

Lmx is positively  
associated with  
employee  
engagement  
management essay



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## **Abstract**

This paper examines the impact of Leader Member Exchange (LMX), Perceived Organizational Support (POS) and trust on Employee Engagement as well as role of trust as a mediating variable between LMX and engagement and POS and engagement. The data analysed in the study was a secondary set of data collected from a well-known international

consultancy and construction company operating in UK with a sample of 405 respondents. Analysis pointed out that LMX, POS and trust were positively associated with engagement. Also, trust played the role of a partial mediator between LMX and engagement. However, the significantly high correlation between POS and trust showed that trust does not play any mediating role between POS and engagement. Implications for academicians and practitioners leading engagement initiatives are discussed as well as suggestions for future research are suggested.

## **Chapter 1. Introduction**

Today, organizations face an arduous task of surviving in an increasingly competitive and dynamic business environment. Even the consumers change their needs and wants quickly (Aburdene, 2005; Rao, 2005). In this increasingly aggressive business background, downsizing has become a common practice (Luthans, Norman, Avolio & Avey, 2008; Bakker & Schaufeli, 2008). Moreover, employees are expected to sustain efficiency in these times of uncertainty. As a result, they are required to take more work and work for longer hours (Aburdene, 2005; Cartwright & Holmes, 2006). To provide a respite in these difficult times, new ideas and strategies have emerged to help organizations make optimum utilization of fewer resources (Bakker et al., 2008; Luthans, et al., 2008; Burke & Cooper, 2005).

Organizations have realised that retaining intellectual capital is important as profitability of organizations depends to a large extent on employee qualities like competence and contribution (Crabtree, 2005; Ferrer, 2005; Echols, 2005). Therefore, the construct employee engagement has received considerable recognition from various human resource and management

professionals as one of the most vital drivers for business success in current times (Bakker et al., 2008; Leiter, 2005; Richman, 2006). Motivating individuals to devote more psychic energy at the workplace is the most powerful lever organizations possess to enhance productivity (Erickson, 2005). As engaged employees are critical for survival and growth, organizational leaders strive to cultivate this state among employees. Despite significant consequences of employee engagement, scholarly research on the construct is scarce (Wefald & Downey, 2009); little is known about factors that lead to engagement (Karatepe & Olugbade, 2009).

The constructs whose impact I would be measuring on engagement are Leader-Member Exchange (LMX), Perceived Organizational Support (POS) and trust. My selection of constructs is based on the premise that supervisors and organization play an important role in an employee's everyday life, capable of affecting his/her mental and physical health (engagement level) (Schaufeli & Bakker, 2004) and a crucial element affecting any relationship is trust (Bachmann & Zaheer, 2006; Berscheid, 1994). Therefore, along with trust, I shall focus on two social exchange processes: exchanges between the employee and his or her leader/supervisor referred to as LMX (Graen & Scandura, 1987) and exchanges between an employee and his/her organization called POS (Eisenberger, Huntington, Hutchison & Sowa, 1986) and their impact on engagement. As Whitener (1997) argued that employees can develop trust at two different levels in the organization: specific individuals (e. g. supervisors) and generalized representatives (e. g. organization), I shall also

study the element of trust acting as a mediating variable between LMX and engagement and POS and engagement.

LMX suggests that the leader develops different types of exchange relationships with the subordinates. This phenomenon is called ' LMX differentiation' (Liden, Erdogan, Wayne, & Sparrowe, 2006). The quality of these relationships influences the subordinate and supervisor attitudes and behaviours (Bhal, Gulati & Ansari, 2009). LMX studies highlight the role of supervisors in shaping employees' work attitudes and performance (Li, Sanders & Frenkel, 2012). LMX theory argues that positive actions of the leader can stimulate a sense of indebtedness in subordinates (Liden et al., 1997) leading to several positive effects on employee outcomes such as job satisfaction, job-performance, organizational citizenship behaviour (Gerstner & Day, 1997) and possibly engagement. Though LMX has been proposed as an antecedent of employee engagement, there has been very limited research to prove the same (Agarwal, Datta, Blake-Beard & Bhargava, 2008; Li et al., 2012; Bezuijen, Dam, Berg, Thierry, 2010). This study not only aims to validate the findings of the earlier studies measuring the impact of LMX on engagement but tries to provide an insight by testing a different mechanism through which leaders influence engagement i. e. via the mediating mechanism of trust based on the proposition of Macey & Schneider (2008) that trust mediates the relation between LMX and engagement.

