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## **The Mediator Effect of Leader- Member Exchange on The Relationship Between Organizational Cynicism and Organizational Climate**

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### **Abstract**

*The purpose of this study is to investigate the mediating role of leader-member exchange on the effects of organizational climate sub-dimensions on organizational cynicism dimensions. For this purpose, the research was carried out on 319 bank personnel. Structural equation modelling is used to test research hypotheses. According to research findings, it was found that all organizational climate dimensions had positive effect on leader-member exchange whereas leader-member exchange affected cognitive and affective cynicism negatively. When we analyzed the significant and negative effects of organizational climate sub-dimensions' on cognitive and affective cynicism, it was found that leader-member exchanges has partial and full mediatory roles. According to the results obtained from the research model, the positive climate (work atmosphere) in the organization allows the employee to interact with the leader more easily and positively. Through the leader-member exchange, the cognitive and affective cynicism perceived by the employee declines indirectly.*

**Keywords:** *Leader-Member Exchange Theory, Organizational Climate, Organizational Cynicism*

Track: *Management & Leadership*

Word count: 2.604

### **1. Organizational Cynicism**

Organizational cynicism began to be discussed in many western societies, especially in the United States, especially as of the 2000s. The first comprehensive scientific study on the concept of organizational cynicism in Turkey was conducted by Erdost et al. (2007). The first national thesis on the concept was prepared by Kalağan (2009). According to the definition made by Dean et al. (1998), which is one of the most accepted definitions in the organizational cynic literature, organizational cynicism is a three-dimensional concept and refers to the negative attitude the person has against the organization he works in. These dimensions are cognitive cynicism referring to the belief that the organization lacks of integrity; affective cynicism involving negative affect towards the organization; and behavioral cynicism defined as having tendencies to belittle and display critical behaviors towards the organization consistently with such beliefs and affect. The early studies on cynicism stated that the concept is both a personality trait and a description of feeling. Recent studies, on the other hand, have stated that organizational cynicism should also be understood as a reaction to organizational policies and practices, differently from the general attitudes and personality traits of employees (FitzGerald, 2002: 1).

### **2. Organizational Climate**

Organizational climate is defined as a broad concept that involves the perceptions of employees about the events that occur in the working environment and certain factors (İşcan and Karacabey, 2007: 182). Considering the dimensions of organizational climate put forward

by Stringer (2001), organizational cynicism can be largely reduced by an structure that adopts productivity as a principle and is well-organized; the support relationships the employees of an organization establish both with each other and with the management; an incentive, promotion, and reward system in which employees showing good performance are recognized based on fair and objective criteria; an organization for which an employee and his colleagues are proud of working and in which employees feel as a member of a well-performing team; and a participative management mentality which allows employees to take on responsibility and participate in decision-making processes, and so on. In light of this information, it is suggested that organizational cynicism will be largely reduced in an organization offering its employees a positive climate (working atmosphere) in terms of structure, recognition, support, commitment, responsibility, and standards.

### **3. Leader-Member Exchange**

The leader-member exchange theory argues, unlike traditional leadership theories, that the leader does not treat all of his subordinates in the same style and develops different kinds of relationship and exchange with each sub-group (Liden and Maslyn, 1998: 43). While members having high-level exchange with the leader constitute the “in group”, members having low-level exchange with the leader constitute the “out group” (Dienesch and Liden, 1986). It is predicted that the positive organizational outcomes an employee having high-level exchange with his leader gain will negatively affect and reduce his organizational cynicism perception. In this regard, the present study aims to determine the mediator effect of leader-member exchange on the relationship between organizational climate and organizational cynicism.

### **4. Population and Sample**

The population of the study is banking sector in Tokat province. A survey was administered to 420 employees working in the central district and four other districts of the province who were determined through convenience sampling. 364 of the distributed 420 survey forms were returned. 45 survey forms with deficiencies were removed from analysis. 319 survey forms were included in analysis.

### **5. Data Collection Tools**

The study employed the “Organizational Climate Scale” developed by Stringer (2001). This questionnaire consists of 6 dimensions and 24 items. Each dimension in the scale is measured by 4 items. To measure organizational cynicism, the study used the “Organizational Cynicism Scale” composed of 3 dimensions and 13 items and developed by Brandes et al. (1999). To measure leader-member exchange, the study utilized the scale developed by Liden and Maslyn (1998). They created a 4-dimension scale within the scope of the leader-exchange theory. There are 3 questions for each dimension. That is, it contains 12 items.

