Research on the impact of LMX leadership theory on mutual trust and organisational commitment of employees in Bosnia and Herzegovina

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Abstract: The paper presents the theoretical foundations of leadership based on the LMX exchange leader-member theory which essentially involves leadership process where a continuous and creative interaction between leaders and followers is at the centre of attention, during which the leader, among other things, affects the degree of mutual trust and organisational commitment and the quality of relationships in his/her organisation, which actually has a direct impact on organisational performances, effectiveness of the organisation's business and its market positioning.

Also, the paper presents the results of research conducted in organisations in Bosnia and Herzegovina, which undoubtedly point to the fact that the dimensions of leadership based on the LMX exchange leader-member theory, is strongly correlated with the dimensions of mutual trust and organisational commitment, and to have a significant positive impact on them, and therefore on organisational performances and effectiveness of business organisations that were included in this study.

1. Introduction and theoretical basis
Leadership as a term has first appeared in non-economic social theories. Regardless of which leadership it is about, political or business, Gardner has defined six characteristics of leadership: story (a leader must have a central story or a message to a large heterogeneous groups), audience (listeners to whom a message is transmitted), organisation (necessary institutions through which the leadership messages are forwarded to the audience), the embodiment (creator of the message should not be in contradiction with its message), address (can be directly to the audience as the political leaders do it, or indirectly through a certain product, as business leaders do), skills (a high degree of expert knowledge in their work or credibility in their life) [1]. Since the last years the business leadership is in the focus of scientific interest, the works will, in the context of the application of leadership competencies in management, deal precisely with business leadership, that in the shortest may be defined as conducting the entire organisation or one of its organisational units.

Despite the large number of different approaches to leadership that are recently studied using various quantitative and qualitative methods, leadership in the research literature is generally defined as a complex and multidimensional process that can significantly improve organisational performances regardless of the sector in which the organisations operate, what is its size, what kind of structure, etc. In this context, there are many theories that explain the complexity of the leadership process [2-5].

Bass suggests that some definitions observe leadership as a centre of group processes with a leader at the centre who creates, initiates, and through the process implements positive change. In the second group
of definitions of leadership are those whose leadership are viewed from the aspect of personality, defining it as a combination of special features and characteristics that an individual (manager) who controls certain processes or leads a certain group of people, possesses. By the same author, there are those definitions of leadership that are observed in terms of skills, which emphasise certain knowledge and skills that provide effective leadership and achieving better individual and organisational performance for managers, and consequently improve operating results [2].

Essentially, regardless of the many definitions, as a key component of leadership the following may be set up: (a) leadership is a process, (b) through leadership the influence is achieved, (c) leadership occurs in the context of the group, (d) leadership is assumed to achieve objectives [6]. In this context, the most appropriate definition of leadership is that leadership is a process in which the individual realises the impact on the group to achieve a common goal [6].

Some authors emphasise that in the process of leadership leaders and followers are involved together, because for that process to be successful, leaders need followers and vice versa, followers need leaders [7-10], despite this strong correlation, leaders are still those who create and promote the establishment of relation, good conditions for communication as a key prerequisite for effective leadership and take care of the maintenance of these relations. The leader knows that all employees want to develop as a person through their work, to develop and use their talents and skills, to achieve operating results and achievements that will be recognised [11], while the job does not only involve job performance, but also active interaction with colleagues, managers, respect of the rules and policies of the organisation, achieving standards of work performance, etc.

If the task of the leaders would be showed as a quite a simplified method, it might have been said that it is reflected in two key things, situation assessment and taking action. However, in the business world there is a clear distinction between leaders and managers.

So, managers and leaders are very different [12]. The leader is the person who takes responsibility (planning and implementing the vision he/she believes in) and that coordinates the activities of people in their efforts to achieve the goal [13]. According to most experts in this field, the leadership has a more important role than the standard managerial control, simply because the conduct is the static form of determining the direction of movement of the organisation, and leadership necessarily has a dynamic form of movement toward a goal that can be defined as the dynamic change in order to achieve greater market competitiveness [14].

Also, skilful leaders can properly predict future needs and empower others to share and implement the vision [15]. Benis states that effective leaders have four common characteristics: provide guidance and set objectives and targets, create trust in the environment, take the risk and communicate effectively [16].

It is noteworthy that despite the great importance and expansion of the study of leadership as a science in the last three decades in the countries of the region (Western Balkan), conducted research on the topic of leadership is very rare, which is why this paper will focus on leadership as a process in which leader managers generate specific interaction with employees and thus transmit to them all the necessary knowledge, motivating them to achieve better business results.