POS can be defined as the general belief of employees that their organisation values their contribution and is concerned about their wellbeing (Eisenberger, et al. 1986). Earlier research has shown that (a) employees form generalized perceptions of the extent to which their organizations care  
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about them (Eisenberger et al., 1986) and (b) these perceptions form the basis of determining the strength of their obligations to reciprocate (Eisenberger, Cummings, Armeli & Lynch, 1997). POS has been found to have a strong impact on employee's in-role[1] and extra-role behaviour[2] (Rhoades & Eisenberger, 2002). POS can also have a strong impact on an employee's organisational commitment, trust (Perryer & Jordan, 2005) and possibly employee engagement. As per Kowalski (2003), employees who are committed towards their organization, also show higher engagement levels. POS serves as an important source of socio-economic respect for employees in the form of tangible benefits including wages and health benefits (Rhoades et al., 2002) as well as intangible benefits like employee's need for approval, appreciation and affiliation as well as an indication that his/her efforts will be noted and rewarded (Eisenberger et al., 1986). Though POS has been suggested as an antecedent for engagement (Saks, 2006), research on the topic is scarce (Pati & Kumar, 2010; Schneider, 1987) and yet again, no study has tried to measure the impact of trust that might be playing the role of mediator between POS and engagement.

For many years, trust has been discussed as one of the key factors for organizational effectiveness. Earlier research has found trust to be the key variable for supervisors to empower the employees (Mishra & Spreitzer, 1994). Trust plays an important facet in both types of social exchanges: LMX and POS. In LMX, leaders/ supervisors chose a 'trusted cadre of assistants' based on trust (Graen & Uhl Bien, 1995). Similarly, POS augments employees' disposition to fulfil their obligations towards organization as it creates an atmosphere of trust (Eisenberger, Fasolo & Davis-LaMastro,

1990). The role of trust in employee engagement has been discussed by several researchers (Harter, Schmidt & Hayes, 2002; Macey et al., 2008; Bhatnagar, 2007). However, there has not been any empirical work to substantiate if trust in itself is an antecedent to employee engagement. With this study, I aim to examine the role of trust as an independent variable (I. V) on employee engagement in addition to, as mentioned above, the role of trust as a mediating variable between LMX and engagement and POS and engagement.

The structure of the paper is as follows: First, the literature on engagement, LMX, POS is reviewed. Second, trust is presented as an independent variable as well as a mediating variable between LMX and engagement and POS and engagement. Third, hypotheses are derived based on the literature. Third, the research design used to examine the hypotheses and results obtained are explained. Lastly, the academic as well as practical implications are discussed along with directions for future research work.

## **Chapter 2. Review of Literature**

### **Employee Engagement**

Supplemented with the realisation that employee engagement impacts the organization's bottom line, the construct has gained momentum all the more, as it has been reported that employee engagement is on a decline and that the workforce is becoming increasingly disengaged (Bates, 2004; Richman, 2006). Moreover, disengaged employees bring an added set of problems like theft, sabotage, loss of productivity due to of disengagement on-the-job and employee turnover (Fheili, 2007). Therefore stressing the

importance of engagement, Jack and Suzy Welch (2006) suggested “Employee Engagement first. It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it”. There have been numerous findings on the benefits that engaged employees bring to the organization by the practitioners as well as academicians. Demourouti, Bakker, Nachreiner & Schaufeli, (2001) found that work engagement is positively related to organisational commitment. Graen (2008) found engaged employees to be more likely to aid in effective implementation of organizational change. Also, they are more prone in taking initiative and pursuing learning goals at workplace (Sonnentag, 2003).

