

HUMAN RESOURCE MANAGEMENT | RESEARCH ARTICLE

Enhancing Culture and Retention through an Expanded Leader-Member Exchange Theory: A Focus on Commitment and Fairness

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ABSTRACT

This study investigates the implications of the high-quality Leader-Member Exchange (LMX) model on the dynamics of leader-follower relationships. It critically examines the model's limitations in addressing behavior, fairness, and mutual responsibilities within changing organizational contexts. A thorough literature review was conducted to analyze the relationship between LMX theory and its effects on key organizational outcomes, such as employee commitment, retention, and organizational culture. The result of this study states that the enhanced high-quality Leader-Member Exchange (LMX) model emphasizes the critical role of reciprocal obligations between leaders and employees in fostering affective, continuance, and normative commitment—key factors for improving employee retention. It also underscores the importance of cultivating an organizational culture that aligns with employee values, enhancing job satisfaction and reducing turnover. Strengthened high-quality LMX relationships ultimately contribute to sustainable organizational success. Practical Implications of this study state that organizations and scholars can apply the proposed model to improve leadership practices by fostering equitable, supportive, and robust LMX interactions. Addressing potential inequities and promoting inclusivity within the workplace can further enhance employee retention and satisfaction. This study advances the existing body of knowledge by introducing a conceptual model derived from literature. It demonstrates how mutual respect, friendships, and reciprocal responsibilities are precursors to employee commitment. The findings provide actionable insights for practitioners and policymakers to foster positive leader-member relationships and implement more effective and inclusive organizational structures.

Keywords: Commitment, Employee Retention, Fairness, Leader-Member Exchange, Organisation Culture, Reciprocal Obligation.

JEL Code: M12, M54, D23, M14.

I. Introduction

Leader-Member Exchange (LMX) theory, first introduced by Dansereau et al. (1975), focuses on the dynamic interactions between leaders and their followers, whether in individual or team settings. Its application spans diverse sectors, including healthcare, as demonstrated by Hirvi, Laulainen, Junttila, and Lammintakanen (2022). While organizational culture and management practices shape leader-member



relationships, leadership models must evolve to address the demands of rapidly changing work environments. Erdogan and Bauer (2015) emphasize that LMX theory must be dynamic and adaptable to effectively respond to contemporary challenges, including technological advancements and the complexity of modern organizational systems. In today's organizations, employees often report to multiple supervisors, diverging from the traditional LMX assumption that each member is assigned a single, clearly defined manager responsible for resource allocation (Erdogan & Bauer, 2015). Despite these structural changes, core principles such as fairness, mutual obligations, and respect remain central to the LMX framework. These principles are essential for fostering trust, maintaining shared responsibility, and building supportive relationships where employees feel valued and respected beyond transactional interactions.

The shift from transactional to transformational leadership approaches profoundly impacts organizational outcomes, including employee engagement, job satisfaction, and commitment (Erdogan & Bauer, 2015). High-quality LMX relationships, characterized by frequent and meaningful leader-employee interactions, have become increasingly significant. These relationships foster open communication, enabling employees to express their thoughts and concerns without fear of judgment (Graen & Uhl-Bien, 1995). Key elements such as mutual respect, trust, and support underpin the quality of LMX exchanges. Research demonstrates that high-quality LMX relationships encourage open communication and cultivate a positive and empowering work environment. Employees who feel valued, recognized, and satisfied are more likely to contribute to shaping a constructive organizational culture and demonstrate higher retention rates. In organizations where leaders cultivate high-quality interactions, a culture of trust, open communication, and collaboration will likely thrive (Nur Insan & Masmarulan, 2020). This positive culture enhances employee satisfaction and fosters retention, as individuals are likelier to remain with a company that values their contributions and nurtures strong leader-employee relationships. In contrast, low-quality LMX relationships can create a toxic work environment characterized by disengagement, low morale, and higher turnover rates (Harris, Li, & Kirkman, 2014; Chen, 2018).

