

Employees' Perception towards Pygmalion-Oriented Leaders and Leader-Member Exchange in Commercial Banks

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Abstract

Pygmalion-oriented leaders and Leaders Member Exchange (LMX) are the essential antecedents of employees' perception in an organisation, but they are less examined in prior research. Thus, this study examines the employees' view of Pygmalion-oriented leaders and LMX as it might pose a dyadic presentation. This study followed the positivist epistemology. A descriptive and causal research design has been used in this study. One hundred forty employees from commercial banks participated in this study. Responses were collected using a convenience sampling method. The study used correlation and regression to study the Pygmalion effect and LMX impact in shaping employees' perceptions.

The findings of the study postulate that the Pygmalion-oriented leader and positive LMX have a significant impact on shaping the employees' perception. The findings of the study show that the Pygmalion effect and Leader Member Exchange has a considerable impact upon shaping the employees' perception. This study's findings apply to the Nepalese context, specifically in the banking sector and the banking and financial institutions (BFIs) of Nepal. This study is imperative for accentuating the role of the Pygmalion effect and the essence of LMX in managing the BFIs and other big institutions of Nepal.

INTRODUCTION AND STUDY OBJECTIVES

The importance of leadership in an organisation cannot be overstated when

it comes to developing a vision mission, setting goals, developing strategies, plans, and methods to accomplish those goals effectively and efficiently, as well as managing and coordinating internal

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operations (Al Khajeh, 2018; Akparep et al., 2019). Leadership efficiency is imperative in lifting the morale and the performance of employees and the firm. Work environments are also constantly changing in the paradigm-shifting world, where leadership orientation and leadership styles significantly impact the performance of the employees. Soch and Aggarwal (2013) indicated that when workers are content with their employers, they are more productive and more inclined to go above and beyond the call of duty for the company. The orientation of leadership has a pivotal role in a firm's operation. The orientation of the leadership has a huge role on shaping employees' perception towards the leader.

The rightful origins of normative expectations are leaders. For several reasons, their expectations may influence how a person views their function at work. Employees are also accepting leader expectations because roles for relationship members are framed or defined by the duties of social exchange interactions, which are grounded in each party's ideas about what the other party expects, and because doing so fosters and sustains positive social exchange relationships with the leaders (Duan et al., 2016; McAllister et al., 2007). From a Pygmalion viewpoint, management studies have demonstrated the favourable impacts of manager expectancy on worker performance and production (Carmeli & Schaubroeck, 2007; Farmer et al., 2003; Qu et al., 2015; Tierney & Farmer, 2004, 2011). Pygmalion effect suggests

that rising management expectations for subordinate performance result in improved subordinate efficiency. Subordinates perform better under the direction of managers who hold them to higher standards (Eden, 1992).

Duan et al. (2016) postulated that the positive expectations from leaders might not be sufficient to start a Pygmalion process since employees actively choose whether to accept or reject expectations from them (e.g., Karakowsky et al., 2012; Sutton & Woodman, 1989; White & Locke, 2000). Thus, it is imperative to understand the employees' take on the view of Pygmalion-oriented leaders as it might pose a dyadic presentation which can be better understood through the implication of the Leader-member exchange (LMX) between the leaders and the followers when striving to study the impacts of the Pygmalion effect on the subordinates.

Moreover, the leadership style also dramatically influences the innovativeness and the employee's perception towards the managers. While transactional leadership harms worker intrapreneurial behaviour, transformational leadership shows a favourable one (Moriano et al., 2011). Evidence shows that the transformational leaders and Pygmalion's orientation are related (Eden, 1992; White & Locke, 2000). According to theories of transformational leadership, high expectations from leaders are crucial for inspiring followers. These leaders may successfully leverage the Pygmalion effect to help create a more productive

leadership environment (Duan et al., 2016; Eden, 1992; Podsakoff et al., 1990). However, this study mainly focuses on the Pygmalion effect and its varying implications on the employees' perception.

