Effect of Leader-Member Exchange on Job Performance Mediated by Employee's Emotions and Employee's Behavior on Banking Industries in Batam

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Abstract

Banking industries, if the role goes well, a country's economy will improve. Banking is an industry which handles cash, credit and other financial transactions. So were human resources. Company goals or survival of the company, it all depends on the quality of the human resources in there. A leader, other than being able to lead their subordinates, a leader also must be able to empathize too. The aims of this research were to study how Leader-Member Exchange (LMX) will affect Employee's Job Performance on Banking Industries by using SmartPLS 3.0. Of course, it moderate by Employee's Emotions and Behavior. Emotions will affect someone performance from doing their task. How the result turns out, it depends on their mood and behavior at that time. Data were collected by spreading questionnaire to those who works on Banking Industries in Batam. Author received 143 respondents in back. Result show significancy and insignificancy between variables. Leader-Member Exchange indirectly affected Job Performance.

Keywords: *Leader-Member Exchange, Job Performance, Banking Industries.*

INTRODUCTION

Human resource management is an important role in every organization nor company. In order to improve every employee's job performance, of course that each employee must have knowledges, high skilled, integrity, and give their fullest or best to their company. Employee's performance is a very important part. Success to achieve company goals or survival of the company, it depends on the quality of the performance of its existing human resources inside it. Emotions are one of the factors that affect job performance. if one of the employees is not in their best conditions, they will not do their job properly. Because keeping a professional state is not an easy task that everybody can do. Professional state it means it got a borderline between job and emotions, where you must put your emotions aside, so that you can focus on your task that has been given,

Emotions are intricately intertwined in theories of leadership and lie at the core of many leadership mechanisms such as inspiring followers, building and sustaining interpersonal relationships, and investing in follower outcomes such as satisfactions, performance and citizenship behaviors (Little et al., 2016). Besides job performance, emotions also can affect behavior. So that if one of the employee is not in the mood, their behavior might be affected their job performance and their job result as well. Simply put, employee A and B are doing their job Employee A meets the company's standards while B doesn't, and A will receive a lot of attentions while B get discriminated. Put a self-efficacy or the belief that he can performing task is an important component in achievement of certain results (Ford, 2017). In this research, author wants to identifies every employee that works in banking industries, which makes them feel uncomfortable, insecure, anxiety, ethical ambiguity, stress, envy, and any other emotions that will affect their job performance through Leader-Member Exchange (LMX) because employees emotions and their job performance are matter. Employee behavior is a pattern of actions by member of an organization that directly or indirectly affect the effectiveness of the organization (Rutgers University, 2008). Job performance is a means to reach a goal or set of goals within a job, role or organization (McLarty et al., 2021).

The LMX theory is a relationship-based approach to leadership that focuses on the two-way (dyadic) relationship between leaders and followers. LMX relationship plays a primary role in developing their followers attitude and behavior accordingly (Dai et al., 2019). Leadership plays a vital role in the survival and success of an organization in terms of its influence on followers' reactions and behavior workplace. Through the theoretical foundation of COR (conservations of resources), LMX can trigger feelings of emotions exhaustion for employees and their subsequent silent response (Xu et al., 2015). Where LMX perceptions is followers are influenced by management strategies that is used by their leader. The leaders efforts to manage followers' modification, negative as in the case of modulation an emotional response of neutral as in the case of spreading attentions (Dai et al., 2016).

Everything related to banks, including institutions, business activities as well as methods and processes in carrying out their business activities as were known as banking. Banking is an industry which handles cash, credit and other financial transactions. Banking is defined as the business activity of receiving and keeping money held by individuals and other entities, and then lending this money to carry out economic activities such as making profit or simply covering operational costs. We also know that banks provide a safe place to store extra

cash and credit and they offer savings accounts, certificates of deposit, and checking accounts. Banks use this deposit to provide loans. These loans include home mortgages, business loans and car loans. By accepting savings from customers and lending them to those in need of funds, bank increase the flow of funds for more productive investment and utilization. If this role goes well, a country's economy will improve. Without this flow of funds, money just stays in someone's pocket, people can't get loans and business can't be built because they don't have borrowed funds. According to author pre-observations, employees with better job performance will receive compliment, advices and feedback more than those who doesn't. At least employees who don't achieve or do well in their performance, their supervisor still has to be in charge of them. Simply like, retraining their employees. Develop their skills, and analyze their problem or limitations while working. Employee's emotions and behavior are matter, it involved with their mental healthiness. So, this is the reason why author wants to do this research.