Bearing in mind the variety of models and styles of leadership, four basic types of leader behaviour can be identified: supportive, participatory, directive and charismatic, whereby the effectiveness of each type is conditioned by situational factors of nature, mainly by the characteristics of tasks, organisation and employees [17].

1.1. From traditional managerial control to management and effective leadership

The essence of effective leadership, but also of management, is the relationship to the people as the holders of all business processes in the organisation. It is therefore essential that modern managers who aspire to become leaders, place precisely this resource (people) in the centre of their activities and to strive to keep away from the traditional approach to human resources as much as possible, which is based on strict rules, procedures and controls, and to creatively develop modern guidance.

Leadership is a process of directing the behaviour of others toward the realisation of a goal, which implies that the central idea is keeping things done through people [18]. For the successful conduct, an
important prerequisite is to exercise a certain influence on others, which is the main item that determines how to be a successful manager [19]. Today's guidance, thanks to incredible opportunities that are achieved due to improvements in communication technology and the expansion of international business, is more important than ever before [20]. To lead is not the same as to manage. Although some managers are leaders, and some leaders are managers, leadership and management are not the same [21], because owning management skills is no longer enough for the survival of managers in the business world. Namely, management consists of a rational assessment of the situation and of systematic choosing the goals and objectives (what to do), systematic strategy development to achieve these objectives, the allocation of the necessary resources, the rational design, organisation, directing and controlling the activities required to achieve a chosen purpose, and finally, motivating and rewarding people to do the job well [22].

In fact, by the combination of management and leadership, the ability of calculated and logical access to organisational processes (management), and genuine concern for workers as human beings (leadership) are sought [23]. Successful leaders generally have the following characteristics: they are intelligent, including the ability to assess and expression, they are communicative, emotionally mature and stable, and they are persistent, motivated for constant achievements, ambitious, yet modest, etc.

Modern theorists of management and managers are more likely to say that people are not born leaders, but are being trained, or in other words, leaders are made, not born [24]. A crucial factor in the successful conduct is the leadership style, which actually involves the behaviour of leaders while directing members of the organisation in the right direction [25]. In the past few decades, five leadership styles that match the increasingly dynamic global business environment appeared [26]:

1. **Transformational leadership**, which encourages the success of the organisation constantly creating positive change and strongly influencing the belief of its followers in what an organisation actually needs to be, and their system of values, such as justice and fairness [27].

2. **Training** is a leadership style by which manager gives instructions to his/her subordinates on how to overcome specific organisational challenges that they need to deal with [28]. **Super-leading** implies teaching followers how to think independently and act constructively and independently [29]. The goal of super-leading is to create followers who need a little guidance, or who need minimal attention in the process of performing work.

3. **Servant leaders**, is the approach (style) in which the leader considers that his/her primary role is helping subordinates looking to gain their personal needs, aspirations and interests [30]. Generally speaking, the servant leaders think that their main task is to take care of human resources of the organisation [31].

4. **Entrepreneurial leadership** is based on the view that the leader is an entrepreneur. These leaders are behaving as if their role in the organisation is the key role, and not a side, ready to take risks, approach to any error as it is very important and not insignificant, and as such will neutralise the normal functioning of the organisation [32].

Most researchers agree that the two concepts (management and leadership) nevertheless differ, because the prevailing management function is to provide order and consistency in the organisation, while the primary function of leadership is to induce positive changes and shifts [33]. By the same author, management is engaged in establishing peace and stability, and leadership is in search of adaptive and structural changes. On the other hand, if the organisation has a strong leadership without management, the outcome may be insignificant and meaningless, that is, misguided change for the sake of change [33]. To be effective, organisations must have competent management and skilled leaders, because the managers manage, and leaders influence the people taking them through the execution of their tasks.

The next chapter shows, according to the authors, one of the most interesting theories of leadership through which the influence on followers is exerted.

1.2. **LMX leadership theory of measuring the quality of the leader-member relations**

LMX theory (Leader-member exchange theory) is among the most widely researched theories of leadership [34]. LMX theory measures the quality of the relationship and trust between leaders - member
In the leader-member exchange theory (LMX) leadership is defined as a process in which the interaction between leaders and followers. This theory was first presented by Dansereau, Graen and The Hague [36], Graen and Cashman [37] and Graen [38]. After it was first released, it has undergone several revisions and it remains equally interesting for researchers who study the process of leadership. In this theory, special attention is paid to what was the connection between the quality of the exchange in relation to the leader-member and the positive results for leaders, followers (subordinate employees), groups and organisations in general [39]. The researchers have found that high-quality leader-member exchange results in smaller departure of employees, higher grade of performance, desirable work assignments, better (positive) attitude towards work, greater attention and support of leaders, prominent participation and faster career progression over a period of 25 years [39-40].