The fundamental idea of the LMX theory is that different followers and leaders develop connections of differing quality (Regts et al., 2018). Variations in LMX ratings indicate the actual variations in the connections that leaders have with their followers and the variations in the followers' assessments of the quality of their relationships (Schyns et al., 2008). As a sort of employee interaction, the relationship involving leaders and staff has a "double-edged sword" impact on worker performance (Wang, 2023).

Though the impact of Pygmalion effect on Eastern cultures is less evident, the Pygmalion effect has been observed in Western societies (Duan et al., 2016). Thus, it is imperative to study the relationship between Pygmalion-oriented leaders and the resulting employees' perception of the leader in the Nepalese context. Moreover, the studies investigating the impact of LMX on employees' perception is also less evident in the Nepalese context. Furthermore, it is imperative for the leaders to recognize the impact of their expectation and positive LMX upon its employees in order to develop strategies and fulfilling organizational goals. Therefore, this study aims to investigate the precedents of Pygmalion effect and LMX on the Nepalese Commercial Bank employees.

LITERATURE REVIEW

Theoretical review

The Pygmalion effect, which was put out by Rosenthal and Jacobson in 1968, states that people's expectations of others can affect how well they perform. This impact infers that managers with high expectations for their staff members might indirectly improve their performance and potential. The Pygmalion effect has been used for a long time as a vivid, intellectual reminder of the effectiveness of supervisory expectations in raising subordinate performance (Karakowsky et al., 2012). Employees saw supervisors with greater expectations for employee innovation as acting more positively towards it (Tierney & Farmer, 2004).

As a social exchange, the leader's excellent connections exchange creates duties inside the workforce and favourable feelings towards the organisation (Khan et al., 2022). Based on the LMX idea, followers' attitudes and behaviours at work are influenced by how their managers treat them. When leaders treat their followers well, they feel bound to return the favour by working hard to help their leader (Buch et al., 2016; Graen & Uhl-Bien, 1995; Blau, 1964).

Pygmalion Effect and Employees' Perception

The employees who have a Pygmalion oriented leader are more considerate towards the needs and the fulfilment of the leaders' expectations, so they are partly motivated to establish an excellent social exchange relationship between

them (Duan et al., 2016; Qu et al., 2015; van Knippenberg, et al., 2004). Results imply that expectations significantly impact how well people behave at work. Expectations, nevertheless, cannot always have favourable outcomes (Leung & Sy, 2018). Contrary to popular belief, the process by which a supervisor's expectations are converted into improvements to subordinate behaviour is substantially more complex (Sutton & Woodman, 1989). Previous studies on the Pygmalion effect indicate that followers' perceived expectations of leaders may differ from the leaders' real expectations (Duan et al., 2016; Karakowsky et al., 2012). Prior empirical evidence showed that the Pygmalion effect had a substantial negative correlation with transactional leadership style, with a positive correlation with transformational leadership style (Raiz et al., 2017). The researchers assume that the Pygmalion effect significantly impacts the employee's perception of the leaders. Therefore, the first hypothesis is as follows:

H₁: The Pygmalion effect positively influences the employees' perception.

Leader-Member Exchange and Employees' Perception

The existing research on LMX is based on social exchange theory (Blau, 1964), which suggests that in high-LMX relationships, leaders may demand higher performance standards and greater levels of aid from subordinates in return for their resources and support (Karakowsky et al., 2012). Organisations need to reevaluate and revise their current

