

**Research Article**

# The Effect of Servant Leadership on Employee Performance as Mediated by Leader-Member Exchange and Organizational Citizenship Behavior

**Kartono\***, Margono Setiawan, Sunaryo, Wahdiyati Moko,

Management Department, Brawijaya University, Malang, Indonesia

**Abstract.**

This study aimed to determine the role of leader-member exchanges and organizational citizenship behavior as mediating variables in the relationship between servant leadership and employee performance. Data were analyzed using Structural Equation Modeling (SEM). The results of this study demonstrated that servant leadership, leader-member exchange and organizational citizenship behavior had positive and significant effects on employee performance. Also, servant leadership positively and significantly affected leader-member exchange. Additionally, servant leadership had a positive and significant effect on organizational citizenship behavior. The indirect impact of servant leadership on employee performance through leader-member exchange was significant. Lastly, the indirect effect of servant leadership on employee performance through organizational citizenship behavior was significant.

**Keywords:** Servant Leadership, Leader Member Exchange, Organizational Citizenship Behavior, Employee performance, PT. Bank Artha Graha Internasional Tbk.

Corresponding Author: Kartono;  
 email: kartonokartono2023@  
 yahoo.com

**Published** 26 May 2023

**Publishing services provided by**  
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Selection and Peer-review under the responsibility of the ICASI Conference Committee.

## 1. Introduction

According to the Gallup method, [1], leadership is one of the factors that makes employees feel at home, attached to the organization and perform better. Servant leadership is one of the solutions to leadership in a corporate transformation period. Organizations wishing to have a management change in a meaningful way must start with a basic understanding of servant leadership and then apply it in many other approaches, [1]. Employee performance is expected to increase by showing servant leadership. States that servant leadership affects employee performance and contributes to organizational performance, [2]. Servant leadership views a leader as a role model in ensuring direction and standards of excellence and giving employees autonomy in their work, [3]. Servant

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leadership demonstrates strong service attitudes and actions, provides opportunities for employees to learn good service behavior, [4] and [5].

In the present study, we examine the effect of leader member exchange on employee performance at PT. Bank Artha Graha Internasional Tbk. Theoretically, LMX can affect employee job performance, [6]; [7] and [8]. Research conducted by [7] found that leader member exchange has a positive impact on employee performance and employee engagement as well as a mediator between the two. However, other study found that leader member exchange is unable to improve employee performance, [9].

In addition to leader member exchange, researchers want to see the role of organizational citizenship behavior on employee performance at PT. Bank Artha Graha Internasional Tbk. In this case, employees at PT. Bank Artha Graha Internasional Tbk were given more work than the assigned duties, both at PT Bank Artha Graha Internasional and at the Artha Graha Cares Foundation. According to [9] there is an evidence that organizations with employees with good Organizational Citizenship Behavior have a positive impact on employee performance.

As a contemporary concept, it is interesting to study how servant leadership can exert a significant influence and contribution on organizational performance. This is important for achieving the goals of an organization, especially at PT Bank Artha Graha Internasional Tbk. In addition, this study also explains the role of two mediating variables, namely leader member exchange and organizational citizenship behavior in the relationship between servant leadership and organizational performance.

## 2. Literature review and hypotheses development

### 2.1. Servant leadership

Servant leadership discusses both aspects of the leader and follower, addresses the needs of followers in the decision-making process and stimulates the contributions of followers, thereby enabling the leader to meet challenges in the modern organization era. The servant leader assumes that having a service attitude and acting as a servant to others is their area of responsibility, [10]; [11].

In the present study, we use 12 characteristics of servant leadership from [12], where the 12 characteristics of servant leadership were found in the characteristics of servant leadership derived [12], such as love, empowerment, humility and trust, characteristics

of servant leadership by Spears (1998), such as listening, characteristics of servant leadership by [13] such as service, empowerment, trust, and humility, characteristics of servant leadership by [14] such as integrity, humility and caring for others, characteristics of servant leadership by Laub (1999:308) such as the value of people and serve others' needs before their own, characteristics of servant leadership by [15].

