Influence of Organizational Exchange Relationship on Motivation: Mediating Effect of Positive Psychological Capital and Self-enhancement Bias

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Abstract. In this study, we expected that motivation is set as an important factor that helps creative contribution of members which is demanded by firms. To search factors that can induce indirect creative contribution of members, the influence of relationship between members and relationship with leaders on motivation through positive psychological capital and self-enhancement bias of members was to be checked. As result of the first result, LMX has positive influence on positive psychological capital and can reduce self-enhancement bias of members. Positive psychological capita has positive influence on the motive of members, but it was found that self-enhancement bias has no statistically significant influence. And results of mediation effect verification implies that positive psychological capital is a significant factor in the relationship between LMX and MMX between colleagues, but it was found that self-enhancement bias does not have mediation effect between MMX and colleagues although it promotes motivation between LMX and colleagues.

Keywords: LMX, MMX, Positive Psychological Capital, Self-enhancement Bias

1 Introduction

In this study, factors influencing motivation are checked to have the purpose to find factors in which members can indirectly perform creative contribution. Specifically, the influence of relationship between members and leaders on motivation with positive psychological capital and self-enhancement bias as moderating variables was to be checked. This is because strategies of various firms to secure flexibility can have direct influence on the perceived relationship with leaders of members and relationship between members. Also, positive psychological capital that is asserted in recent positive psychology is defined as positive recognition state toward accomplishments and success that an individual has (Luthans, 2002) in which it can be assessed as an important factor to relieve mental fatigue of members from change. For the results of this study, factors that can cause motivation, especially how relationship
with leaders and relationship with members are applied through individual positive psychological capital and self-enhancement bias, are looked into. It was expected to provide clues to establish various strategies in firm aspects. The influence of degree of positive psychological capital and self-enhancement bias of members in these relationships is checked to expect application in employment, assignment, and educational exercise.

2 Theoretical Background

LMX theory is based on role formation theory and social exchange theory in which leadership is actualized through formation of unique role following mutual exchange between leader-members (Kim et al., 2007). Thus, LMX means sharing responsibility of quality of exchange relationship between leaders and members (Kim et al., 2007). Therefore, LMX can become an important factor expressing motivation in an organization. In this point of view, responsibility can be shared through formation of unique roles also in mutual relationship between members and there is high possibility that motivation can be expressed through quality of exchange relationship between members.

Self-enhancement bias was researched from the social perception theory in which it is a type of positive illusion (Taylor & Brown, 1988) meaning the tendency of assessing oneself higher than others. As suggested in research by Yang (2014), the reason this study has interest in self-enhancement bias is because many organizations in our country still do not have positive perspective on self-enhancement bias.

Motivation is the mental status that allows constant and special behavior in special situations that people experience and is defined as an attitude to complete a corresponding job positively (Parsons & Broadbridge, 2006).

3 Research Design & Data

In this perspective, there is high possibility that positive perception on leader-member exchange (LMX) and member-member exchange (MMX) can cause motivation of members.

Meanwhile, positive LMX and MMX can both be approached in social exchange perspective in which positive exchange relationship occurs by obligation of goodwill from subjects who have received goodwill when one subject provides good will to another (Cole et al., 2002). Therefore, it can be expected that positive exchange relationship between leader-member and member-member can increase positive psychological capital.

However, self-enhancement bias has high possibility to have ambivalence. That is because LMX or MMX can increase self-enhancement bias and have positive influence on motivation as Robin & Beer (2001) claimed, but self-enhancement bias can be a completely different perspective from relationship or motivation in individual aspect and because positive relationship with leaders and colleagues can become a factor that blocks self-enhancement bias.

Based on the theoretical background as shown above, the following research model and hypotheses were established.
4 Results

Surveys were conducted subject to members of 7 firms affiliated to the same association to perform this research in which a total of 289 valid answer papers were gained to be used in analysis. Regarding gender of respondents, 250 subjects were male (86.5%) and 39 subjects were female (13.5%). 178 subjects were married (61.6%) 109 subjects were single (37.7%), and 2 subjects did not reply (0.7%). Regarding age, average age of all respondents was 34.93 years old (standard deviation of 5.97), average age of male subjects was 35.96 years old (standard deviation of 5.50), and average age of female subjects was 28.33 years old (standard deviation of 4.52). For average monthly income, 2~3 million won showed most respondents with 146 subjects (50.5%), and 1.5~2 million won and 3~4 million won each showed 48 subjects (16.6%).