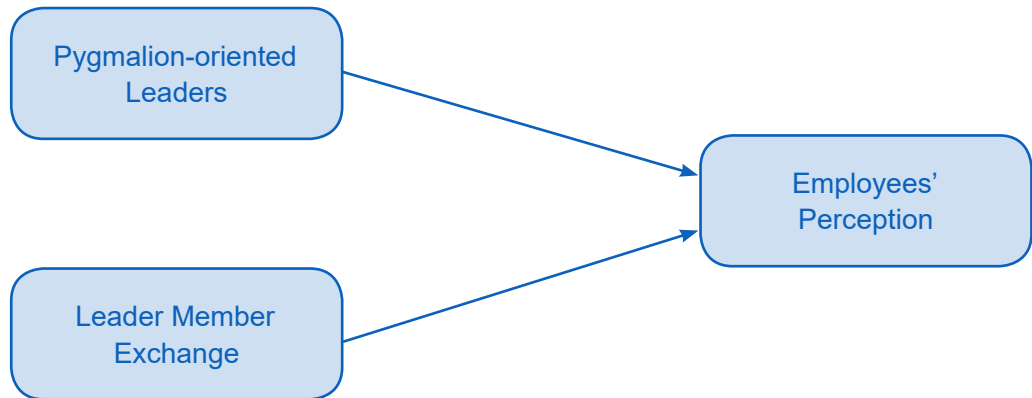
employee-related regulations to ensure that they promote workers and give them a fair opportunity to build positive interpersonal relationships with their immediate supervisors and alongside their peer groups. The strength of these relationships has significant effects on both the individual and organisational levels (Aggarwal et al., 2020). Research demonstrates that workers in high-quality LMX partnerships experience more chances for professional development and demanding tasks than those in low-quality partnerships (Bezuijen et al., 2009; Liden et al., 1997) and also have rapid progression in their careers (Bezuijen et al., 2009; Wakabayashi et al., 1988). A high-quality LMX connection, or a relationship based on trust, respect, and duty between a leader and follower, is represented by a pleasant, socially and emotionally charged environment (Bezuijen et al., 2009; Graen & Uhl-Bien, 1995). Thus, the effect of LMX is posited to be vital for studying the Pygmalion orientation. Therefore, the second hypothesis is as follows:

H₂: Leader-member exchange positively influences the employees' perception.

RESEARCH METHODS

The research methods applied in the study is the post positivist epistemology for fulfilling our research objectives. This study was based on a descriptive and causal research design as the study concerns unravelling the cause-and-effect relationship between Pygmalion-oriented leaders, LMX, and employees'

Research Framework



perceptions. The sample taken for the study was 140, and 150 questionnaires were collected; however, ten were invalid. Hence, the study's total sample was 140 bankers from Nepal's diverse commercial banking sector. As per Cohen's power tables, the required sample for regression analysis is $N \geq 104 +$, which is the number of predictors (Green, 1991). In this study, there are two predictors. Hence, the required minimum sample for this study is $104+2=106$. Therefore, 140 samples were sufficient to do this study. The questionnaire was designed with an 11-item scale, comprising a 4-item scale for measuring the LMX and Pygmalion effect each. Similarly, a 3-time scale measuring tool was used to measure the employees' perception variable. Each item scale contains a 4 Likert scale rating (forced Likert scale rating) ranging from 1= "Strongly Disagree," 2= "Disagree," 3= "Agree," and 4= "Strongly Agree." Neutral responses are controversial (Garland, 1991; Albaum, 1997); hence, these kinds of responses were withheld to prevent confusion (Inamori & Analoui, 2010).

To understand the employees' perception towards the leaders, the questions exclude branch managers, whereas, in the head office, the study has excluded the CEO. This assumption has been made because the employees in the branches have their immediate leader as their branch manager and don't have any close tie-ups with the CEO, who generally resides in the head office only. The final 140 responses were analysed using the Statistical Packages for Social Sciences (SPSS). In this study, the tools used for the analysis were descriptive statistics, Multicollinearity statistics, Pearson correlation test, and regression analysis.

DATA ANALYSIS AND DISCUSSION

Table 1 pertains to the varying demographics of bankers taken into study where the age groups of 20-30 were prominent and male employees were prominent. Moreover, the 6 to 10 years of job experience had the most weight in our study. Furthermore, the public bank had the highest weightage

in our research as ten public banks operate in Nepal, seven joint venture banks, and three government-owned banks.