Although extensive research has been conducted on Leader-Member Exchange (LMX) theory, there is a notable lack of empirical studies examining the impact of high-quality LMX relationships on specific aspects such as employee commitment and organizational fairness (Gerstner & Day, 1997; Dulebohn et al., 2012). Many organizations continue to grapple with challenges related to employee retention and cultivating a positive workplace culture, which are closely tied to the quality of leader-employee relationships (Harris, Li, & Kirkman, 2014; Chen, 2018). This study aims to assess the effects of the high-quality LMX model on employee retention, commitment, and organizational culture. Furthermore, it seeks to evaluate how effectively this model addresses key factors such as fairness, respect, and mutual obligations, with the ultimate goal of proposing an adaptable framework for organizational application. As a general guideline, AI contributions to academic journal content should not exceed 20-30% of the overall process. This includes tasks such as data analysis, visualization, or editing assistance. The remaining 70-80% should represent the researcher's original work and insights. This percentage may vary depending on specific journal or institutional policies.

II. Literature Review

The Leader-Member Exchange (LMX) theory has been extensively examined to explore its effects on employee commitment, retention, and organizational culture. High-quality LMX interactions, characterized by trust, respect, and mutual obligation, enhance employee engagement and retention (Graen & Uhl-Bien, 1995; Liden, Wayne, & Sparrowe, 2000). Erdogan and Bauer (2015) found that high-quality LMX relationships promote increased employee engagement, commitment, and retention. These relationships create a more inclusive and positive organizational culture by fostering fairness and support, ultimately boosting retention. However, critics argue that the focus of LMX theory on the quality of individual leader-member interactions may unintentionally create perceptions of inequality among employees (Gerstner & Day, 1997). This critique suggests that LMX could divide organizations into in-groups and out-groups, with leaders providing more attention and resources to in-group members. This differentiation can lead to unfairness and inequality,

weakening organizational culture and morale (Harris, Li, & Kirkman, 2014; Chen, 2018). When resources and attention are concentrated on high-quality LMX relationships, excluded employees may perceive the environment as unjust, undermining their motivation and retention.

These dynamics may also affect normative commitment, driven by a strong belief in the moral obligation to remain with the organization. Additionally, the theory's emphasis on reciprocal obligations and high-quality exchanges often overlooks the broader organizational context in which these relationships exist. Critics argue that LMX theory neglects how systemic factors, such as organizational policies and practices, influence employee perceptions of fairness and commitment (Dulebohn et al., 2012). For instance, organizations prioritizing performance and competition may exacerbate the negative impacts of LMX differentiation, leading to increased dissatisfaction and turnover among employees who feel marginalized (Nur Insan & Masmarulan, 2020). Therefore, while high-quality LMX can improve individual commitment and retention, its effects are moderated by the broader organizational culture and structure. The relationship between LMX and organizational culture is complex and multifaceted, requiring consideration of both individual and systemic factors that influence employee experiences. High-quality LMX relationships can foster a positive organizational culture characterized by trust and collaboration (Graen & Uhl-Bien, 1995). However, forming in-groups and out-groups may lead to a culture of exclusivity and inequality (Harris et al., 2014; Chen, 2018). Organizational culture is influenced by various factors beyond LMX, such as leadership styles, core values, and employee interactions (Erdogan & Bauer, 2015). As such, understanding the interplay between LMX and organizational culture requires a comprehensive analysis of how these relationships interact with broader cultural elements.

The impact of LMX on employee retention is also complex. While high-quality LMX relationships often strengthen employee commitment and reduce turnover, they can create a dependency on specific leaders. This dependency may increase turnover rates if these leaders leave the organization (Gerstner & Day, 1997). Organizations must adopt strategies that balance the advantages of high-quality LMX relationships with strong organizational support systems to address this challenge. Such an approach can mitigate potential adverse effects on retention and promote long-term employee engagement.

