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## Leader-Member Exchange as a Moderator of the Relationship between Transformational Leadership and Organization Citizenship Behavior – A case of a multinational hypermarket in Erbil City.

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KARWAN H. SHERWANI<sup>1</sup>, ALI NATHEER<sup>2</sup>

<sup>1</sup>Tishk International University (Formerly known as Ishik University)

<sup>2</sup>Tishk International University (Formerly known as Ishik University)

Email:karwan.sherwani@tiu.edu.iq<sup>1</sup>, ali.natheer@std.tiu.edu.iq<sup>2</sup>

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**Abstract:** The purpose of this research is to develop a model in which the Leader-member Exchange theory works as a moderator between the Organizational Citizenship Behavior and practices of Transformational Leadership theory.

The sample was made up of 92 from managers and employees of Majid Al Futtaim Carrefour Iraq, which is a UAE-based leading retail company in the Middle East, operating in the Kurdistan Region of Iraq. The researchers used a quantitative strategy by conducting a questionnaire of 26 items. To analyze the data, the researchers has used four analytical tools, descriptive analysis, normality distribution, reliability analysis, correlation Analysis, and regression Analysis to test the moderator.

In this study, the dependent variable is Organizational Citizenship Behavior, the independent variable is Transformational Leadership, and the moderator is Leader-member Exchange, which is believed to influence the relationship between the independent variable and dependent variable. The findings of the study have evidenced through data analysis and interpretations that Leader-member Exchange as a moderator moderates the relationship between Transformational Leadership and Organizational Citizenship Behaviors to a full extent. The outcomes also suggest the manager who shows transformational leadership styles and establishes a good relationship with the employees, tends to result in better employee citizenship behavior.

**Keywords:** Leadership, Social Exchange, Contextual Performance, Leader-member Exchange, Transformational Leadership, Organization Citizenship Behavior, Moderation Analysis

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### BACKGROUND OF THE STUDY

The aim of this study is to analyze how can leader-member exchange moderate the relationship between the transformational leadership and organizational citizenship behavior. Additionally, this study examines the relationship between the transformational leadership and organizational citizenship behavior and investigates the relationship between leader-member exchange and organizational citizenship behavior.

Leadership inside organizations has two differentiating viewpoints, which are widely known in the academic as well as the applied literature. The first viewpoint is centered around the leader and endeavors to clarify organizational, groups, individual performance results by distinguishing and analyzing the explicit behavior of the leader legitimately with them. The theories of transformational leadership have exemplified this perspective (Bass, 1990).

The second viewpoint is based on relationships and concentrating expressly on how corresponding social trades, that happen between leaders and their subordinates, develops and continue the dyadic relationship.

### LITERATURE REVIEW

#### Leadership

Leadership can be an academic subject as well as a real-world skill that means the capability of a person to lead other people, workgroups, or the organization as a whole. There are various viewpoints about leadership in the literature across the east and west, and even within the west, there are the United States approach and the European approach. However, leadership is commonly defined as the social influence process in which an individual utilizes the help and support of other individuals to complete a certain job (Chin, 2015).

### **Transformational Leadership**

The concept of 'Transformational Leadership' was first coined by Burns (1978), and he defined it as a process where one individual or more immerse themselves with other fellows in a way that allows the leaders and their subordinates to support each other and move them up to the next levels of ethics, motives, and behaviors.

Furthermore, Transformational Leadership works upon transforming subordinates into capable leaders who are in charge of their capabilities and are transformational themselves (Bennis & Nanus, 1985).

Bass (1995) supported this by stating that transformational leaders allow their subordinates to be leaders themselves through supporting a shared value system, encouraging collaboration, creating opportunities, and shaping the organizational culture.

Additionally, Tracey (1996) has defined Transformational Leadership as the process of encouraging the subordinates and motivates them through enhancing their sense of idealism, norms, and ethics.

Transformational Leadership is a style of leadership that makes a clear vision for the organization and works upon finding a brand-new organizational system that is compatible with future demands (Trofino, 1995).

### **Organizational Citizenship Behavior**

The term 'Organizational Citizenship Behavior' was first coined by Smith, Organ, and Near (1983).

Organ (1988) defines OCB as a set of behaviors that the individual shows without waiting for any returns from the organization, but at the same time, the individual would not face any consequences for not showing such behaviors. Additionally, Graham (1991) defined Organizational Citizenship Behavior as an organizational behavior that goes beyond what is formally required from the employee and it cannot be measured by the basic measures of job performance but it leads to guaranteed organizational success in the long term.

Zhang, Liao, and Zhao (2011) defined Organizational Citizenship Behavior as a set of attitudes that aim towards providing help and showing signs of behaviors that are not formally required but it does benefit the organization.