Descriptive Statistics

LMX and Pygmalion effect were measured by 4-item scales, respectively. In addition, the employees' perception was measured by the 3-item scale. The descriptive statistics containing the mean and the standard deviation for each item are presented in Table 2.

This study aims to understand the Pygmalion process in leadership, whether it has been applicable to Nepalese leaders, and what impact it has made on employees. For the Pygmalion

effect variable item scales, all four scales have a mean value above 3, which pertains to a high rating in each scale and hence is agreed by the respondent. The standard deviation below 0.6 also posits that there is less deviation in the respondents' agreeableness. Similarly, for the LMX, except for LMX 2, the remaining three scales have a mean value above 3, which again posits that most people agree with LMX. Finally, for the employees' perception variable, only the EP1 item scale has a mean value above 3, whereas the remaining two variables have a mean value of 2.65 and 2.36 for EP2 and EP3, respectively.

The correlation coefficients suggest that both dimensions positively affect

Table 1
Respondent Characteristics (N=140)

Variable	No. of Respondents	Percent
Gender		
Male	78	55.7
Female	62	44.3
Year of Experience		
1 to 5	70	50
6 to 10	37	26.4
11 to 15	20	14.3
Above 15	13	9.3
Age		
20-30	57	40.7
31-40	55	39.3
41-50	20	14.3
over 50	8	5.7
Bank type		
Govt. owned	16	11.4
Public	99	70.7
Joint Venture	25	17.9

Note: Survey, 2024

Table 2
Descriptive Statistics

Items	Mean	S.D
PY1: My Leader gave me more faith in my ability to be creative	3.14	0.56
PY2: Does your leader recognize your potential?	3.22	0.52
PY3: My leader felt proud of the work and results I had achieved	3.11	0.52
PY4: My leader expects me to set innovative goals	3.29	0.54
LMX1: My leader expects me to speak honestly with colleagues in different areas	3.34	0.62
LMX2: If I were to make a genuine error, my leader would stand up for me in front of other employees	2.87	0.75
LMX3: My leader treats me with consideration and respect	3.18	0.53
LMX4: My leader focuses on good communication between his/her employees.	3.25	0.59
EP1: The success of my leader is my success	3.24	0.57
EP2: When someone discredits my leaders, I take it personally as an insult.	2.65	0.70
EP3: If one of my coworkers raised criticisms about the firm and its members, the majority of other employees would either join or silently show agreement.	2.36	0.69
Valid N (listwise)	140	

Note: Survey, 2024

Table 3
Collinearity Statistics

Model	Tolerance	VIF
Pygmalion Effect	0.654	1.528
Leader-Member Exchange	0.654	1.528

a Dependent Variable: Employees' Perception

employees' perceptions. However, testing the correlation coefficients is not enough to test multicollinearity (Gujarati et al., 2012). Therefore, Tolerance factors and VIF tests were conducted to ascertain collinearity. Hair et al. (1998) mentioned that the VIF level below ten posits that there is no issue of multicollinearity. However, in Table 3, the VIF is less than two, and the tolerance level is more than 0.50; therefore, this study confirms no multicollinearity problem.

As seen in Table 4, the reliability results were that all the alpha values were greater than 0.60, with a minimum threshold of 0.60 alpha values (Carmeli, 2005; Gautam & Basnet, 2021). Hence, there is no issue of internal consistency reliability in this study. The descriptive analysis shows that the Pygmalion effect had the highest mean, 3.191, with a standard deviation of 0.425, which indicates that respondents were more positive toward the Pygmalion effect than LMX.