2.1. Expanded LMX Framework

Building on the literature review and identified gaps, this section introduces an expanded model of LMX Theory that emphasizes critical factors fostering a positive organizational culture and improving employee retention. The revised model highlights the importance of fostering two-way commitment between leaders and followers, focusing on fairness, especially during conflict resolution. Additionally, it explores the role of management and human resources in supporting these dynamics to create a cohesive and inclusive organizational culture. Earlier discussions on LMX Theory focused on the pivotal role of leader-member relationships in influencing organizational outcomes, including employee retention (Graen & Uhl-Bien, 1995). Central to LMX Theory is reciprocal obligation—the mutual expectations and responsibilities shared between leaders and employees. Leaders offering consistent support and recognition help cultivate a sense of fairness and commitment among employees. These reciprocal obligations are integral in shaping three key forms of employee commitment: affective commitment, continuance commitment, and normative commitment, each uniquely contributing to employee retention.

The expanded high-quality LMX model, depicted in Figure 1, emphasizes two essential components: two-way commitment and fairness. Two-way commitment represents the mutual dedication between leaders and employees, crucial for sustaining high-quality interactions. This reciprocal commitment strengthens relationships and fosters greater employee retention. Fairness is equally critical, particularly in times of conflict. When leaders treat employees fairly and respectfully during challenging situations, it reinforces a sense of value and trust. This approach supports a positive organizational culture and minimizes turnover by ensuring employees feel respected and valued.

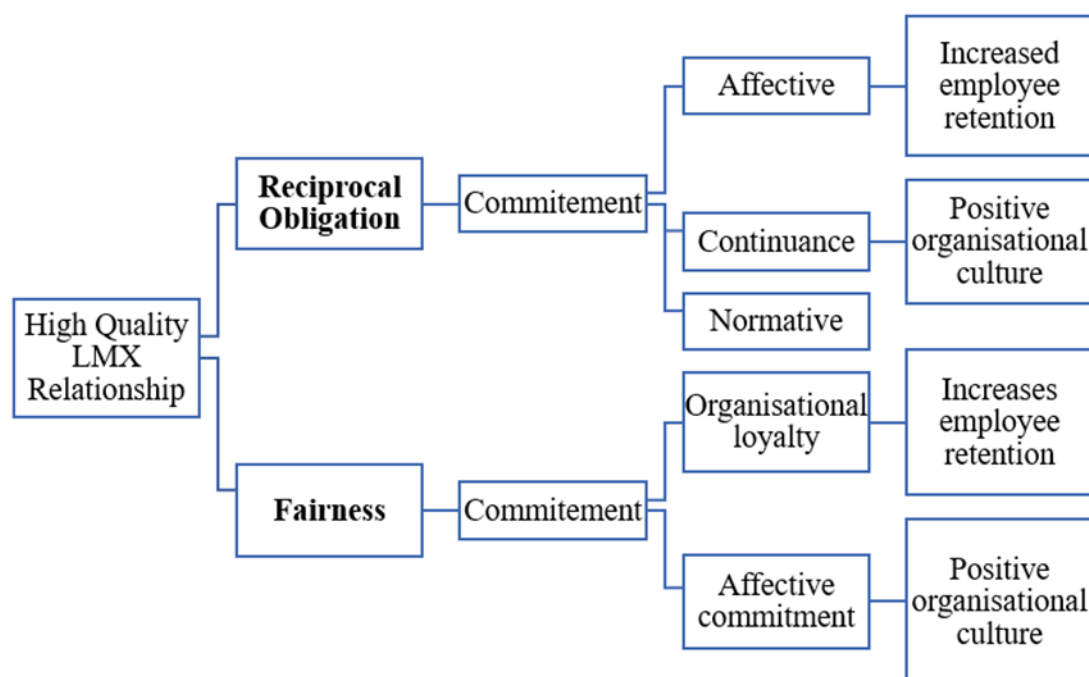


Figure 1. The High-Quality LMX Model Shows How Reciprocity and Fairness Boost Commitment, Loyalty, Retention, and Organizational Culture.