## 2.2. Leader Member Exchange

Leader member exchange is a method of two-way communication between leaders who maintain relationships with their followers, [16]. [17] on the other hand, describes LMX as a behavior related to work, respect, understanding and insight into leadership, mutual loyalty, and mutual empathy. Combining the abovementioned theories, we can conclude that the meaning of LMX is through friendliness, contribution to others, mutual loyalty and personal respect.

We used the concept of [17] as the indicator of leadership member exchange. First is affect, which directs the closeness of one's relationship with another. This relationship is not related to social status and is formed because of the relationship between followers and their superiors. Second, loyalty, defined as support given from everyone, both workers and leaders. Third is contribution. Employee contributions are guided by the perception that the attitudes or actions of other people also relate to everyone in the organization. Fourth is professional respect. Professional respect refers to respecting or admiring the work of others.

## 2.3. Organizational Citizenship Behaviour

Organizational Citizenship Behavior (OCB) is employee performance that go beyond the work that has been assigned but are carried out as desired, and are recognized by an official reward system that will increase the effectiveness of the organization, [18] in [8]; [19]. According to [18]. Organizational Citizenship Behavior (OCB) has five dimensions. First, altruism, voluntary behavior to help others in an organization outside the scope of the duties of an employee, [19]. Second, conscientiousness, an act that exceed organizational expectations and personal contributions to the organization, rather than certain individuals or groups, [19]. Third, sportsmanship where employees are reluctant to complain and raise problems, [14]. Fourth, courtesy, a polite behavior

that helps avoid problems with co-workers [20]. Fifth, civic virtue is described as an act of active involvement, participation, and interest in organizational functions [14].

## 2.4. Employee performance

Employee performance is defined as the value of a set of participating employee behaviors, both negative and positive in forming organizational goals, [14]. Employee performance according to [21] consists of several dimensions. First, quantity of work, explains the extent to which the amount of work produced by a person or group is a basic requirement for work. Second, quality of work. All employees must be able to complete certain requirements in order to meet the standard quality of work. Third, punctuality. Certain types of work must be completed within a specified time. Fourth, presence. There are several assignments that require the employee's presence to carry out the work according to the time set by management. Lastly, cooperation ability. There are some jobs that unable to be done by just one individual. Specific types of work can only be carried out by several employees and require cooperation between employees.

## 3. Methods

This research was conducted at a private bank named PT Bank Artha Graha International Tbk in Jakarta, Bogor, Depok, Tangerang and Bekasi areas. The population in this study includes all employees consisting of 1,165 individuals. The research use the simple random sampling method in which the researcher offers each employee the opportunity to be randomly selected regardless of strata or position in the population. The number of respondents is 298 employees using the Slovin formula with a sampling error tolerance of 5%, [22].

The demographics of the respondents are: Gender: 47.7% male and 52.3% female. For education level: high school education is 5.4%, diploma is 1.7%, bachelor is 84.9% and for masters is 8%. Respondents aged under 35 years were 52.6%, respondents aged between 35 and 45 years were 30.9% and respondents aged over 45 years were 16.4%. Meanwhile, the working experience of respondents under 1 year was 13.4%, between 1 year and 5 years was 22.8%, the working experience of respondents between 5 years and above 15 years was 63.8%.

This research analysis technique was carried out using the Partial Least Square (PLS) method. We used SmartPLS version 3 software. PLS is one of the methods for solving Structural Equation Modeling (SEM). SEM is an analytical technique used to test a complex set.

Based on the conceptual framework, the research hypotheses are:

1. Servant leadership has a positive and significant effect on employee performance
2. Servant leadership has a positive and significant effect on leader member exchanges.
3. Servant leadership has a positive and significant effect on organizational citizenship behavior.
4. Leader member exchange has a positive and significant effect on employee performance.
5. Organizational citizenship behavior (OCB) has a positive and significant effect on employee performance.
6. Servant leadership through leader member exchange has a positive and significant impact on employee performance.
7. Servant leadership through organizational citizenship behavior (OCB) has a positive and significant impact on employee performance.