Table 4
Mean, Standard Deviation, Correlation, and Cronbach's Alpha

	Mean	Std. Deviation	Pygmalion Effect	LMX	
Pygmalion effect	3.191	0.425	(0.76)		
LMX	3.161	0.433	0.588**	(0.63)	
Employees' Perception	2.750	0.412	0.405**	375**	(0.61)

** Correlation is significant at the 0.01 level (2-tailed).

Table 5
Summary of Hypotheses Testing Results

Coefficients	Standardized Coefficients		t	Sig.	F	Sig	R2
	B	Std. Error					
(Constant)		0.265	4.707	0.000	16.368	0.000	0.193
Pygmalion effect	0.282	0.092	2.974	0.003			
LMX	0.209	0.09	2.206	0.029			

Moreover, the general reaction to LXM and employees' perceptions was positive.

According to [Schober et al. \(2018\)](#), a correlation coefficient of 0.4-0.69 has a moderate degree of correlation between variables, and 0.1-0.39 is considered to have a weak degree of correlation. Table 4 shows a positive relationship between each variable and the other while studying the employees' perceptions of the Pygmalion effect and LMX. Moreover, in Table 4, the correlation coefficient between LMX and employees' perception is 0.375, which shows the weak correlation between variables. The correlation coefficient of the Pygmalion effect and employees' perception is 0.405, showing a moderate degree of positive correlation between variables. Furthermore, the correlation coefficient between Pygmalion-oriented leaders and LMX is 0.588, showing a moderate

degree of positive correlation and indicating no multicollinearity problem.

In Table 5, the ANOVA (F value) shows that the model is significant and fit ($F=16.368$, $p<0.001$). Moreover, the R^2 is 0.193, indicating that the Pygmalion effect and LMX explain 19.3 percent of the variance of employees' perceptions. Furthermore, the standardized beta coefficient of the Pygmalion effect is 0.282, revealing that for each unit increase in the Pygmalion effect, employees' perception is predicted to increase by 0.282 units. Similarly, the beta coefficient of LMX is 0.209, which shows that for each unit increase in LMX, employees' perception is predicted to increase by 0.209 units.

The Pygmalion effect is positively and significantly associated with employees' perception (Standardized $\beta=0.282$, $p<0.05$). Hence, hypothesis 1 is accepted. Like-

wise, Table 5 reveals that LMX significantly positively affects employees' perception (Standardized $\beta=0.209$, $p<0.05$). Therefore, hypothesis 2 is accepted.

Discussion: This study shows that a Pygmalion-oriented leader positively and significantly affects employee perceptions. Therefore, the findings are consistent with other researchers' findings (Duan et al., 2016; Kark et al., 2003). Duan et al. (2016) mention that the employees were more responsive to the Pygmalion process when there was a high personal identification with the leaders, i.e., the employees' perception towards the leaders. As per our study, the Pygmalion process depends on the employees' perception. Employees with a higher level of personal identification with a transformative leader are likely to be less proactive and more passive, according to research by Kark et al. (2003), which found that personal identification with a transformational leader enhances employees' dependency on the leader.

Moreover, as per the Duan et al. (2016) findings, the dependence of Pygmalion oriented leaders and employees' perception can be seen. It posits that the employees have an active role in the Pygmalion process, and the leader's solo aim and practice are ineffective in achieving the desired outcome of the Pygmalion process. Therefore, the Pygmalion process has played a part in shaping the employees' perception of its leaders.

The findings of this study suggest that LMX has a positive and significant influence on employee perceptions. The

finding of this study is aligned with the findings of Gestner and Day (1997) and Buch et al. (2016). Results indicate that the Pygmalion process is incomplete without adequately articulating those expectations and visions with the followers. The LMX can have a far-reaching impact on the organisational process. Employees in high LMX conditions had higher levels of satisfaction with their supervisors and their work, more organisational commitment, more role clarity, better job performance, and higher member competence than those in low LMX relationships, according to a meta-analysis by Gerstner and Day (1997). Additionally, there was less role conflict and less intention to leave the workforce (Bezuijen et al. 2009). The fundamental ideas behind these favourable results, in our opinion, are social exchange (Blau, 1964) and reciprocity (Gouldner, 1960; Settoon et al., 1996; Uhl-Bien & Maslyn, 2003; Wayne et al., 1997).