The term employee engagement was coined in the popular book, “First Break All the Rules” by the Gallup Research group in 1999 (Buckingham & Coffman, 1999). From the subsequent decade, employee engagement has become an instant sensation in the business consulting world due to its statistical linkage with productivity and profitability (Coffman & Gonzalez-Molina, 2002). Many consulting houses like Towers Perrin-ISR, Gallup, and Hewitt have developed their own approaches and framework of employee engagement (Shuck & Wollard, 2010). However, despite its popularity, employee engagement has also been a topic of criticism because of its different interpretations and similarities to other constructs like job satisfaction, organizational commitment or citizenship behaviour. As a result, certain school of academicians term the construct of engagement as a case of rebranding (‘Old Wine in a New Bottle’) or possibly a build-up of other established constructs (Maslach et al., 2001; Bakker et al., 2008; Schneider,



Erhart, Mayer, Saltz, & Niles-Jolly, 2005; Schaufeli, Salanova, Gonzalez-Roma, Bakker 2002; Macey et al., 2008). Therefore, the academicians, for the most part, have been speculating if the term 'employee engagement' is just a modern management terminology (Saks, 2006; Shuck et al., 2010). So, contrasting the practitioner community, there is dearth on engagement literature in the academic world (Saks, 2006; Macey & Schneider, 2008).

Recently organizational behaviour has turned its attention towards positive psychology (Lopez & Snyder, 2009). Unlike the earlier trend which emphasized on negative concepts like burnout, withdrawal and job dissatisfaction, positive psychology emphasises on human strengths and positive experiences at work for occupational success and competitive advantage (Luthans, 2002; Schaufeli et al., 2002). Noteworthy among these positive psychology constructs being, employee engagement (Agarwal et al., 2012). Thus employee engagement has gained attention among the academicians recently (Luthans et al., 2008; Schaufeli, Bakker, Salanova, 2006; Schaufeli et al., 2004).

## 1. 1 Definitions of Employee Engagement

Till date, the exact definition of the concept still remains elusive (Saks, 2006; Vance, 2006). Kahn (1990) was one of the first to theorize about employee engagement. He described three psychological conditions that need to be fulfilled in order for the employees to feel engaged: psychological safety, psychological meaningfulness and psychological availability. Psychological meaningfulness refers to the belief that the work carried out by the

individual is meaningful and significant to fulfil the organizational goals.

When employees believe that their work is significant and fits the goals of the organization, they bring their 'self' at work showing engagement (Czarnowsky, 2008; Fredrickson, 1998; Maslach et al., 2001). Psychological safety involves showing confidence in harnessing 'self' at work without the fear of negative consequences or repercussions to self-image or career.

When the organization provides a reliable working environment, employees trust the organization and are likely to feel engaged. And lastly, psychological availability refers to the availability of the physical, emotional and psychological resources essential to carry out the work. The availability of necessary resources allows employees to focus on their work without worrying about the lack of resources (Shuck & Wollard, 2010). Therefore in summary, Kahn (1990) conceptualized engagement as being completely physically, cognitively and emotionally connected to their work roles.

Extending Kahn's conceptualization of engagement, Macey, Schenider, Barbara & Young (2009) have described engagement as behaviour in order to narrate the level of precision and the reason why organizations and organizational leaders are paying attention towards the notion of discretionary effort:

Thinking and acting proactively

Engaged employees will take appropriate steps and work in alignment with organizational goals.

Don't stick to job-descriptions

They are willing to go beyond the role requirements, their focus being accomplishment of the task that is required for the benefit of the organization.

#### Working on personal development

They are active in finding ways that will help them develop their own skills required for the organization. They have self-interest in skill development.

#### Persistence

Engaged employees play a crucial role during time of crises. They don't need to be reminded to get things done. Engaged employees sense the urgency of the situations and are self-motivated to work beyond the convenience of time or job-descriptions.

#### Adaptability

Since engaged employees are proactive, adaptability is inherent. Therefore, they are willing to embrace change if it is beneficial for the organization.

However, the most widely accepted definition being of Schaufeli et al., (2002, p. 74) who defined engagement as “ a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption”.

Vigor is characterized by high levels of energy at work. Dedication refers to being involved in one's work with a sense enthusiasm and pride and absorption is characterized by being happily engrossed in one's work. In this study, absorption, vigour, and dedication dimensions of engagement are combined into an aggregate measure of engagement.