Second-level multiple confirmatory factor analysis administered to the measurement tools showed the Organizational Climate Scale to have a 4-factor distribution, differently from its 6-factor original structure. 4 items under the “responsibility” sub-dimension and 4 items under the “standards” sub-dimension (i.e. 8 items in total) were removed from the analysis. The Organizational Cynicism Scale was seen to have a distribution complying with its 3-factor original structure. Second-level multiple confirmatory factor analysis administered to the Leader-Member Exchange Scale indicated the scale to have a distribution complying with its 4-factor original structure. Table 1 below presents the obtained confirmatory factor analysis results.

Table 1: Statistical Data Concerning the Confirmatory Factor Analysis Models for the Organizational Climate, Organizational Cynicism, and Leader-Member Exchange Scales

|      | $\chi^2$ | df | $\chi^2/df$ | RMSEA | NFI  | CFI  | GFI  |
|------|----------|----|-------------|-------|------|------|------|
| OCLS | 179.249* | 98 | 1.829       | 0.051 | .934 | .969 | .934 |
| OCYS | 121.856* | 59 | 2.065       | 0.058 | .960 | .979 | .946 |
| LMES | 103.086* | 49 | 2.104       | 0.059 | .951 | .974 | .951 |

\* p < 0.01 (OCLS: Organizational Climate Scale, OCYS: Organizational Cynicism Scale, LMES: Leader-Member Exchange Scale)

Following the validity analysis, the scales and their sub-dimensions were subjected to a reliability analyses based on Cronbach's alpha internal consistency coefficient. Table 2 below presents the Cronbach's alpha coefficients concerning the scales and their sub-dimensions.

Table 2: Reliability Analysis Results for the Research Scales and Their Sub-Dimensions

|                                | The Number of Items | Cronbach's Alpha Value |
|--------------------------------|---------------------|------------------------|
| Recognition                    | 4                   | .906                   |
| Support                        | 4                   | .901                   |
| Structure                      | 4                   | .886                   |
| Commitment                     | 4                   | .908                   |
| <b>Organizational Climate</b>  | <b>16</b>           | <b>.889</b>            |
| Cognitive Cynicism             | 5                   | .896                   |
| Affective Cynicism             | 4                   | .961                   |
| Behavioral Cynicism            | 4                   | .876                   |
| <b>Organizational Cynicism</b> | <b>13</b>           | <b>.908</b>            |
| Affect                         | 3                   | .872                   |
| Loyalty                        | 3                   | .693                   |
| Contribution                   | 3                   | .800                   |
| Professional Respect           | 3                   | .906                   |
| <b>LME</b>                     | <b>12</b>           | <b>.874</b>            |

## 6. Research Hypotheses

The hypotheses to be tested within the framework of the determined research model are given below.

H1: Recognition as an organizational climate dimension has a significant effect on the sub-dimensions of organizational cynicism (cognitive cynicism, affective cynicism, behavioral cynicism).

H2: Support as an organizational climate dimension has a significant effect on the sub-dimensions of organizational cynicism (cognitive cynicism, affective cynicism, behavioral cynicism).

H3: Structure as an organizational climate dimension has a significant effect on the sub-dimensions of organizational cynicism (cognitive cynicism, affective cynicism, behavioral cynicism).

H4: Commitment as an organizational climate dimension has a significant effect on the sub-dimensions of organizational cynicism (cognitive cynicism, affective cynicism, behavioral cynicism).

H5: The sub-dimensions of organizational climate have a significant effect on leader-member exchange.

H6: Leader-member exchange has a significant effect on the dimensions of organizational cynicism.

H7: Leader-member exchange has a mediator effect on the relationship between the sub-dimensions of organizational climate and the sub-dimensions of organizational cynicism.

## 7. Findings

Table 3 presents the correlation coefficients revealing the relationships between the research variables.

Table 3: Correlation Analysis Results

| Variables                      | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----|
| <b>1.Structure</b>             | 1      |        |        |        |        |        |        |        |        |        |    |
| <b>2.Recognition</b>           | .749** | 1      |        |        |        |        |        |        |        |        |    |
| <b>3.Support</b>               | .748** | .737   | 1      |        |        |        |        |        |        |        |    |
| <b>4.Commitment</b>            | .713** | .727   | .759   | 1      |        |        |        |        |        |        |    |
| <b>5.Cognitive Cynicism</b>    | -      | -      | -      | -      | 1      |        |        |        |        |        |    |
| <b>6.Affective Cynicism</b>    | .740** | .709   | .681   | .682   |        | 1      |        |        |        |        |    |
| <b>7.Behavioral Cynicism</b>   | -      | -      | -      | -      | .780** | .749** | 1      |        |        |        |    |
| <b>8.Affect</b>                | .745** | .688** | .746** | .742** | -      | .565** | .505** | 1      |        |        |    |
| <b>9.Loyalty</b>               | .537** | .562** | .574** | .577** | .571** | -      | .487** | .595** | 1      |        |    |
| <b>10.Contribution</b>         | .551** | .578** | .536** | .601** | .533** | .521** | -      | .584** | .670** | 1      |    |
| <b>11.Professional Respect</b> | .578** | .627** | .586** | .565** | .579** | .542** | .519** | .753** | .519** | .582** | 1  |

