



**The Effect of Leader Member Exchange “LMX” on Employee Turnover
Intention: Intercultural Competence**

“An Applied Study on the Telecommunication Sector in Egypt”

Thesis

**Submitted for the fulfillment the Master’s
Degree in Human Resources Management**

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2017

Acknowledgment

First and foremost thanks to Allah.

I would like to express my deep and sincere gratitude to my supervisor, Professor Dr. AbdelMoniem El Saied for his endless patience, help, guidance, contribution and support throughout this crucial period which enabled me to complete this work; I am extremely grateful to have had the opportunity to work with him. I have benefited from his knowledge.

I would like to thank Dr. Reham El Seidi, Lecturer of Management for her support. And a deep thank to all my doctors and colleagues.

I would like to express my deepest appreciation to Associate Professor Dr. Bassam Al-Ahmady for acceptance to be a member of the examining committee.

Special gratitude to Associate Professor Dr. Ghader Badr for her encouragement and for acceptance to be a member of the examining committee.

Last but not least I must express my very profound gratitude to my parents and to my sisters for providing me with unfailing support and continuous encouragement throughout my years of study and through the process of researching and writing this thesis, and also I would like to thank my friends. This accomplishment would not have been possible without them. Thank you.

Abstract:

The workforce planning has been become one of the most critical issues that any organization faces nowadays. This paper reports an empirical study that declared the impact of leader member exchange (LMX) and its effect on the intention to turnover, whether LMX has a relation on intention to turnover or not, in addition to that, whether intercultural competence is considered to be a moderating variable or not, which means, that LMX has a relation with intention to turnover in the presence of intercultural competence or not. A sample of 400 employees in the field of telecommunication sector in Egypt was studied. The dependent variable of the research was turnover, while the independent variable was LMX, where LMX as a variable is measured by four factors, which are, affect loyalty, contribution and professional respect. For the moderating variable of the research intercultural competence was used, it is measured by 9 factors, which are cross cultural empathy, self-efficacy, and willingness to engage, cross cultural openness, emotional self-regulation, self-monitoring, and tolerance for ambiguity, low need for cognitive and cognitive flexibility. A sample was investigated and research findings were analyzed by using descriptive statistical techniques, Cronbach`s alpha, Coefficient of correlation matrix, Regression analysis, and analysis of variance. Results showed that there is significant positive strong relationship between leader member exchange (LMX) and intention to turnover, while there is no direct significant relation between LMX and intention to turnover in the presence of intercultural competence. In addition, it empirically concluded that idealized influence attribute and individualized consideration are the transformational leadership behaviors that have the highest impact on employee voluntary turnover.

Key words: Leader Member Exchange (LMX), Intercultural Competence, Turnover Intention, Employees' performance quality, Organizational Cultural, Employees attitude.

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Chapter one

Introduction

Chapter One

1.1 Introduction

Over the past years, dramatic changes have taken essence within the workforce. Organizations restructuring and downsizing have permanently changed the attitude of employees, which has lowered organizational commitment, employees' trust in management, and increased the frequency of turnover intention.

Chio(2012) suggested that intercultural competence is a process of various subcategories such as cultural diversity, cultural sensitivity, cultural behavior, cultural awareness, cultural knowledge and cultural attitude. Intercultural competence people are able to reach the level of dual identity and enjoy the differences and attempting to defend their own world views, and moving to emphatic ability to accept and adapt cultural differences.

When the employees are not satisfied with their jobs and organizations do have not trust in their employees, employees' intention towards turnover will be greater, they will leave the organization and the duration of their job will be smaller (**Jeffrey, 2007**).

Employee' turnover presents a diversity of problems for organizations including the financial problem of replacing the individual as well as replacement of the skills set and intellectual capital of the employee, costs associated with training, loss of effectiveness and productivity, and acclimation to organizational values and cultures (**Abbasi&Hollman, 2008; Ballinger, Craig, Cross, & Gray, 2011; Batt& Colvin, 2011; Dardar, Jusoh, & Rasli, 2011**).

Leader-Member Exchange (LMX) is considered to be a very effective way to reduce employees' turnover rate and retain them in an organization, as it describes the ability of a leader in groups to maintain his position through a series of exchange agreements and dealings with their members. LMX theory of leadership focuses on the two-way relationship between supervisors and subordinates.