METHODOLOGY

This research can be classified into basic research with a view to develop a theory. This study used quantitative research. The research objects in this study are employees who works in Banking Industries in Batam. This study used quantitative research which the selected independent variable which is a type of research that produces findings that can be obtained using statistical procedures of other means of quantification or measurement (Wiratna Sujarweni, 2015). Descriptive research means to demonstrate the current situations instead of making judgement and interpretation (Bourguignons, 2016).

Due to there's a lot of banking industries in different branch, so author has received 143 respondents in back., due to author cant make sure the right number in how many employees that they have, so author is going to use the sample that based on (Hair et al., 2010), where some researcher propose a minimum of 20 cases for each variable. Data collection for this study was conducted by distributing online questionnaires to employees who works on the Banking Industries in Batam. To measure the tested variables, using a Likert scale measurement. This measurement uses several questions related to research variables by responding to 5 choice points on each question, namely strongly agree, agree, moderately, disagree, and strongly disagree.

This research will be using SEM PLS 3.0 to know statistic descriptive data, the quantity, percentage of the demographic characteristics of the respondents. This analysis technique uses tabulated data to make it easier to understand. Respondents' demographic was age, gender and which bank they were from.

RESULTS AND DISCUSSIONS

This research is using primary data that has been processed. The questionnaire has been distributing since early November 2021 till December 2021, via online through Google Form to the employees who works in Banking Industries in Batam. Author has received 143 respondents in back. These data can be used for the further analysis.

Based on gender frequency data, 62 respondents (43.3%) were male and 81 respondents (56.6%) were female. as we can see that most of the respondents are female. based on age, they were 34 respondents (23,8%) are below 20 years old, 61 respondents (42,7%) were between 21 years old to 25 years old. 33 respondents (23,1%) were between 26 years old to 30 years old, and the last 15 respondents (10,5%) were up to 30 years old. As you can see most of the respondents are in the age of 21st-25th.

## Variable Descriptive Statistical Analysis

Table 1 shows outer loading test in SMARTPLS' program, the value 0.5 is generally considered to be significant (Jr et al., 2018). The result as follows:

Table 1. Outer Loadings

Variable	Sample Mean	Explanation	
Employees Behavior 1	0.727	Valid	
Employees Behavior 2	0,732	Valid	
Employees Behavior 3	0,798	Valid	
Employees Behavior 4	0,796	Valid	
Employees Behavior 5	0,781	Valid	
Employees Behavior 6	0.772	Valid	
Employees Emotions 1	0.777	Valid	
Employees Emotions 2	0,763	Valid	
Employees Emotions 3	0,746	Valid	
Employees Emotions 4	0,777	Valid	
Employees Emotions 5	0,820	Valid	
Employees Emotions 6	0,802	Valid	
Job Performance 1	0,784	Valid	
Job Performance 2	0,867	Valid	
Job Performance 3	0,837	Valid	
Job Performance 4	0,903	Valid	
Leader-Member Exchange 1	0,877	Valid	
Leader-Member Exchange 2	0,841	Valid	
Leader-Member Exchange 3	0,761	Valid	
Leader-Member Exchange 4	0,876	Valid	**Model Evaluation**
Leader-Member Exchange 5	0,869	Valid	

Evaluation model of the outside model (outer model) is also known as the evaluation model in research that is used to develop models of validity and reliability.
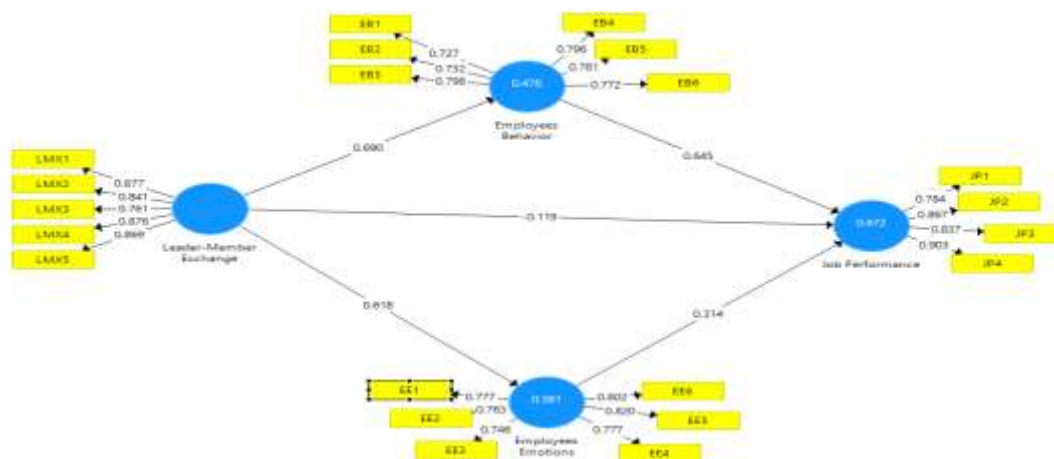
Picture 1. Model Evaluations