This study adopts Schaufeli et al.'s (2002) definition for two reasons: Firstly, Kahn's (1990) definition had provided a conceptual basis for engagement but did not provide an operational definition for the same (Kim et al., 2009; Schaufeli et al., 2001). Secondly, Schaufeli et al.'s (2002) definition and measure of engagement, Utrecht Work Engagement Scale (UWES) (Schaufeli & Bakker, 2003) are cited and used most often to measure engagement in the current engagement literature and research (Bakker et al., 2008; Koyuncu, Burke, & Fiksenbaum, 2006).

## 1. 2 Essence of Engagement

As per Kahn's (1992) conceptualization, engagement is not simply working hard but putting the real 'self' at work. Engaged employees inhabit their roles at work and hence are dedicated and absorbed in their work. Therefore, it is important that employees are well-versed with their roles so they can express themselves effectively through their roles (Tyler, 1999). It goes beyond simply turning up on time and doing what is told. As per the theory of psychological contract (Rousseau, 1989), it goes beyond the basic minimum contractual requirements. People become physically involved, cognitively attentive and empathically connected to others in service of the work that they are doing (Kahn, 1990). My premise being that leaders and organization play an important role in employees feeling engaged because engagement is an investment of effort and/or time (Macey et al., 2009) and employees need to trust their environment before deciding to invest (Albrecht, 2009).

## **LMX Theory**

Several leadership theories including trait, behavioural, and contingency theories (Vroom & Yetton, 1973; Hersey & Blanchard, 1993; Blake & Mouton, 1964; Fiedler, 1967; Yukl, 1989), assume that the leader-member relations are consistent, with the leaders interacting with all subordinates homogeneously. But, LMX theory asserts that leader-member relations are heterogeneous as leaders cannot distribute their limited resources and time to all the subordinates equally (Dansereau, Graen & Haga 1975). Hence the leader develops unique dyadic relations with each member over a series of exchanges i. e. Vertical Dyadic Linkage Approach (VDL) (Bhal & Ansari, 1996; Graen et al., 1987).

### **2. 1 LMX Stages**

The LMX relationship evolves in stages: role-taking, role-making, and role-routinization (Graen, 1976; Graen et al., 1987; Graen & Cashman, 1975; Liden, Sparrow & Wayne, 1997; Dienesch & Liden, 1986). In role-taking, the relation begins with the initial interactions between dyads (supervisor and subordinate) and through these series of exchanges, mutual trust and respect is built (Uhl-Bien, Graen, & Scandura, 2000).

In the next step (role-making), supervisor selects a few subordinates with whom he/she continues to develop their relationship. Hereby, the exchange between the two parties becomes more social and less economical (Graen et al., 1995). At this stage, the leader and the subordinate are willing to go beyond the formal employment contract as, at this stage, the feelings of trust, respect and gratitude have developed towards each other. As

subordinates perform their task, supervisors offer resources like support, autonomy and more challenging work assignments (Graen et al., 1975). Therefore, role-making is developed on mutual expectations and contributions of valued resources.

In the last step (role-routinization), the exchanges between the supervisor and subordinate is maintained over a period of time through work together on different task but due to the limited resources of the leader, they develop and maintain high-quality exchanges with a select few subordinates (Dienesch et al., 1986; Graen, 1976).

LMX theory developed by Graen and his colleagues suggests that leaders cultivate qualitatively different types of relations with different employees (Dansereau et al., 1975). The theory dictates that effective leadership processes takes place when leaders and followers develop mature partnerships and thus gain access to the mutual benefits of this relationship (Graen & Uhl-Bien, 1991b). Henderson, Liden, Glibowski & Chaudhary (2009) defines LMX differentiation as a process by which the leader engages in different types of relationships, ranging from high -quality to low-quality, with the subordinates.

As leaders treat individual subordinates differently, two diverse groups of subordinates emerge: in-group and out-group (Graen et al., 1995). The in-group consists of a small number of subordinates who are trusted and favoured by the leader after a series of exchanges. The quality of this relationship is high as the leader and the in-group members go beyond the formal work contract because of mutual liking, trust, respect and loyalty

(Liden, Wayne, & Stillwell, 1993; Uhl-Bien et al., 2000). The in-group gains the advantage of favourable support and resources from the relationship like autonomy in decision making, attention, greater job directions and more opportunities of social network (Dansereau et al., 1975; Liden & Maslyn, 1998; Liden et al., 1997).