LMX is the development of the relationship between a leader and a member or employee and also may be related to job satisfaction and employee' turnover intention **(Harris, Wheeler & Kacmar, 2011; Mitchell, 2001; Portoghese, Galletta, & Battistelli, 2011; Yang, Ma & Hu, 2011)**. Turnover rates are increasing dramatically nowadays in organizations due to several crucial issues like cultural differences. If leader apply the LMX theory, this will enhance their relationship with the followers and it will help organizations decrease their turnover rate and get over cultural differences that cause employee turnover.

This research will investigate the extent to which various dimensions of intercultural competence are important to maintain the relationship between "LMX" and turnover intention.

1.2 Research Problem

Nowadays, employees are treated as the most important corporate assets and investments to their organizations. In order for the organization to invest in its assets in the right way, it should put into consideration a very crucial issue which is employees' retention. Retaining the employees is not an easy task to be done by the organization and it is such a challenge now a day due to several crucial issues.

Moreover, for employees to be productive, to achieve their organizational goals and to enhance their organizations profitability and competitive advantage, leaders must quit the traditional way of leading their followers to cope with the dynamic working environment. As an ineffective way of leading between the employees and their followers occur, this would also increase their intention to leave.

Previous researches have discussed the effect of LMX on employee's turnover intention, According to **Ospina&Foldy (2009)**, many studies have explored contextual factors that might modify in some way the expectations or evaluations of leaders by followers. Many scholars have suggested that followers are more likely to authorize leaders from their own cultural group or more likely to rate them favorably (**DiTomaso&Hooijberg, 1996**). On the other hand, **Slay (2003)** argued that subordinates' positive or negative reactions will result from the interaction of organizational context and how the leaders manage their own cultural identity.

Many workers leave their jobs because they do not get along with their superiors (**Robbins &Davidhizar, 2007**). However, a study by **Harris (2005)** suggested a U-shaped curvilinear relationship between LMX and turnover intention that links both high and low quality of LMX would lead to turnover intention.

Research about the relationship between LMX and turnover intention suggests that, employees who perceive lower quality LMX relationships with their leader are show greater intent to quit than those with higher LMX quality (**Bauer, 2006; Lee, 2010**). On the other hand more researchers in some studies have suggested that a curvilinear relation can be between LMX and turnover intention (**Morrow, 2005; Collins, 2007**).

Previous studies have found a significant negative linear relationship between LMX and turnover intention (**Ballinger, 2010; Cheung & Wu, 2012; DeConinck, 2011; Harris, 2009; Kumar and Singh, 2012**). However, other researches (**Collins, 2007; Harris, 2005**) found a non-linear relationship between LMX and turnover intention.

The dynamic working environment and the globalized nature of the organizations where employees with different cultures and backgrounds should work together are not creating a comfortable environment where employees are more likely to have an intention to leave.

Several researches were conducted to investigate the effect of intercultural competence on employees' turnover intention **Gudykunst (2003)**, discussed that nowadays, there are a huge number of cultures that are mixing in both the individual and expert domains, intercultural studies focus on the interactions between people from different cultural backgrounds.

The effect of LMX on employee turnover intention has been a crucial issue to all the organizations who want to decrease their employees' turnover rate. As employees now are seeking an effective relationship between the leaders and their followers that could help them get over the culture differences and increase their performance. This effective relationship could be easily achieved by applying the LMX theory. LMX is the development of the relationship between a leader and a member (**Portoghese, 2011**).

As a result, the researcher is interested in studying the effect of Leader Member Exchange “LMX” on Employee Turnover Intention: Intercultural Competence.

1.3 Research Importance

The research importance is discussed on two levels:

The academic level and the corporate level:

- On the academic level, few scholars have explored the relationship between LMX and employees' turnover intention within multicultural in the Middle East region specifically Egypt. This research is expected to contribute directly to the theory and to the previous literature.
- On the corporate level, the research will shed the light on the application of LMX theory within multicultural business domains providing a better inside to the managers and practitioners on how to retain their employees'.

1.4 Research Objectives

This research tries to:

1. Investigate the relationship between LMX and turnover intention that administrated at the multicultural context.
2. Analyze the relationship between the LMX as an independent variable and employees' turnover intention as a dependent variable by using intercultural competence as a moderating variable.

1.5 Research Questions

Based on the research problem, research questions are:

1. What is the relationship between LMX and employees' turnover intention?
2. What is the relationship between the intercultural competence and employees' turnover intention?

1.6 Research Hypotheses

Hypothesis 1:

H0: There is no relationship between LMX and employees' turnover intention.

H1: There is a direct positive relationship between LMX and employees' turnover intention.