High quality of LMX implies mutual support, mutual trust, respect, exchange of formal and informal rewards, loyalty, connectivity and sense of obligation to their superior [41], [39]. High quality of LMX is an upgrade which goes beyond what is stipulated in the employment contract. Low quality of LMX is characterised by lack of trust and support, poor relationships, low trust and organisational commitment. It is purely an economic relationship that progresses no more than it is stipulated in the employment contract [42]. High quality of LMX brings many benefits for the organisation, and therefore it is good that the leaders have a high-quality relationship with a subordinate [43].

Because communication is a "bloodstream" of the organisation, communication skills are important competency for leaders, which is why it is advisable to constantly develop them in formal and informal communication which is a network that consists of a complete system of full flow of various information, orders, wishes and hints [44]. Leaders who succeed to develop their communication skills, among other things, take care of their subordinates easier and help them to do their jobs following their success, but through quality communication helps them to develop personally and professionally.

Numerous studies show that there is a strong, positive relationship between effective internal communications and business results and other organisational outcomes. For example, according to Garcia-Morales, Matias-Reche, Verdu-Jover [45], internal communication affects the technologically proactively, organisational learning and organisational innovation. References Andersen, Segars [46], Yates [47], show that the improvement of internal communication provides better financial results of the organisation. Similar to the above, a significant number of references confirms the influence of internal (as the most important leadership communication) on job satisfaction Kang [48], Schweitzer [49], which is certainly in close relation with the dimensions of mutual trust and organisational commitment. Open communication in the workplace increases productivity and impacts on employee satisfaction [50]. According to Beebe, Blaylock & Sweetser [51], good communication leads to an increase in satisfaction and motivation of employees. Reference DiFonzo & Bordie [52] points to the feedback; job dissatisfaction often has an impact on internal communication, and so on all the organisational performances including mutual trust and organisational commitment. Finally, a leader knows that organisational communication is directly related to the objectives, functions and structure of the organisation of people, and the organisation's success largely depends on the effectiveness of organisational communication [53].

2. Methodological item of research and used instruments

The questionnaire used for this study is designed to measure reliably and validly, the quality of labour relations and exchanges between leaders and followers, but is also designed so that leaders can use it for self-evaluation, as well as a good tool for training and developing their own leadership skills. Also, it offers answers to questions about the extent, scope and intensity of mutual trust and organisational commitment of employees. Thus designed questionnaire had the purpose to enable the measurement of the above parameters and their placement in mutual correlation, in order to determine the extent and intensity of the impact of LMX theory of leadership on mutual trust and organisational commitment of employees in organisations in Bosnia and Herzegovina covered by this study.

Leader-member exchange (LMX). In this study, to measure the quality of LMX, a LMX-7 questionnaire was applied, an instrument used to measure the degree of respect, trust and obligation
between leader - member. This instrument has seven items, and when assessing the respondents used a five-point Likert scales [39]. At the same time, LMX-7 is an instrument that is most commonly used in the LMX quality researches [54].

**Mutual trust at work.** Instrument Interpersonal trust at work [55] has 12 items and measures the faith in the purposes and confidence in the actions of colleagues and management through 4 dimensions.

**Organisational commitment** was measured by instrument of authors *Cook and Wall* [55]. The instrument has 9 items and measures the organisational identification, engagement and loyalty of employees.

Wishing to determine the individual effects of each item separately, as well as their mutual correlation with the intention of obtaining accurate results on the intensity and scope of influence of each item of LMX theory to each item of mutual trust and organisational commitment, the research has shown that this form and related items are not grouped in dimensions as it is normally done on a research that use those instruments.

### 2.1. Objectives, tasks and hypothesis of the research

The main reason why this research has been conducted was to obtain the relevant indicators and determine the extent to which leadership based on the LMX theory of developing better relations between leaders and subordinates have a positive impact on mutual trust and organisational commitment of all actors within the working processes.

The main objective of the study was to, by adequate analysis done on the basis of measurements, determine the extent to which the concept of LMX theory of leadership has an impact on the performances and effectiveness of business processes in organisations in Bosnia and Herzegovina.

The main task of the research was to, on the basis of determined values obtained from the questionnaire that was used during the research; establish and present to managers in which direction they need to go in the future, in order to gain additional competencies useful for achieving outstanding results in the process of creating better relations with their subordinates.