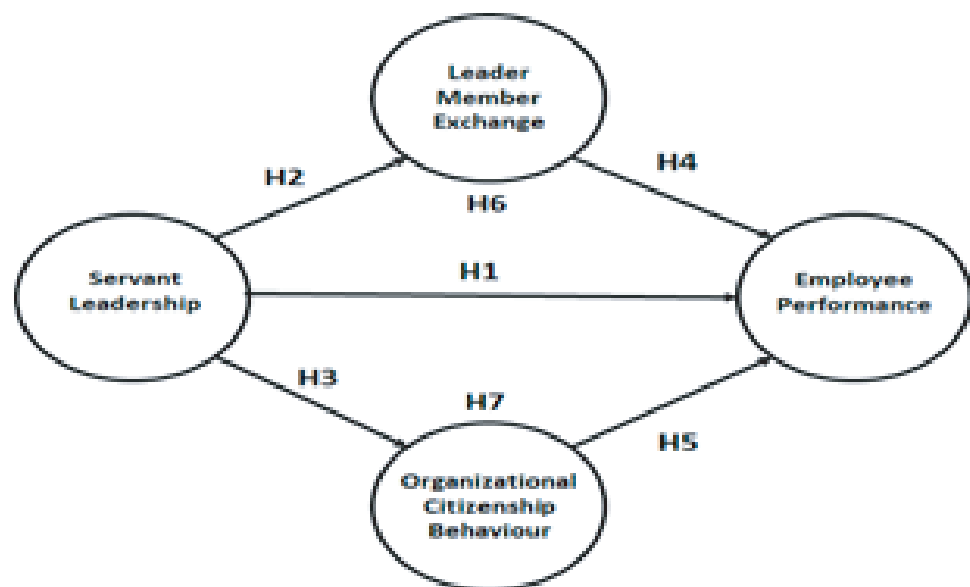


Figure 1: Conceptual Framework.

## 4. Results

### 4.1. Descriptive analysis

Descriptive analysis of the average answer score for each variable concluded that the total average score for each variable was in the range of 3.83 to 3.97 and was included in the high category.

### 4.2. Instrument Testing

Instrument testing is based on the validity and reliability aspects of each construct. The reliability measurement model refers to Cronbach Alpha and Composite Reliability, [22]. Table 2 shows the Cronbach Alpha ( $\alpha$ ) and Composite Reliability (CR) values are greater (>) than 0.70. [23] states that these values indicate that each variable studied in this study is considered quite reliable.

The results of instrument testing are illustrated in the Table 1.

TABLE 1: The results of validity and reliability tests.

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Servant Leadership	0.964	0.967	0.607
Leader Member Exchange	0.934	0.946	0.685
Organizational Citizenship Behavior	0.960	0.965	0.713
Employee Performance	0.951	0.958	0.695

Source: Processed primary data, November 2022

In testing the convergent validity of the measurement model, the average variance extracted (AVE) value must be above 0.50. From the table above it can be seen that the AVE of each variable meets the requirements > 0.50.

Table 1 shows that the value of Cronbach's alpha and composite reliability for each variable are above 0.70, which means that each of the indicators meets the predetermined criteria for Cronbach's alpha and composite reliability.

If each construct has a greater number than the correlation between the construct and the other constructs, it can be inferred that it meets the Fornell-Lacker discriminant validity requirements.

TABLE 2: The results of discriminant validity test.