### **Leader-member Exchange**

Gerstner and Day (1997) have stated that only a few agree on a standard definition for Leader-member Exchange theory, but Lunenburg (2010) believes that the simple idea behind LMX is that leaders draw two circles of subordinates around themselves, the first circle is called 'in-group', the members of that inner circles are granted more and larger responsibilities with more flexibility to handle these responsibilities and pursue their jobs, in return, their rewards are also larger, and they are given more attention, and the second circle is called 'out-group', it consists of the employees who are treated formally and managed by the general rules of the organization, and eventually, they have standard responsibilities and fewer rewards and attention. Additionally, Liden et al. (1997) define LMX as the level of the quality of the relationship that develops between the leaders and their subordinates.

### **Transformational Leadership and Organizational Citizenship Behavior**

According to a research paper in 2005, employees who do not link their interests to other co-workers' interests and their self-worth to reaching a broader shared goal are less likely to act spontaneously especially when no immoderate tangible gains are expected (Wang, Law, Hackett, Wang D, & Chen, 2005)

Additionally, Podsakoff et al. (1990) have tested the relationship between Transformational Leadership and Organizational Citizenship Behavior and found a positive correlation between the two.

### **Leader-member Exchange and Organizational Citizenship Behavior**

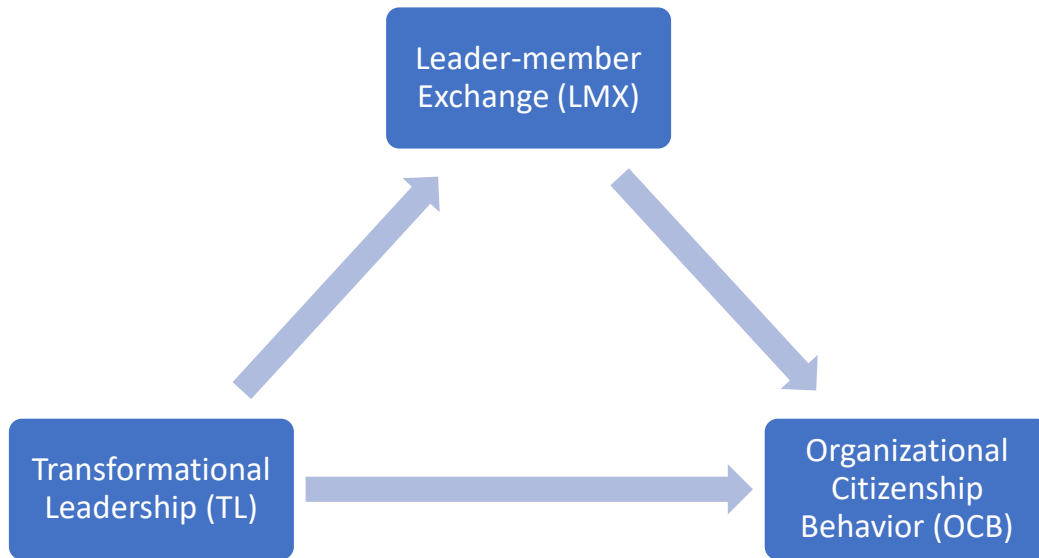
According to Graen & Uhl-bien, (1995) in the high-quality relationship of Leader-member exchange, managers tend to approach the highest social needs of their employees by making them prioritize the group interests over their interests. Moreover, individuals who are considered as 'good citizens' are likely to contribute to the overall welfare of the group, that is why Leader-member Exchange is expected to have a positive correlation with the Organizational Citizenship Behavior (Wang et al., 2005).

### **Leader-member Exchange and Transformational Leadership**

Basu et al. (1997), Deluga (1992), and Howell et al. (1999) have written the most popular studies that measured both Leader-member Exchange and Transformational Leadership, found Transformational leadership can enhance the regular social relationships among the followers and motivate them to work beyond the basic performance goals and individual gains.

**METHODS**

**Research Model**



**Research Design**

This is an explanatory and evaluative study which studies the relationship between the Transformational Leadership Theory and Organizational Citizenship Behavior theory and tests it to find out how well the first variable works with the other through correlation analysis, then Leader-member Exchange variable would be added to the equation of the relationship to examine if it could moderate this relationship through four steps of regression analysis.

The moderation analysis is done following the four steps approach proposed by Baron and Kenny (1986). Deductive reasoning and quantitative method were adopted in this study. A survey is often used in deductive approach research, and it’s mostly associated with business and management studies (Saunders et al., 2016).

**Data Collection**

Data for this research paper were collected through questionnaire papers to a sample of one hundred employees who have a direct manager. The questionnaire papers consisted of four sections, the first section was the demographics and the other three sections were to measure each of the research variables.