Affective commitment reflects an employee's emotional attachment to the organization and significantly influences retention. Employees with strong affective commitment are likelier to remain with the organization due to their emotional connection and positive workplace experiences (Allen & Meyer, 1991). This attachment fosters a cohesive and supportive work environment, contributing to a positive organizational culture. Continuance commitment is based on employees' perception of the costs of leaving the organization. Employees who perceive high costs—such as the loss of benefits or career progression opportunities—are more inclined to stay, which enhances organizational stability and reduces turnover (Allen & Meyer, 1991).

Normative commitment arises from a moral obligation to remain with the organization. Employees with a strong ethical duty to stay will likely demonstrate loyalty and actively contribute to the organization's success (Meyer et al., 2002). This type of commitment promotes organizational integrity and fosters a culture of responsibility, reinforcing employee retention through alignment with organizational values. Fairness within an organizational context is crucial in shaping these types of commitments. Leaders who treat employees fairly cultivate trust and loyalty, creating a supportive and reliable work environment that enhances retention (Colquitt et al., 2001). When employees perceive fairness in their interactions, their commitment strengthens, turnover decreases, and organizational culture becomes more robust.

Organizational culture, defined by shared values, beliefs, and practices, is pivotal in employee retention. A culture that aligns with employees' values and supports their professional development fosters higher affective commitment and reduces the perceived costs of leaving (Schein, 2010). Such alignment creates a supportive environment that enhances job satisfaction and loyalty. A stable organizational culture emphasizing job security and career development strengthens continuance commitment, while an ethical culture reinforces normative commitment (Hofstede et al., 1990). A positive culture nurtures trust, inclusivity, and shared values, collectively reducing turnover and solidifying the organization's foundation. Organizations must develop policies emphasizing mutual expectations, fairness, and support to integrate these elements into the LMX framework effectively. These initiatives strengthen reciprocal obligations and the three types of commitment. Critical strategies include promoting a positive and inclusive organizational culture, addressing

factors affecting job security, and aligning organizational values with employees' aspirations. Leaders prioritizing enhancing LMX relationships can cultivate a work environment conducive to higher employee satisfaction and retention (Graen & Uhl-Bien, 1995; Allen & Meyer, 1991). This comprehensive approach improves leader-member interactions and ensures organizational success by fostering employee loyalty and reducing turnover.

III. Research Method

A qualitative research approach was adopted for this study, featuring an extensive literature review to gain deeper insights into practical challenges and theoretical gaps. Unlike quantitative research, which primarily analyzes numerical data and interventions, qualitative research provides a foundation for hypothesis generation and a nuanced understanding of real-world dynamics. The conceptual model developed through this study is designed to apply within a mixed-methods framework, integrating qualitative and quantitative analyses sequentially. This approach addresses gaps in LMX literature, where crucial factors for employee retention and organizational success are often underexplored within the high-quality LMX paradigm. The literature review employed an integrative method, chosen for its ability to synthesize empirical and theoretical studies, thereby offering a holistic understanding of the subject matter. Priority was given to peer-reviewed articles that featured relevant terminologies and frameworks aligned with the study's objectives.

IV. Results and Discussion

4.1. Key Findings and Discussion

The literature on Leader-Member Exchange (LMX) Theory highlights its significant influence on organizational outcomes, particularly employee commitment, retention, and culture. High-quality LMX relationships, characterized by mutual trust, respect, and reciprocal obligations, consistently enhance employee engagement and retention (Graen & Uhl-Bien, 1995; Liden, Wayne, & Sparrowe, 2000). Employees who perceive these relationships as supportive and equitable are more likely to exhibit higher levels of commitment, reducing turnover (Erdogan & Bauer, 2015). The fairness and support inherent in high-quality LMX relationships foster an inclusive and nurturing organizational culture, positively impacting employee satisfaction and loyalty. However, LMX theory has been criticized for its potential to create employee inequality. By focusing on individual relationships, the theory may lead to the formation of in-groups and out-groups within the workplace (Gerstner & Day, 1997). Leaders often allocate more attention and resources to in-group members, leaving out-group members feeling excluded and undervalued. This dynamic can lead to perceptions of unfairness, undermining organizational culture and employee morale (Harris, Li, & Kirkman, 2014; Chen, 2018).