	SL	LMX	OCB	EP
Servant Leadership	<b>0.779</b>			
Leader Member Exchange	0.459	<b>0.827</b>		
Organizational Citizenship Behavior	0.357	0.504	<b>0.844</b>	
Employee Performance	0.550	0.495	0.428	<b>0.834</b>

Source: Processed primary data, November 2022

### 4.3. Structural Model Analysis (inner Model)

#### 1. R-Square value

R-Square is used to predict whether the model is in a good or bad category. The R-Square criteria, [22], namely:  $R^2$  value = 0.75 (strong);  $R^2$  value = 0.50 (moderate); -  $R^2$  value = 0.25 (weak). The test results are described in Table 3.

TABLE 3: R Square and R Square Adjusted.

	R Square	R Square Adjusted
Leader Member Exchange	0.210	0.208
Organizational Citizenship Behavior	0.127	0.125
Employee Performance	0.399	0.393

Source: Processed primary data, November 2022

The Leader Member Exchange variable has an  $R^2$  value of 0.210, which means that 21.0% of the variations can be explained by the Servant Leadership variable while the remaining 79.0% is explained by other variables outside the variables used in the study, the  $R^2$  value of 0.210 is included in Weak category.

The Organizational Citizenship Behavior variable has an  $R^2$  value of 0.127, which means that 12.7% of the variations can be explained by the Servant Leadership variable while the remaining 87.3% is explained by other variables outside the variables used in the study. The  $R^2$  value of 0.127 is included in the Weak category.

The Employee Performance variable has an  $R^2$  value of 0.399, which means that 39.9% of the variations can be explained by the Servant Leadership, Leader Member Exchange and Organizational Citizenship Behavior variables, while the remaining 60.1% is explained by other variables outside the variables used in the study. The  $R^2$  value of 0.399 is included in the moderate category.

#### 2) F-Square value

F-Square is used to assess the relative impact of exogenous variables on endogenous variables. The  $R^2$  value changes when the exogenous variable is removed from the model so that it can evaluate the committed variable. F-Square criteria as revealed by [20], where:  $0.02 \leq F^2 < 0.15$  = small effect;  $0.15 \leq F^2 < 0.35$  = moderate effect; and  $F^2 \geq 0.35$  = strong influence. Based on the test results, the  $F^2$  value of each relationship is obtained as follows:

1. Variable SL → Performance, the value of  $F^2 = 0.186$  (moderate category)
2. Variable SL → LMX, the value of  $F^2 = 0.266$  (medium category)
3. Variable SL → OCB, the value of  $F^2 = 0.146$  (medium category)
4. Variable LMX → Performance, the value of  $F^2 = 0.059$  (small category)
5. Variable OCB → Performance, the value of  $F^2 = 0.037$  (small category)

**3) VIF (Inner)**

Based on the test results, the VIF value of each variable is obtained as follows:

TABLE 4: VIF Inner Results.

	LMX	OCB	EP
Servant Leadership	1.000	1.000	1.301
Leader Member Exchange			1.522
Organizational Citizenship Behavior			1.378

To see the existence of multicollinearity and the absence of bias in the indicators, the value of VIF must be lower than 5. The Table 4 shows the values of VIF which illustrates that indicators for all variables have VIF values  $< 5$ . It can be concluded that there are no issues of bias and multicollinearity.

**4) Direct and indirect effects**

The direct effect test is intended to examine the hypothesis of the direct effect of exogenous variables on endogenous variables, [22]. If the p-value  $\leq 0.05$  then it is significant. In contrast, if the p-value  $> 0.05$ , it is not significant. The threshold for  $t_{statistics}$  is  $\pm 1.65$  and the p-value limit is  $\leq 0.05$ .

The results are demonstrated in Figure 2 and Table 5 below.

Based on Table 5, it is concluded that all of the seven hypotheses proposed are supported or accepted. The research hypotheses are accepted because the t-statistic value is  $> 1.96$  and the p-value is  $\leq 0.05$ .





Figure 2: Bootstrapping Results (Inner Model).

TABLE 5: Direct and Indirect Effects.