On the other hand, the out-group consists of members towards whom the leader is apathetic. Here, exchanges between the leader and subordinates abide by the prescribed employment contract with more limited reciprocal trust and support than the in-group. Furthermore, the out-group receives fewer valued resources and opportunities for job benefits and career progression (Vecchio, 1997). They perform mundane tasks and have limited access to the leader. As a result, the out-group relation with the leader is characterized by low levels of mutual trust, interaction and support compared to the in-group (Maslyn & Uhl-Bien, 2001; Morrow, Suzuki, Crum, Ruben & Pautsch, 2005).

The association between LMX and employee engagement can be explained by SET or Social Exchange Theory (Thibault & Kelly, 1959). LMX theory states that the leader and the subordinate must provide something valuable to the other party, irrespective of whether the asset is tangible or intangible; both parties need to see the exchange as equitable (Wayne, Shore, & Linden, 1997). These exchanges between the leader and the subordinates can lead to obligations and create mutual interdependence (Gouldner, 1960). LMX impacts employee performance through a process of exchanges wherein the leader offers or eliminates tangible or intangible resources (Chen et al.

2007). Examples of intangible resources provided by the leader are loyalty, <https://assignbuster.com/lmx-is-positively-associated-with-employee-engagement-management-essay/>

support, trust, respect and positive interpersonal exchanges (Erdogan & Enders, 2007; Liden et al., 1998). Whereas tangible resources include career progression, training opportunities, autonomy in decision making and challenging work assignments (Kozlowski & Doherty, 1989; Liden, Erdogan, Wayne & Sparrowe 2006; Erdogan et al., 2007). These positive actions of the leader can create a sense of obligation or indebtedness in the subordinates (Liden, Sparrowe & Wayne, 1997) making them repay the leader with higher levels of organizational commitment (Bhal, 2006), competency (Lee, 2007), trust (Bauer & Green, 1996) as well as engagement (Agarwal et al., 2012).

## 2. 1 LMX and Employee Engagement

Engagement can be considered as reciprocation for what an employee receives. People essentially believe in reciprocation and hence they reciprocate (Macey et al., 2009). An explanation for this reciprocity can be found in the theory of psychological contract as well. It suggests that when employees feel that their supervisor is concerned about their personal as well as professional well-being, they feel the need to reciprocate with vigor, dedication and absorption (Saks, 2006), the three key features of employee engagement as per Schaufeli et al. (2002) definition.

Leader-controlled resources like feedback, opportunities for development, feeling of appreciation and contributing towards organizational goals, resources required to do the job play an important role in engagement (Batista-Taran, Shuck, Gutierrez, & Baralt, 2009; Shirey, 2006). Piersol (2007) has suggested that engagement is a symbiotic or a reciprocal bond with the entire enterprise wherein the management holds the prime



responsibility rather than just an autonomous undertaking of the employee alone. As a result, the leader plays an important role as he/she acts as the lens or conduit through which the employee perceives the rest of the organization and subsequently plays an important role in employees feeling engaged (Erdogan et al., 2007; Robinson, Perryman & Hayday, 2004).

The occupational stress model called job demands-resources (JD-R) (Demerouti, Bakker, De Jonge et al., 2001) model also provides an important theoretical backdrop for engagement research (Demerouti et al., 2001; Schaufeli et al., 2004). This study has roots in the JD-R model, which assumes a relationship between LMX and employee engagement. The basic proposition of JD-R theory being the characteristics of work environment can be classified into two types: job demands and job resources. Job demands refer to physical, psychological, social, or organisational features of the job that require continued physical and/or psychological (cognitive and emotional) effort, and are linked with physiological and/or psychological costs. Examples of job demands being high work pressure, emotional demands, and role ambiguity. High job demands lead to emotional exhaustion (Bakker & Demerouti, 2007). Job resources on the other hand, refer to those physical, psychological, social, or organizational features of the job that are either/or:

Efficient in accomplishing work goals

Decreasing job demands and the associated physiological and psychological costs

Stimulating personal growth, learning, and development

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Job resources can manifest at several levels at the workplace. At the organizational level, it can be salary or job security. At the task level, it can be skill variety or performance feedback and at the interpersonal level, it can be the co-workers or supervisor.

