, is a method in which all elements of the population being studied are involved, according to the definition given by Arikunto (2010:173). In this context, with a population of 40 people, this study fully includes all employees as respondents to obtain comprehensive and accurate data related to the relationship between the Leader Member Exchange and the Organization's Commitment to Employee Performance at PT. Bank Panin Tbk Kendari Branch.

Result

Multiple Linear Regression Analysis

To achieve the research objectives and test the hypothesis that has been formulated, the data obtained will be processed and analyzed in accordance with the established research needs and methods. One of the analysis methods used is multiple linear regression analysis, which

aims to analyze the magnitude of the relationship and the influence between several independent variables (more than two variables) on dependent variables. Through this statistical analysis, an estimate of the validity and suitability of the research model was obtained, which was then tested using the Simultaneous Test (Test F) to assess the influence of the independent variables as a whole, and the Partial Test (Test t) to assess the influence of each independent variable individually on the dependent variables. In addition, before conducting a regression analysis, the research instrument will be tested through a validity test to ensure that the instrument actually measures what it is supposed to measure, and a reliability test to ensure the consistency and reliability of the instrument in data measurement. Thus, careful data processing and the use of appropriate analysis methods are expected to provide accurate and accountable research results.

Results of Recapitulation of Multiple Linear Regression Analysis			
Independent Variable	Standardized Coefficient (b)	Calculation	Sig
<i>Leader Member Exchange</i>	485	3.122	.004
Organizational commitment	497	3.189	.003
R Square = 0.952		N= 40	
R = 0.976 reviews		$\alpha = 0.05$	
Fcalculate = 367,386		ttable= 1,685	
Fsignificant = .000		Ftable= 2.47	

Based on the results of the multiple linear regression analysis in the table above, it can be concluded that the relationship between the independent variables, namely Leader Member Exchange (X1) and Organizational Commitment (X2), to the dependent variable, namely Performance (Y), is very significant. The interpretation of this regression equation shows that every one-unit increase in the Leader Member Exchange (X1) variable will increase Performance (Y) by 0.485 units, assuming the Organizational Commitment variable (X2) is constant. Similarly, every increase of one unit in the Organizational Commitment variable (X2) will increase Performance (Y) by 0.497 units, assuming the Leader Member Exchange variable (X1) is constant.

Furthermore, an R Square value of 0.952 indicates that 95.2% of the variation of the dependent variable (Performance) can be explained by both independent variables (Leader Member Exchange and Organizational Commitment). The rest, at 4.8%, is explained by other factors that are not included in this model. A high R Square value indicates that this regression model has an excellent ability to predict dependent variables based on their independent variables.

The correlation coefficient (R) value of 0.976 indicates that the relationship between the Leader Member Exchange and the Organization's Commitment to Performance is very strong. This value shows that the independent variables have a positive and strong correlation with the dependent variables. This correlation of 97.6% indicates that these variables together contribute greatly to the improvement of performance.

Furthermore, the test score for Leader Member Exchange was 3,122 with a significance level of 0.004, and the calculation value for Organizational Commitment was 3,189 with a significance level of 0.003, indicating that these two variables had a significant effect on Performance. Because the significance value of these two variables is smaller than alpha ($\alpha = 0.05$), it can be concluded that both Leader Member Exchange and Organizational Commitment have a significant effect on Performance. Using an F_{cal} value of 367.386 which is much larger than the F_{table} of 2.47, it can be concluded that this regression model is overall significant and has excellent predictive power in explaining the relationship between independent variables and dependent variables.

Discussion

The Influence of *Leader Member Exchange* and *Organizational Commitment* on *Performance*.

This study shows that the Leader-Member Exchange (LMX) has a positive and significant influence on employee performance at PT. Bank Panin Tbk Kendari Branch. LMX refers to the relationship formed between the leader and his team members, where the quality of this relationship greatly affects employee behavior and productivity. In this study, respondents responded favorably to LMX indicators, which include trust, support, and effective communication between leaders and employees. These good relationships allow employees to feel more valued, supported, and motivated, which ultimately improves their overall performance. Thus, it can be concluded that the high quality of LMX is essential to achieve optimal employee performance.

In addition to LMX, organizational commitment also plays an important role in influencing employee performance (Srivastava & Dhar, 2016). Organizational commitment describes the extent to which an employee feels emotionally connected and accountable to the organization's goals and values. The results of this study show that organizational commitment has a positive and significant influence on employee performance. Respondents in the study also showed a high level of commitment to the organization, which is reflected in their dedication to working harder and achieving the results desired by the company. Employees who have a high level of commitment tend to show loyalty and perseverance in completing tasks, which leads to improved performance.