In our study, including LMX in the Pygmalion process can have fruitful consequences in the organisational workforce. When leaders have expectations and visions for their followers in a vacuum without consideration and communication, those efforts may be in vain. The leader should articulate those visions and expectations with their followers, which should be specific, measurable, achievable, realistic, and within the time-bound, often abbreviated as SMART goals (Bailey, 2017).

The perception of the followers also plays an active role in the identification of the leaders, and the leaders aim for the expected results and the activities of

their employees. Thus, the employees' perception of the leaders' orientation will significantly impact leveraging from a specific orientation endorsed for a desired outcome.

CONCLUSION AND IMPLICATIONS

This study tries to unravel the intricacies of the Pygmalion process and the degree of affection of the employees towards their leaders, which can have a consequential impact on shaping the employees' perceptions. The findings of our study confirm our initial forecasts that both the Pygmalion effect and Leader-Member exchange will positively impact the employees' perception. The positive correlation between each variable and the regression coefficients also shows the dependence of the Pygmalion process and LMX on employees' perceptions. The leader must articulate the vision and expectations set to the followers to leverage the Pygmalion process in the organizational workforce. Leader's expectations of their employees will create a supportive environment for them, encouraging them to achieve organizational and individual goals. Out of reciprocity, the followers will try to accomplish those expectations perceived as benchmarks by employees. Thus, the employees will have a sense of the leader's guardianship of themselves and develop a positive perception towards them. A good leader-member exchange helps build a communal relationship within the organizational workplace, and the followers will have a sense of belonging towards their leader. Thus, this

aids in creating a positive perception of employees toward their leader. This study provides the baseline for future research to be conducted under the Pygmalion process domain in the Nepalese context.

As mentioned by [White and Locke \(2001\)](#), the Pygmalion effect may not be due to just the actions and behaviours of the leaders but rather to an interaction between the leader and the followers. Therefore, crucial variables that will impact followers' internalisation of leaders' expectations include followers' attitudes towards, trust in, and fondness for their leaders. These elements will affect how followers understand and absorb expectations from their leaders and will influence the Pygmalion effect's development ([Duan et al., 2016](#)). The above study will be applied in organizational places where the hierarchy of management is well defined, as well as in organisations with a small number of employees. The above study contributes to understanding the intricacies of the leadership styles in the organisational places. The Pygmalion process has been thought to be less practiced in the eastern part of the world and more dominant in the western part of the world; however, our study confirms that leaders intentionally or unintentionally have been practicing the Pygmalion process in the organizational workplaces for leveraging better outcomes from employees through positive personal identification with each employee.

The data were collected in such a way that it represented the commercial banks of Nepal. Thus, the findings of our study only confer with the commercial banks of

Nepal. However, the domains of this study are yet to be known in other industries of Nepal. Hence, future researchers might select other sectors to generalize the findings of this study. Moreover, the data were collected by administering the questionnaires with the managers' permission as per our convenience. Thus, future studies can be conducted considering other sampling techniques to validate the findings of this study.

Further, this study embarks on the initializing phase of accentuating the Pygmalion process in the organizational workforce in Nepal. This study has introduced the Pygmalion process findings in the Nepalese scenario;

however, detailed research is yet to be conducted to gain a holistic understanding of the Pygmalion process in Nepal. All the responses were collected from the same source, i.e., considering the employees' views only. However, there might be a risk of common-method bias because a considerable fraction of the leader's intention towards the Pygmalion effect and LMX phenomenon is missing. Thus, to mitigate the risk of common method bias, leaders can also participate in future surveys to validate our study's findings. In addition, this study was conducted in a cross-sectional study. However, future research might be performed under a longitudinal study to get the accuracy and validate our study's findings.

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Conflict of interest

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