\* $p < 0.05$ , \*\*  $p < 0.01$

As shown in Table 3, the dimensions of organizational climate have negative, significant relationships with the dimensions of cynicism and positive, significant relationships with the dimensions of leader-member exchange. The dimensions of leader-member exchange have negative, significant relationships with the dimensions of organizational cynicism.

To ensure the validity of the mediator effect based on the pre-conditions required to exist stated by Baron and Kenny (1986), the effect of the independent variable (the dimensions of organizational climate) on the dependent variable (the dimensions of organizational cynicism) was determined before constructing the research model. The structural equation model established through the observed variables method showed the model to have good fitness values at ( $p < 0.001$ ) significance level ( $\chi^2/df$ : 2.547; RMSEA: 0.07; NFI: .997; CFI: .998; GFI: .995).

The determined research model was tested through structural equation model (path analysis). First, necessary and theoretically significant modifications were made on the model. Then non-significant paths were removed from the model one by one, and the research model displaying significant paths (final model) was created through repeated analyses.

Table 4 presents the goodness of fit values for the research model (final model). According to the obtained results, the model has good fitness indices.

Table 4: Fitness Values for the Model

|                                 | $\chi^2$ | df | $\chi^2/df$ | RMSEA | NFI  | CFI  | GFI  |
|---------------------------------|----------|----|-------------|-------|------|------|------|
| Research Model<br>(Final model) | 36.466*  | 23 | 1.585       | .043  | .988 | .995 | .980 |

\* $p < 0.001$

With the inclusion of the mediator effect in the model, structural equation modeling detects three kinds of effect between the independent variable and the dependent variable: direct effect, indirect effect, and total effect. Table 5 collectively shows the ( $\beta$ ) coefficients for the direct, indirect, and total effects between the research variables.

Table 5: Direct, Indirect, and Total Effects for the Relationships between the Variables

|                      | Dependent Variable |          |       |                    |          |       |                     |          |       |        |          |       |
|----------------------|--------------------|----------|-------|--------------------|----------|-------|---------------------|----------|-------|--------|----------|-------|
| Independent Variable | Cognitive Cynicism |          |       | Affective Cynicism |          |       | Behavioral Cynicism |          |       | LME    |          |       |
|                      | Direct             | Indirect | Total | Direct             | Indirect | Total | Direct              | Indirect | Total | Direct | Indirect | Total |
| Recognition          | -                  | -        | -     | -                  | -        | -     | -                   | -        | -     | .29    | -        | .29   |
|                      | .16                | .10      | .27   |                    | .05      | .05   | .28                 |          | .28   | 9      |          | 9     |
|                      | 5                  | 7        | 2     |                    | 8        | 8     | 8                   |          | 8     |        |          |       |
| Structure            | -                  | -        | -     | -                  | -        | -     | -                   | -        | -     | .14    | -        | .14   |
|                      | .36                | .05      | .41   | .30                | .02      | .33   | .19                 |          | .19   | 1      |          | 1     |
|                      | 4                  | 0        | 4     | 3                  | 7        | 0     | 3                   |          | 2     |        |          |       |

|                             | <b>Dependent Variable</b> |          |       |                    |          |       |                     |          |       |        |          |       |
|-----------------------------|---------------------------|----------|-------|--------------------|----------|-------|---------------------|----------|-------|--------|----------|-------|
| <b>Independent Variable</b> | Cognitive Cynicism        |          |       | Affective Cynicism |          |       | Behavioral Cynicism |          |       | LME    |          |       |
|                             | Direct                    | Indirect | Total | Direct             | Indirect | Total | Direct              | Indirect | Total | Direct | Indirect | Total |
| Commitment                  | -                         | -        | -     | -                  | -        | -     | -                   | -        | -     | .30    | -        | .30   |
|                             |                           | .10      | .10   | .21                | .05      | .26   | .16                 |          | .16   | 2      |          | 2     |
|                             |                           | 7        | 7     | 2                  | 7        | 9     | 7                   |          | 7     |        |          |       |
| Support                     | -                         | -        | -     | -                  | -        | -     | -                   | -        | -     | .18    | -        | .18   |
|                             |                           | .06      | .06   | .21                | .03      | .24   | .19                 |          | .19   | 2      |          | 2     |
|                             |                           | 4        | 4     | 4                  | 5        | 9     | 2                   |          | 2     |        |          |       |
| LME                         | -                         | -        | -     | -                  | -        | -     | -                   | -        | -     | -      | -        | -     |
|                             | .35                       |          | .35   | .18                |          | .18   |                     |          |       |        |          |       |
|                             | 4                         |          | 4     | 8                  |          | 8     |                     |          |       |        |          |       |