Effects	Path Coefecien	T Statistics	P Values	Status
SL-> LMX	0.459	6.673	0.000	Sig
SL -> OCB	0.357	4.691	0.000	Sig
SL -> Performance	0.381	6.484	0.000	Sig
LMX-> Performance	0.232	3.296	0.000	Sig
OCB -> Performance	0.175	2.700	0.003	Sig
SL-> LMX-> Performance	0.106	2.905	0.002	Sig
SL-> OCB-> Performance	0.062	2.197	0.014	Sig

## 5. Discussion

Servant leadership influences motivation and encourage others to contribute to the effectiveness and success of the organization, [2], [24] stated that servant leadership has a positive and significant impact on the level of employee performance. In line with that, research conducted by [8] states that servant leadership influences employee performance.

Leadership Member Exchange can affect employee job performance, [6]; [4]; [11]. According to research conducted by [12] it is stated that servant leadership has an effect on leader member exchanges. [25] argued that leadership behavior plays an

important role in influencing organizational citizenship behavior. Vondey (2010) showed that servant leadership is linked with organizational citizenship behavior. Ehrhar. Also found that there is a significant positive relationship between servant leadership and organizational citizenship behavior, [14]

It was revealed that leader member exchange can influence employee performance, [26]; [27]; [28]; [29]. Meanwhile [30] explained in his research results that organizational citizenship behavior (OCB) has a significant effect on employee performance.

[31] and [24]; [6] stated that servant leadership has an effect on LMX. Meanwhile, according to [32]; [6]. LMX has a positive impact on employee performance and employee engagement as well as an intermediary between the two. Thus, in this study we found that there is an effect of servant leadership on employee performance through leader member exchange, [33]; [20]; [25] and [14] explains that organizational citizenship behavior has an indirect effect on servant leadership on employee performance significantly.

## 6. Conclusion and Recommendation

### 6.1. Conclusion

Servant leadership has a positive and significant direct effect on employee performance. The coefficient is 0.381, which means that an increase in one unit of servant leadership will increase employee performance by 38.1%. Servant leadership has a direct, positive and significant effect on leader member exchanges. The coefficient is 0.459, which means that an increase in one unit of servant leadership will increase the leader member exchange by 45.9%. Servant leadership has a positive and significant direct effect on organizational citizenship behavior. The coefficient is 0.357, which means that an increase in one unit of servant leadership will increase organizational citizenship behavior by 35.7%.

Leader member exchange has a direct positive and significant effect on employee performance. The coefficient is 0.232, which means that an increase in one unit of leader member exchange will increase employee performance by 23.2%. Organizational citizenship behavior has a positive and significant direct effect on employee performance. The coefficient is 0.175, which means that an increase in one unit of leader member exchange will increase employee performance by 17.5%. The indirect effect of servant

leadership on employee performance through leader member exchange is significant. The coefficient is 0.106, which means that an increase in one servant leadership unit will increase employee performance through leader member exchange by 10.6%.

The indirect effect of servant leadership on employee performance through organizational citizenship behavior is significant. The coefficient is 0.062, which means that an increase in one servant leadership unit will increase employee performance through leader member exchange by 6.2%.

## 6.2. Recommendation

In improving employee performance, PT Bank Artha Graha Internasional Tbk must pay attention to the importance of servant leadership so that it is maintained properly in order to improve employee performance within PT. Bank Artha Graha Internasional Tbk. because the servant leadership leadership model plays a very important role in improving employee performance well within PT Bank Artha Graha International Tbk, especially the Jakarta, Bogor, Depok, Tangerang and Bekasi Branches.

The results of this study also show that leader member exchange and organizational citizenship behavior can strengthen the relationship between servant leadership and employee performance. In other words, there is a positive indirect effect of servant leadership on employee performance. Therefore, PT Bank Artha Graha Internasional Tbk. must pay attention to leader member exchange, and organizational citizenship behavior within PT Bank Artha Graha Internasional Tbk because these factors strengthen the servant leadership relationship so that it will increase employee performance at PT Bank Artha Graha International Tbk.

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