**Instruments**

The Leader-member exchange theory was measured using an eleven-item scale that was developed and verified by Liden and Maslyn (1998), and to unify the questionnaire style and make the questions clearer for the participants, the researchers had to change the term ‘Supervisor’ to ‘Manager’.

Transformational Leadership theory was measured using a seven-item scale that was developed and verified by Carless, Wearing, and Mann (2000).

Organizational Citizenship Behavior theory was measured using an eight-item scale that was developed and verified by Koopmans, Bernaards, Hildebrandt, van Buuren, van der Beek, and de Vet (2013).

All of the scales followed a Likert questionnaire style where each question has five balanced options for the respondent to choose from, which are ‘Strongly Disagree’, ‘Disagree’, ‘Neutral’, ‘Agree’, and ‘Strongly Agree’. Cronbach’s Alpha was used in reliability analysis.

**DATA ANALYSIS**

**Reliability Analysis**

**Table 4.3.1: Reliability of the research instruments**

Reliability Statistics	
Cronbach's Alpha	N of Items
.962	26

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Hinton et al. (2014) indicated that the acceptable level of The Cronbach's Alpha test is 0.7 and above, and this research reliability test scored .962, which means the questionnaire is found to be reliable.

**Correlation Analysis**

**Table 4.2.1:Correlations Matrix**

Correlations				
		LMX	TL	OCB
LMX	Pearson Correlation	1	.828**	.769**
	Sig. (2-tailed)		.000	.000
	N	91	89	90
TL	Pearson Correlation	.828**	1	.621**
	Sig. (2-tailed)	.000		.000
	N	89	90	89
OCB	Pearson Correlation	.769**	.621**	1
	Sig. (2-tailed)	.000	.000	
	N	90	89	91

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

As it can be seen in the above table, there is a positive correlation between LMX and TL with  $r = .828$  and significant with  $P = .000$ , and LMX was correlated with OCB with  $r = .961$  and significant with  $P = .000$ . Besides, TL correlated positively with OCB  $r = .621$  and significant with  $P = .000$ . Also, the highest correlation between variables is between TL and LMX with  $r = .828$ .

**Regression Analysis**

**Table 4.5.1:Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621 <sup>a</sup>	.386	.378	.56885

a. Predictors: (Constant), TL

Table 4.5.1 shows that  $R^2 = 0.378$ , which means that the model has explained about 0.37% of the variance in the dependent variable using the independent variables.

**Table 4.5.2:ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.662	1	17.662	54.580	.000 <sup>b</sup>
	Residual	28.152	87	.324		
	Total	45.814	88			

a. Dependent Variable: OCB  
b. Predictors: (Constant), TL

Table 4.5.2 shows the value of F of the predictor Transformational Leadership is 54.580 with its significance of ( $P = .000$ ) which indicates that there is a significant relationship between the predictor and the dependent variable Organizational Citizenship Behavior.

**Table 4.5.3:Coefficients<sup>a</sup>**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.933	.301		6.422	.000
	TL	.555	.075	.621	7.388	.000

a. Dependent Variable: OCB

In the Table 4.5.3, the value of B for Transformational Leadership is .555 statistically significant with (P= 000), which means that every unit increases in Transformational Leadership, .555 units are also expected to increase in Organizational Citizenship Behavior, and the t value is an indication of a linear relationship that exists between the dependent and independent variables.

**Table 4.5.4:Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825 <sup>a</sup>	.681	.678	.42039

a. Predictors: (Constant), TL

Table 4.5.4 shows that R<sup>2</sup>= 0.681, which means that the model has explained about 0.68% of the variance in the dependent variable using the independent variables.

**Table 4.5.5:ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.989	1	33.989	192.329	.000 <sup>b</sup>
	Residual	15.905	90	.177		
	Total	49.895	91			

a. Dependent Variable: LMX  
b. Predictors: (Constant), TL

Table 4.5.5 shows the value of F of the predictor Transformational Leadership is 192.329 with its significance of (P= 000) which indicates that there is a significant relationship between the predictor and the dependent variable Leader-member exchange and the independent variable can reliably predict the dependent variable.

**Table 4.5.6:Coefficients<sup>a</sup>**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.935	.218		4.290	.000
	TL	.758	.055	.825	13.868	.000

a. Dependent Variable: LMX

The value of B for Transformational Leadership is .758 statistically significant with (P= 000), which means that every unit increases in Transformational Leadership, .758 units are also expected to increase in Leader-member exchange.

**Table 4.5.7:Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769 <sup>a</sup>	.591	.587	.45995

a. Predictors: (Constant), LMX

Table 4.5.7 shows that  $R^2 = 0.587$ , which means that the model has explained about 0.59% of the variance in the dependent variable using the independent variables.