Numerous studies have indicated significant positive associations between employees who share good relations with their immediate supervisor and the level of commitment to the organization displayed by the employee (Robinson et al., 2004). As argued by Bhatnagar (2007), supervisors play a critical role in shaping employee attitudes and behaviours and that mentors increase employee engagement at workplace. In high-quality LMX relations, leaders assume the role of mentors for their subordinates (Scandura & Schriesheim, 1994). The leaders in these high quality relations can act as resources that help in employee development, stimulate innovation and may lead to employee engagement. Macey et al. (2009) have suggested that supervisors are an important resource that impacts employee engagement. Henderson et al., (2009) puts forward a proposition stating that LMX can be an antecedent to several individual level outcomes like psychological contract fulfilment, OCB, commitment and performance. All of these taken together can lead to a state of engagement. Despite the strong propositions suggesting, that high quality LMX can act as a resource for employee engagement, there is not much research linking the two constructs (except for the work of Li et al., 2012, Agarwal et al., 2012). Therefore, based on the proposition of Henderson et al., (2009) as well as the SET and JDR model,

## **Hypothesis 1: LMX is positively associated with employee engagement**

### **Perceived Organizational Support (POS)**

For several years, organizational theorists have indicated that employment is an exchange of employee's labours and loyalty for the organization's provision of socioeconomic benefits (Levinson, 1965; March & Simon, 1958). These accounts of the employee-employer relationship highlight organization's accomplishment of the favourable outcomes through the generous treatment of employees (Aselage & Eisenberger, 2003). Therefore, employees who are treated well by their organization are likely to go beyond their job descriptions and respond adaptably to organizational problems and opportunities (George & Brief, 1992).

POS refers to a general belief on behalf of the employee that his/her organization values their contribution and cares about their well-being (Rhoades et al., 2002). Eisenberger and colleagues (1986) argued that employees develop these perceptions because people tend to attribute traits or qualities to organization via the process of "personification" (Levinson, 1965). The process of personification of the employer by the employee signifies the overall rewards and punishments that the employee has received from the powerful members of the organization. On the basis of personification, the employees view the favourable or unfavourable treatment meted out towards them by the organization as a sign of the organization favouring or disfavouring them. Additionally, POS is enhanced if the actions of the organization are discretionary rather than mandatory and

the overall evaluation of the organization is positive (Eisenberger et al., 1986; Shore & Shore, 1995).

High POS meets the need for approval, esteem and social identity as well as produces the expectation that any extra-role behaviour carried out by the employee would be recognized and rewarded (Eisenberger, Cummings, Armelli & Lynch, 1997). Also, POS can induce a feeling of psychological safety for the employee, one of the three conditions for engagement (Kahn, 1990). As mentioned earlier, psychological safety entails a sense of being able to show and employ 'self' without fearing negative consequences. Kahn (1990) also found supportive and trusting interpersonal relations along with supportive management endorsed psychological safety at workplace. As per Saks (2006), key harbingers of this safety are the supervisors and the organization itself. Moreover, employees feel safe in work environments characterized by supportiveness and openness. In their empirical test of Kahn's model, May, Gilson & Harter (2004) echoed the finding that supportive supervisor relations were positively related to psychological safety.

Based on the JD-R model, social support is also a job resource that predicts engagement (Maslach et al., 2001; Schaufeli et al., 2004). Consequently, lack of social support has been found to be associated with burnout (Maslach et al., 2001).

### 3. 1 POS and employee engagement

POS has been hypothesized to be associated with job satisfaction, job involvement, job performance as well as desire to remain with the  
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organization (Rhoades & Eisenberger, 2002). The plausible reason for these positive outcomes can be via the state of engagement. Like LMX, the basic premise of POS can be found in SET which maintains that individuals enter into relationships in order to maximise their benefits (Blau, 1964; Homans, 1974). Resource exchanged between subordinates and supervisors can be impersonal like money or information (Foa & Foa, 1974) or they can be socio-emotional like caring or respect (Aselage et al., 2003). The norm of reciprocity dictates reciprocation of favour, serving as a starting mechanism for interpersonal relationships entailing that assistance will be provided to another individual with the expectation that it will be compensated with the desired resources by the receiver of the assistance (Gouldner, 1960). SET emphasizes the importance of understanding employee's motivation in order to attain organizational goals. Fulfill