Simultaneously, the Leader-Member Exchange and organizational commitment have a very significant influence on employee performance at PT. Bank Panin Tbk Kendari Branch. Based on data analysis, the influence of these two variables on employee performance reached 95%, which shows that the good relationship between leaders and members, as well as the high level of commitment of employees to the organization, greatly determines their work performance. The remaining 5% is influenced by other variables that are not discussed in this study. This underscores the importance of internal factors in the organization, such as LMX and organizational commitment, in driving employee performance (Saleem et al., 2019). From the results of this study, it can be concluded that both Leader-Member Exchange (LMX) and organizational commitment have a significant influence on employee performance. A good relationship between leaders and employees, as well as a high level of commitment to the organization, are key factors in creating a productive and effective work environment. Organizations need to focus on improving the quality of relationships between leaders and employees and building a strong commitment to achieve maximum work results.

The Influence of *Leader Member Exchange* on Performance

Based on the results of the study, the Leader Member Exchange (LMX) variable has a positive and significant influence on partial employee performance at PT. Bank Panin Tbk Kendari Branch. This can be seen from the respondents' positive responses to each indicator that represents the relationship between the leader and team members. LMX emphasizes good interpersonal relationships between superiors and subordinates, where there is strong support and trust on both sides (Bos-Nehles & Audenaert, 2019). In the context of this study, respondents showed that superiors and employees support each other in carrying out their duties. This harmonious relationship allows employees to feel more motivated, so they can work more effectively and efficiently (Sudiardhita et al., 2018). The quality of the relationship between superiors and employees reflected in the LMX is one of the main factors in improving employee performance. When leaders provide clear direction, support, and recognition of employee contributions, it will encourage employee morale and loyalty, which ultimately has an impact on improving the overall performance of the company.

The Effect of Organizational Commitment on Performance

The results of the study show that the variable of organizational commitment has a positive and significant influence on employee performance partially at PT. Bank Panin Tbk Kendari Branch. This can be seen from the responses of respondents who showed positive results on all indicators of organizational commitment (Berberoglu, 2018). Employees who have a strong commitment to the organization tend to have high loyalty, show dedication to work, and make maximum efforts to advance the company. Organizational commitment includes employees' feelings of emotional attachment to the company as well as their awareness of the importance of their role in achieving organizational goals (Cesário & Chambel, 2017). When employees feel that they are an important part of the organization, they will be more motivated to work hard and produce optimal performance. Companies must continue to strive to increase employee commitment through various strategies, such as providing benefits, awards, or employee development programs (Hanaysha & Majid, 2018). This increase in commitment will have a positive impact on employee performance, where they feel valued and supported by the organization. Thus, they will work harder and be more productive, which ultimately improves the overall performance of the company.

Conclusion

Based on the results of the analysis and discussion of research on the influence of Leader Member Exchange and Organizational Commitment on Employee Performance at PT Bank Panin Tbk Kendari Branch, it can be concluded that these two variables simultaneously have a positive and significant effect on employee performance. This shows that a good relationship between leaders and employees, as well as strong organizational commitment, together improves employee performance. Partially, both the Leader Member Exchange and the Organizational Commitment each have a significant influence on employee performance. Thus, the better the relationship between leaders and employees and the stronger the employee's commitment to the organization, the higher the performance produced.

This research has practical implications for PT Bank Panin Tbk Kendari Branch, where companies can leverage these findings to improve employee performance through strengthening the relationship between leaders and employees as well as efforts to increase organizational commitment. Companies need to pay attention to human resource development programs, such as effective leadership training and the creation of a positive work culture, to improve relationships and commitments that will have an impact on overall employee

performance. On the other hand, this research can also be an input for employees to further improve their performance by building better relationships with superiors and strengthening commitment to the organization.

However, this study has limitations. First, the research was conducted in only one branch, so the results may not be generalized to other branches or the banking industry in general. Second, the independent variables used are only Leader Member Exchange and Organizational Commitment, so there is a possibility that other factors such as job satisfaction or work environment also play a role in influencing employee performance. Third, the relatively small number of respondents (40 people) may be less representative, so a larger sample size in future studies may provide more comprehensive results.

For future research, it is recommended to expand the scope by involving more branches or other companies in different sectors. The addition of independent variables such as job satisfaction, work environment, and motivation can provide a deeper understanding of the factors that affect employee performance. In addition, with a larger sample size, the results of the study will become more representative and relevant to be applied in various contexts. This research can also be a reference for readers who are interested in exploring more about the Leader Member Exchange and Organizational Commitment in the workplace.

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