As result of analysis, LMX had positive influence to positive psychological capital (β = .295, p < .01) and negative influence to self-enhancement bias (β = -.297, p < .01). Therefore, hypotheses 1 and 2 were both selected. Meanwhile, MMX showed positive influence to positive psychological capital (β = .319, p < .01) and no influence to self-enhancement bias (β = .055, p = .347). Therefore, hypothesis 3 was selected, but hypothesis 4 was rejected.

Positive psychological capital (β = .575, p < .01) showed to have strong positive influence on motivation but had no statistically significant influence on self-enhancement bias (β = .021, p = .736). Therefore, hypothesis 5 was selected but hypothesis 6 was rejected.

Result of the 3 step mediation regression analysis by Baron & Kenny (1986) to verify mediating effect are shown in Table 1. As shown in Table 1, LMX and PPC and SEB between colleagues all showed partial mediation in which hypothesis 7 and hypothesis 8 were both selected. Meanwhile, MMX and PPC between colleagues were not statistically significant in step 1 and step 3 in which mediation effect was not found. Therefore, hypothesis 9 was selected and hypothesis 10 was rejected.
Table 1. Results of mediation effects

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Mediating variable</th>
<th>Step</th>
<th>Result (β)</th>
<th>$R^2$</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LMX</strong></td>
<td>PPC (H7)</td>
<td>1(β₁)</td>
<td>.295**</td>
<td>.362</td>
<td>22.815***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2(β₂)</td>
<td>.332**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3(β₁,IV)</td>
<td>.178**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3(β₄,MV)</td>
<td>.521**</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SEB</strong></td>
<td>PPC (H8)</td>
<td>1(β₁)</td>
<td>-.297**</td>
<td>.156</td>
<td>7.434***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2(β₂)</td>
<td>.332**</td>
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<tr>
<td></td>
<td></td>
<td>3(β₁,IV)</td>
<td>.372**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3(β₄,MV)</td>
<td>.134*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MMX</strong></td>
<td>PPC (H9)</td>
<td>1(β₁)</td>
<td>.319**</td>
<td>.382</td>
<td>24.862***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2(β₂)</td>
<td>.394**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td>3(β₁,IV)</td>
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<td></td>
<td></td>
<td>3(β₄,MV)</td>
<td>.496***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SEB (H₁₀)</td>
<td>1(β₁)</td>
<td><strong>.055</strong></td>
<td>.186</td>
<td>9.196***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2(β₂)</td>
<td>.394**</td>
<td></td>
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<td>3(β₁,IV)</td>
<td>.394**</td>
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<tr>
<td></td>
<td></td>
<td>3(β₄,MV)</td>
<td>-<strong>.002</strong></td>
<td></td>
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</tr>
</tbody>
</table>

Note) *, p<.05, ** p<.01, *** p<.001, Dependent variable (DV) is motivation, and we proposed three-step results of $R^2$ and F-value.

5 Conclusions

As result of the first result, LMX has positive influence on positive psychological capital and can reduce self-enhancement bias of members. It was found that MMX has positive influence on positive psychological capital and that there was no influence on self-enhancement bias of members.

Looking into this result, positive relationship not only promotes positive psychological capital of members, but also has relation to the tendency of individualism of members in organizations in our country that has strong collectivism tendency in which it is expected that self-enhancement bias can be reduced. Therefore, motivation of members can be caused by providing various programs that can establish positive relationship with leaders in firm perspective and the establishment of systems that can induce good competition between members is required. Meanwhile, it was found that positive relationship between members may be in a separate perspective from self-enhancement bias. Thus, it means that self-enhancement
bias is distinguished by personal tendency regardless of positive relationship between members.

And, positive psychological capital has positive influence on the motive of members, but it was found that self-enhancement bias has no statistically significant influence. Hobfoll (2002) asserted the psychological resource theory and said that sustainable competitive dominance of firms is based on firm-specific resources and competence that are difficult for other firms to imitate. In this perspective, positive psychological capital which is a superordinate critical factor composed of multi-dimensional factors such as self-efficacy, hope, resilience, and optimism has positive influence on motivation.

Lastly, results of mediation effect verification implies that positive psychological capital is a significant factor in the relationship between LMX and MMX between colleagues, but it was found that self-enhancement bias does not have mediation effect between MMX and colleagues although it promotes motivation between LMX and colleagues. Therefore as asserted above, plans to increase positive psychological capital of members must be considered, but cautious selection is required for self-enhancement bias as it has ambivalence.

References