Result of Validity and Reliability Test

There are a few results such as Average Variance Extracted (AVE) where it requires 0,5 so it can be state as valid. Reliability test which in contrast to Cronbach's alpha, does not assume equally weighted indicator loadings. Composite reliability should be above 0.60 in exploratory research, and above 0,70 as a general guideline, but not above 0.95 (Hair et al., 2010). Same things go to Cronbach alpha, the minimum reliability of Cronbach alpha is 0,60.

Table 2 AVE

Variable	AVE	Explanation
Leader-Member Exchange	0.715	Valid
Employees Emotions	0.611	Valid
Employees Behavior	0.590	Valid
Job Performance	0,720	Valid

Table 3 Reliability Test

Variable	Composite Reliability	Explanation
Leader-Member Exchange	0.922	Reliable
Employee Behavior	0,893	Reliable
Job Performance	0,907	Reliable
Employee Emotions	0,900	Reliable

Table 4 Cronbach Alpha

Variable	Cronbach Alpha	Explanation
Employees Behavior	0.855	Reliable
Employees Emotions	0,866	Reliable

Job Performance	0,862	Reliable
Leader-Member Exchange	0,894	Reliable

Discriminant Validity

Fornell-Larker, the variable forming the diagonal of the number must be greater than the one in it.

	Employees Behavior	Employees Emotions	Job Performance	Leader-Member Exchange
Employees Behavior	0.768			
Employees Emotions	0.731	0.781		
Job Performance	0.792	0.712	0.849	
Leader-Member Exchange	0.690	0.618	0.520	0.846

Picture 2. Fornell-Larker Criterion

R square

The main evaluation criteria in the structural model are R square and the significance of the path coefficient. The use of PLS SEM is oriented to predict and explain the variance of endogenous latent variables, so that the target level of the R square construct must be greater. However, the assessment of a high R square level depends on the particular research discipline. Based on (Chin, 1998), 0,67 show that the model are strong, 0,33 for moderate and weak for 0.19. the test results attached to table 5 cam ne seen that there has adjusted R square value of 42.8% for employees' behavior and 32.6% for employees' emotions. It can be said that employee's behavior and emotions are influenced by the job performance and the rest of the percentage is influenced by the other variables. Job performance's value is 15.5% were influence by the independent variable and its LMX.

Table 5 R square result

Variable	Adjusted R Square	Percentage
Employees Behavior	0,428	42.8%
Employees Emotions	0,326	32.6%
Job Performance	0.155	15.5%

GoF (Goodness of Fit) Index

This test can be seen from the GoF value itself. The high value of GoF can show how good the model can be. Weak GoF values are equal to >0.10, moderate GoF equal to >0,25 and string GoF value is equal to >0.36. Based on the calculation, the GoF in this study is 0.2459 and it can be said that the model is moderate (Ghozali & Hengky, 2012).

Table 6 GoF Index result

AVE	R *square*	Nilai GoF
0,659	0,303	0.2459

Result of Structural Model

A variable can be stated to have a significant relationship if it has a significance value at 5% (P value <0.05) or a t-statistic >1.96 (Jr et al., 2018). The table below shows the results of the significance of the relationship between employee's emotions, employees' behavior, job performance, and also leader-member exchange.

Table 7 Direct effect result

X →Y(Direct)	T-Statistics	P-Value	Explanation
LMX → Job Performance	0.854	0,394	H1: Declined
LMX → Employees Emotions	6,948	0,000	H2: Accepted
LMX → Employees Behavior	8,963	0,000	H3: Accepted
Employees Emotions → Job Performance	1,830	0,068	H4: Declined
Employees Behavior → Job Performance	4,404	0,000	H5: Accepted

Hypothesis 1: there is a significant effect between Leader-Member Exchange on Job Performance.

LMX through Job Performance's T-Statistics are 0.854 and P-Value are 0.394. Where LMX doesn't significant towards Job Performance. On previous research by (Dai et al., 2016) that LMX affects Job Performance like how the leader mistreat their employees badly, and it will affect their Job Performance. In this case, its not similar to the author's results, where the hypothesis is rejected because these variable show no significant effect on Job Performance. Therefore, the results of the authors research doesn't support the previous research.

Hypothesis 2: Leader-Member Exchange has a significant positive effect toward Employees' Emotions.