**Table 4.5.8:ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.954	1	26.954	127.411	.000 <sup>b</sup>
	Residual	18.616	88	.212		
	Total	45.570	89			
a. Dependent Variable: OCB						
b. Predictors: (Constant), LMX						

Table 4.5.8 shows the value of F of the predictor Leader-member Exchange is 127.411 with its significance of (P= 000) which indicates that there is a significant relationship between the predictor and the dependent variable Organizational Citizenship Behavior.

**Table 4.5.9:Coefficients<sup>a</sup>**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.182	.263		4.490	.000
	LMX	.747	.066	.769	11.288	.000
a. Dependent Variable: OCB						

The value of B for Leader-member Exchange is .747 statistically significant with (P= 000), which means that every unit increases in Leader-member Exchange, .747 units are also expected to increase in Organizational Citizenship Behavior, and the t value is an indication of a linear relationship that exists between the dependent and independent variables.

**Table 4.5.10:Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774 <sup>a</sup>	.599	.590	.46330
a. Predictors: (Constant), TL, LMX				

Table 4.5.10 shows that  $R^2 = 0.599$ , which means that the model has explained about 0.60% of the variance in the dependent variable using the independent variables.

**Table 4.5.11:ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.303	2	13.651	63.598	.000 <sup>b</sup>
	Residual	18.245	85	.215		
	Total	45.548	87			
a. Dependent Variable: OCB						
b. Predictors: (Constant), TL, LMX						

Table 4.5.11 shows the value of F of the predictors; Transformational Leadership and Leader-member Exchange is 63.598 with its significance of (P= 000) which indicates that there is a significant relationship between the predictors and the dependent variable Organization Citizenship Behavior and the independent variables can reliably predict the dependent variable.

**Table 4.5.12:Coefficients<sup>a</sup>**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	1.160	.271		4.286	.000
	LMX	.794	.118	.813	6.715	.000
	TL	-.042	.108	-.047	-.389	.698
a. Dependent Variable: OCB						

As it can be seen in Table 4.5.9, the independent variable Transformational Leadership is no longer significant because it got a significance of (P=.698) after adding the moderator variable Leader-member exchange in the same multiple regression analysis which indicates that it is no longer predicting the dependent variable Organizational Citizenship Behavior which means that Leader-member Exchange is moderating the relationship of Transformational Leadership and Organizational Citizenship Behavior (Baron & Kenny, 1986).

## CONCLUSIONS

In this research, the researchers has collected 92 responses as a sample to analyze the relationship between Transformational Leadership, Leader-member exchange as a moderator, and Organizational Citizenship Behavior.

The researchers has tested the normality of the questionnaire items, analyzed the correlation, and lastly, tested the moderation using the four steps approach proposed by Baron and Kenny (1986).

In Table 4.5.2, the value of F of the predictor Transformational Leadership is 54.580 with its significance of (P= 000) which indicates that there was a significant relationship between Transformational Leadership and Organizational Citizenship Behavior.

Table 4.2.1 also showed that Transformational Leadership correlated positively with Organizational Citizenship Behavior  $r=.621$  and significant with  $P=.000$ .

Likewise, in the Table 4.5.3, the value of B for Transformational Leadership is .555 statistically significant with (P= 000), which means that every unit increases in Transformational Leadership, .555 units are also expected to increase in Organizational Citizenship Behavior, and the t value is an indication of a linear relationship that exists between the dependent and independent variables.

Table 4.5.8 showed that the value of F of the Leader-member Exchange was 127.411 with its significance of (P= 000) which indicated that there was a significant relationship between the Leader-member Exchange and the Organizational Citizenship Behavior.

In the Table 4.5.9, the value of B for Leader-member Exchange was .747 statistically significant with (P= 000), which indicated that every unit increases in Leader-member Exchange, .747 units were also expected to increase in Organizational Citizenship Behavior, and the t value was an indication of a linear relationship that exists between the Leader-member Exchange and Organizational Citizenship Behavior. The Table 4.5.9 showed that the independent variable Transformational Leadership was no longer significant because it got a significance of (P=.698) after adding the moderator variable Leader-member exchange in the same multiple regression analysis which indicated that it was no longer predicting the dependent variable Organizational Citizenship Behavior which means that Leader-member Exchange fully moderates the relationship of Transformational Leadership and Organizational Citizenship Behavior.

The researchers has found that managers who work with a transformational leadership style will increase the organizational citizenship behavior of their employees, and if they also implement the high-quality relationship of leader-member exchange, the level of organizational citizenship behavior will be increased even more, which means that Leader-member Exchange fully moderates the relationship between Transformational Leadership and Organization Citizenship Behavior in a positive way.

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