The prioritization of resources and attention on high-quality LMX relationships risks alienating employees who do not feel part of the in-group, thereby diminishing overall fairness and inclusivity within the organization. Additionally, LMX theory's focus on individual leader-member exchanges may fail to account for broader organizational factors. Systemic issues, such as organizational policies, practices, and culture, significantly influence employees' perceptions of fairness and commitment (Dulebohn et al., 2012). Organizations prioritizing performance and competition can exacerbate the adverse effects of LMX differentiation. Marginalized employees are more likely to feel dissatisfied in such environments, resulting in higher turnover rates (Nur Insan & Masmarulan, 2020). While high-quality LMX relationships have the potential to enhance employee commitment and retention, their effectiveness is often moderated by the broader organizational cultural and structural context. Addressing these challenges requires a more inclusive and balanced approach.

The proposed expanded LMX model aims to address the limitations of traditional LMX theory by emphasizing two-way commitment and fairness. This revised framework highlights the importance of mutual

dedication between leaders and employees, especially during conflict situations, where fairness is pivotal in maintaining trust and respect. Organizations can cultivate a positive and inclusive culture by integrating policies that foster reciprocal obligations, fairness, and support. Such a culture aligns organizational values with employee expectations, reduces turnover, and enhances job satisfaction. The expanded model also underscores the need to address systemic inequities, ensuring all employees feel valued and supported regardless of their perceived group status. Ultimately, the expanded LMX model provides a more holistic approach to improving leader-member relationships. By addressing the broader organizational context and fostering a culture of fairness and inclusivity, the model contributes to long-term organizational success through increased employee retention and satisfaction (Graen & Uhl-Bien, 1995; Allen & Meyer, 1991; Uhl-Bien & Graen, 1998).

4.2. Limitations

Despite the strengths of the expanded LMX model in addressing organizational culture and employee retention, several inherent limitations exist. First, the model's emphasis on reciprocal obligations and fairness may not fully capture the complexities of organizational contexts and individual differences. Variations in leadership styles, employee expectations, and organizational norms can all impact the effectiveness of the model (Dulebohn et al., 2012). Additionally, the model assumes that fairness and mutual commitment are beneficial across all organizational settings, which may not hold in contexts such as industry-specific challenges or differences in organizational size. Another limitation is the potential neglect of external factors, such as economic conditions or market pressures, which can influence employee retention and organizational culture (Nur Insan & Masmarulan, 2020). The focus on internal dynamics may not fully address how these external pressures affect the effectiveness of LMX relationships. Moreover, the model's reliance on high-quality LMX relationships could lead to an over-dependence on specific leaders, posing risks if those leaders leave the organization (Gerstner & Day, 1997).

4.3. Recommendations

Based on the findings of this study, the following recommendations are proposed to enhance the applicability and effectiveness of the expanded LMX model. Organizations should adopt a more tailored approach that considers the diversity of leadership styles and employee needs within their contexts. Regular feedback mechanisms should be implemented to help leaders better understand and address varying employee expectations and perceptions of fairness. Additionally, organizations should develop strategies to reduce the risks associated with leader dependency. This can be achieved through leadership development programs and succession planning, ensuring stability and continuity in leadership. Furthermore, organizations should consider external factors when evaluating LMX relationships and organizational culture. Understanding how economic conditions and market pressures impact employee experience can provide a more comprehensive view of retention and commitment. Moreover, fostering a culture of inclusivity and equity—rather than focusing solely on high-quality LMX relationships—can help prevent the formation of in-groups and out-groups, enhancing overall organizational fairness.

V. Conclusion

The expanded LMX model offers valuable insights into improving organizational culture and employee retention through commitment and fairness. This model highlights the importance of mutual responsibilities and fair treatment, providing a framework for enhancing leader-member relationships and cultivating a supportive work environment. However, its effectiveness is influenced by contextual factors such as leadership diversity, external pressures, and organizational dynamics. By addressing these limitations through targeted recommendations, organizations can leverage the expanded LMX model to create a more inclusive and resilient organizational culture, ultimately leading to improved employee retention and long-term success.

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