As the result, LMX through Employees Emotions' T-statistic are 6,948 and P-Value is 0,000. Based on the result, LMX does significant through Employees' Emotions. The results was the same as is tested by (Fatima et al., 2020; Little et al., 2016) where you need mood to do things properly, so that is why, when some of the employees doesn't have a good mood, it will interrupt the progress and result.

Hypothesis 3: Leader-Member Exchange has a significant positive effect toward Employees' Behavior.

LMX through Employees' Behavior's T-statistic are 8,963 and it P-Value is 0,000. People's attitudes also affect their behavior in organizations. Attitudes reflect our beliefs and feelings about specific ideas, situations, or other people. A satisfied employee tends to be absent less often, to be a good organizational citizen and stay with the organization (Rutgers University, 2008). Based on the result, this hypothesis is accepted because LMX does has significant effect towards Employees' Behavior.

Hypothesis 4: Employees' Emotions has a significant positive effect toward Job Performance.

Employees' Emotions through Job Performance's T-statistic are 1,830 nad it P-Value's are 0,068 which mean Employees' Emotions doesn't significant towards Job Performance. On previous research by (Men & Yue, 2019; Veri et al., 2019), employee's emotions does significant positive towards job performance, because from employee's emotions, it progress will affect it results. Companies should establish good relationship with employees to improve on satisfactions. So in this case, its not similar to the author's result. Therefore the result of the author's research doesn't support the previous research.

Hypothesis 5: Employees' Behavior has a significant positive effect toward Job Performance.

Employee's Behavior through Job Performance's T-statistic are 4,404 and it P-Values is 0,000. Leaders must be aware of that job satisfaction consists of many dimensions, and each of these dimensions is important to maintain storage. Adopting a professional practice model can increase awareness of loss components in practice and determine the source of the decrease in overall satisfaction (Veri et al., 2019). Based on the result, employees' behavior does significant towards their job performance. Therefore, it support the previous research.

Table 8 Specific indirect effects result

In smart PLS has included the result of calculating the effect of indirect effect which is useful in analyzing the strength of the relationship between variable mediator and the other variables. The t-statistic value must be more than 1.96 and p-values should be less than 0.05 (Masduqi & Nugroho, 2018)

Variable	T-Statistics	P-Values	Explanation
LMX -> Employees' Behavior -> Job Performance	1.968	0,049	Significant Positive
LMX -> Employees' Emotions -> Job Performance	2,438	0.015	Significant Positive

Hypothesis 6: where LMX moderated by Employees' Behavior through Job Performance it P-Values are 0.049 and T-statistic are 1,968. It meets the standards and it has been proved significant. Its significant positive and its been proved that employee's behavior has supported this indirect effect.

Hypothesis 7: LMX moderated by Emoployees' Emotions through Job Performance has a significant positive effect, where it P-values is 0,015 and it T-statistics are 2,438. It has been proved significant and employee's emotions has supported this indirect effect.

CONCLUSION

Last but not least, this research occurs in the order to know that the Effect of Leader-Member Exchange on Job Performance moderated by Employees' Emotions and Employees' Behavior on Banking Industries in Batam. All the variable shows it has positive and also negative significancy between the variable, some of the conclusions that the author can summarize are:

1. Leader-Member Exchange is where there's a diversity between leaders favorites employees and their less favorite employees. Where leaders would treat their less favorite employees badly, and treat their favorite employees nicely, maybe we can call it favoritism. Job performance is a means to reach a goal or set of goals within a job, so when it turns out their job performance are good, they will slightly felt satisfied.

2. As we know, emotions are very vulnerable things. It can make things go easier or more difficult. Most of the people didn't aware about their emotions. So when things went wrong, of course emotions will affected anything that they are doing at that time. Same things goes to employees behavior. Well behavior is an action by members of an organization. So, if one of the employee is acting bad or poor, it will affect their team work.

3. Through this research, Leader-Member Exchange has no significant effect through Job Performance where its slightly different from the previous research. But on specific indirect effect, Leader-Member Exchange through Job Performance and were moderated by Employees' Emotions and behavior show significancy. So, when employees get discriminate by their own leader, it will affect their emotions or behavior. So that, it affects their performance, their job can't be done as they were ask, or even didn't meet the standard or criteria.

4. Although leader-member exchange doesn't affect job performance directly, but slowly it affects their job performance through employee's emotions and behavior. When employees keep getting bad job performance, it has to be questioned. It can start from, retrain the employee, and maybe we can ask the problem that they're facing at that time. Most important thing is, we can get the right leader for the company. Because, survival of a company, it depends on it human resources.

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