As shown in Table 5, recognition has negative effects on cognitive cynicism and behavioral cynicism, but has no direct effect on affective cynicism. Thus, Hypothesis 1 is partially supported. Support has negative, significant effects on affective cynicism and behavioral cynicism, but has no significant effect on cognitive cynicism. Thus, Hypothesis 2 is partially supported. Structure and commitment have negative, significant effects on all dimensions of cynicism. Thus, Hypothesis 3 and Hypothesis 4 are supported. All organizational climate dimensions have positive, significant effects on leader-member exchange. Thus, Hypothesis 5 is supported. Leader-member exchange has negative, significant effects on cognitive and affective cynicism. Leader-member exchange has no significant effect on behavioral cynicism. Thus, Hypothesis 6 is partially supported.

As to indirect effects, the findings show that recognition, Structure, support, and commitment have indirect effects on several dimensions of organizational cynicism. These effects reveal that leader-member exchange has partial and full mediator roles in the relationships between the dimensions of organizational climate and the dimensions of organizational cynicism. Sobel test was performed to determine whether the determined mediator effects are significant or not. Table 6 displays the mediator role ( $\beta$ ) coefficient of leader-member exchange and Sobel test results concerning whether this mediator effect is significant or not. Accordingly, Hypothesis 7 is partially supported.

Table 6: Results Concerning the Mediator Effect of Leader-Member Exchange

| Path Relationship                        | Status of Mediation | Indirect Effect    | Sobel Test (z value) | Sobel Test (p) significance value |
|--|---------------------|--------------------|----------------------|-----------------------------------|
| Recognition => LME => Cognitive Cynicism | Partial Mediation   | ( $\beta$ : -.107) | -3.24                | 0.001                             |
| Structure => LME => Cognitive Cynicism   | Partial             | ( $\beta$ : -.050) | -2.03                | 0.044                             |



| Path Relationship                       | Status of Mediation            | Indirect Effect    | Sobel Test (z value) | Sobel Test (p) significance value |
|---|--------------------------------|--------------------|----------------------|-----------------------------------|
| Structure => LME => Affective Cynicism  | Mediation<br>Partial Mediation | ( $\beta$ : -.027) | -2.04                | 0.042                             |
| Support => LME => Affective Cynicism    | Mediation<br>Partial Mediation | ( $\beta$ : -.035) | -2.61                | 0.008                             |
| Commitment => LME => Cognitive Cynicism | Mediation<br>Full Mediation    | ( $\beta$ : -.107) | -3.22                | 0.001                             |
| Commitment => LME => Affective Cynicism | Mediation<br>Partial Mediation | ( $\beta$ : -.057) | -3.32                | 0.001                             |

## 8. Conclusion

The study showed that leader-member exchange has partial and full mediation roles in the negative, significant relationships between the dimensions of organizational climate and the cognitive cynicism and affective cynicism. This implies that a well-organized structure, positive and constructive support relationships among employees, sense of belongingness among organization members, a performance system in which well-performing employees are recognized and rewarded on a fair basis, etc. have a significant effect on the formation of positive organizational climate perceptions among employees. Positive and high-level exchange between employees and their leader will be facilitated by a positive organizational climate that is free of conflicts. Such exchange between the leader and the members will indirectly affect cognitive and affective cynicism perceived by the members in a negative way.

Positive leader-member exchange in an organization will reduce cognitive cynicism, which refers to employees' criticizing their organization and its practices, and affective cynicism, which involves negative affect such as rage, anger, tension, and anxiety. As shown in this study, an important determinant of high quality leader-member exchange is organizational climate. At this point, organizational regulations, business strategies and policies, and leadership activities, which make up organizational climate, are very important (Stringer, 2001). We think that conducting similar research on different sectors and samples will be beneficial.

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