Research hypothesis. Taking into account theoretical foundations presented in the work and other researches in this area, it has been hypothesised that there is a positive correlation between the dimensions of leadership based on the LMX theory and mutual trust, and organisational commitment of employees. So, LMX has a significant positive impact on mutual trust at work and organisational commitment in organisations in Bosnia and Herzegovina.

### 2.2. Method and mode of work

This study was conducted in 103 business organisations from the private and public sector in Bosnia and Herzegovina during 2016. The study included 334 employees and mid-level managers who are directly related to the implementation of business processes. Research was preceded by the introductory explanation to managers about the purpose and significance of the research. To conduct the survey a method of scientific research, surveys and interviewing techniques, as well as an instrument in the form of questionnaires were used. The survey is anonymous, and the questionnaire, in addition to general information (gender, age, education degree, field of education, national origin, organisation and ownership structure), consisted of 19 questions. The questions covered a wide range of leadership based on the LMX theory, mutual trust and organisational commitment.

### 3. Research results

The research was conducted on a sample of N = 334 respondents. 184 (55.10%) were male and 150 (44.90%) were women. According to age, the subjects were divided into three age groups: younger managers (under 35 years of age), and there were 127 (38.02%) of them, managers of middle age (35 to 50), there were 124 (37.13%) of them, and managers of the older age (over 50 years) and there were 83 (24.85%) of them. Education degree of examinees is different, but most of the managers are with higher education, university education first cycle. There were 44 respondents (13.17%) with secondary school, 55 (16.47%) with higher education, 198 (59.28%) with university education (university education first cycle).
cycle), 24 (7.19%) masters (second cycle university education), and 13 (3.89%) Ph Ds. When it comes to fields of education, 97 (29.04%) of the respondents were educated in the field of natural sciences, 144 (43.11%) in the social sciences, and 93 (27.85%) in other areas of education. The structure of the organisation in which the subjects are engaged is also different. Of the 103 included organisations, 86 (83.50%) of organisations have Bosnian national origin, 17 (16.50%) have the other (mainly EU origin). 48 (46.60%) organisations have a private ownership structure, and 55 (53.40%) are under state ownership structure. 296 (88.62%) of respondents are employed in organisations of Bosnian national origin, 38 (11.38%) in the organisations of the European (EU) national origin. 185 (55.39%) of respondents are employed in organisations from the public sector, and 149 (44.61%) in the private sector organisations.

Descriptive statistics for the dimensions of leadership based on the LMX theory at the centre of which is the interaction between leaders and subordinates, during which special attention is paid to the quality of relationships (LMQ questionnaire), and the dimensions of mutual trust and organisational commitment, are shown in Table 1. In the same Table, among other things, are given the names of dimensions and a short name for each dimension, the mean value and standard deviation of dimensions. The independent variable is the level of LMX leadership shown in the table as short codes L1 to L7 (LMX short questionnaire consisting of 7 questions with possible responses ranging from 1 "very bad" to 5 "excellent"). The dependent variables are the dimensions or the achieved level of mutual trust, shown in the table as short codes IT1 to IT12 (a questionnaire with 12 questions and ratings ranging from 1 "strongly disagree" to 7 "strongly agree"), and the dimensions or the degree of organisational commitment, shown in the tables short codes OCM1 to OCM9 (questionnaire of 9 questions and answers in the range from 1 "strongly disagree" to 7 "strongly agree").

**Table 1.** Descriptive statistics

| Dimensions                                                                 | Short name | Min. | Max. | Arithmetic mean | Standard deviation |
|----------------------------------------------------------------------------|------------|------|------|-----------------|--------------------|
| The level of information about satisfaction or dissatisfaction of the manager with staff performance | L1         | 1    | 5    | 3.5239          | 1.03004            |
| The level of understanding the problems and needs of the working staff from the manager | L2         | 1    | 5    | 3.2275          | 1.07762            |
| The level of feeling that the manager understands the potential of employees | L3         | 1    | 5    | 3.3053          | 1.11615            |
| The level of readiness to use the power of the managers in the process of helping to solve labour problems during the work | L4         | 1    | 5    | 3.2485          | 1.13948            |
| The level of readiness of managers to "get out of the pulley" employee if he/she really needs help, even to their own detriment | L5         | 1    | 5    | 2.7095          | 1.20911            |
| The level of trust of employees in the decision of the manager, in order to defend them | L6         | 1    | 5    | 3.2874          | 1.04322            |
| Working relations’ efficiency of managers and employees | L7         | 1    | 5    | 3.3982          | 1.02526            |
| Sincere respect of opinions of employees by the management organisation | IT1        | 1    | 7    | 4.0748          | 1.80017            |
| Opinion of employees on the good future of the organisation and operation of managers | IT2        | 1    | 7    | 4.1676          | 1.90195            |
| The level of mutual assistance of colleagues in the event of difficulties in the workplace | IT3        | 1    | 7    | 4.6766          | 1.57025            |
| The level of belief that management has | IT4         | 1    | 7    | 4.2365          | 1.82928            |
made good decisions for the future of the organisation.
The level of belief that colleagues (people working with them) would help if necessary.
The level of belief that the leadership of the organisation is effectively doing its job.
The level of solid belief that the organisation will always be fair to employees.
The level of belief that the leadership of the organisation is effectively doing its job.
The level of reliance on its collaborators and the belief that most associates would do what is required of them.
The level of full confidence in the abilities and skills of its associates.
The level of belief that most associates would do their job, even when supervisors are not nearby.
The reliance on its collaborators to conscientiously do their job.
The level of belief that the leadership of the organisation does not deceive its employees.
The level of belief that most associates would do their job, even when supervisors are not near by.
The level of reliance on its collaborators to conscientiously do their job.
The level of belief that the leadership of the organisation does not deceive its employees.