Hypothesis 2:

H20: There is no direct relationship between LMX and employees' turnover intention in the presence of intercultural competence

H2: There is direct relationship between LMX and employees' turnover intention in the presence of intercultural competence.

1.7 Research Structure

The research structure is as the following: chapter one is an introduction .chapter two represent the literature review. Chapter three represents research methodology and data analysis, and finally chapter four will discuss the conclusion and recommendations.

1.8 Research Model

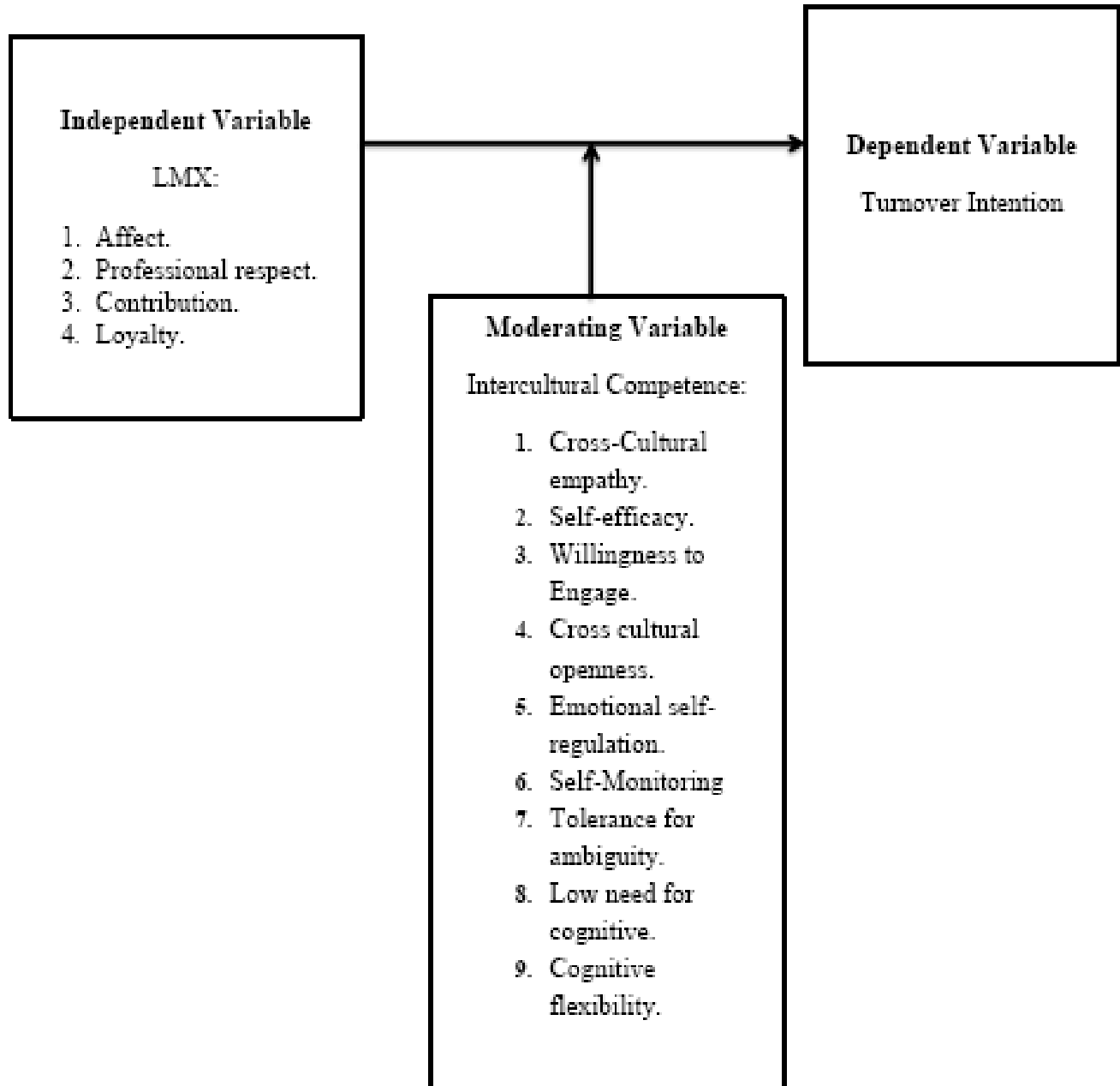


Figure 1: **Research Model**, Developed by the researcher based on analysis of previous literature.