| IT5  | 1  | 7  | 4.7335 | 1.54344 |
|------|----|----|--------|----------|
| IT6  | 1  | 7  | 4.1556 | 1.85665 |
| IT7  | 1  | 7  | 3.4251 | 2.01766 |
| IT8  | 1  | 7  | 4.6946 | 1.46105 |
| IT9  | 1  | 7  | 4.6946 | 1.48551 |
| IT10 | 1  | 7  | 4.5688 | 1.59382 |
| IT11 | 1  | 7  | 4.6616 | 1.57187 |
| IT12 | 1  | 7  | 4.3892 | 1.80539 |

| OCM1 | 1  | 7  | 4.6047 | 1.82560 |
|------|----|----|--------|----------|
| OCM2 | 1  | 7  | 4.2305 | 2.06591 |
| OCM3 | 1  | 7  | 5.3562 | 1.50534 |
| OCM4 | 1  | 7  | 3.2874 | 2.00180 |
| OCM5 | 1  | 7  | 4.4491 | 1.75755 |
| OCM6 | 1  | 7  | 5.4940 | 1.50223 |
| OCM7 | 1  | 7  | 3.4131 | 2.09316 |
| OCM8 | 1  | 7  | 4.4221 | 1.73938 |
| OCM9 | 1  | 7  | 5.2724 | 1.60910 |

Valid N = 334
Table 2 shows the results of correlation analysis: correlation dimension of leadership based on the LMX theory with centered quality of the relationship that is being implemented through the active interaction between leaders and subordinates (as the independent variable), with dimensions of mutual trust and organisational commitment as organisational outcomes of this process (as dependent variables). Results relate to the total sample of N = 334 respondents and Pearson correlation was used. Statistically significant correlations are marked as follows: *p<0.05, **p<0.01.

Table 2. Pearson's correlation coefficient between the dimensions of LMX leadership and dimension of mutual trust (IT) and organisational commitment (OCM)

| IT1 | IT2 | IT3 | IT4 | IT5 | IT6 | IT7 | IT8 | IT9 | IT10 | IT11 | IT12 |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|
| L1  | .463** | .378** | .259 | .446 | .317** | .468 | .392 | .294 | .242 | .118 | .160 | .428** |
| L2  | .649** | .607** | .358** | .609** | .401** | .649** | .535** | .372 | .340 | .206 | .237 | .612** |
| L3  | .679** | .622** | .375** | .591** | .433** | .602** | .566** | .391 | .372 | .273 | .297 | .594** |
| L4  | .574** | .517** | .409** | .542** | .425** | .585** | .550** | .331** | .284 | .206 | .248 | .524** |
| L5  | .683** | .578** | .436** | .585** | .488** | .642** | .660** | .436** | .378** | .331** | .337** | .591** |
| L6  | .679** | .649** | .411** | .676** | .458** | .696** | .625** | .412** | .386** | .259** | .336** | .663** |
| L7  | .628** | .569** | .377** | .613** | .434** | .627** | .615** | .376** | .330** | .217** | .293** | .606** |

4. Discussion
As demonstrated by the data presented in Table 1, which refer to the dimensions of leadership (LMX questionnaire), it is evident that the mean of the maximum dimension L1 has a level of knowledge about satisfaction or dissatisfaction of the manager with the work of employees, with an average of 3.5239. Other dimensions of leadership from this questionnaire have a uniform and relatively high average arithmetic mean as well, which suggests that managers in organisations that were included in this study, have quite a high level of qualities, skills and techniques, and that they use LMX leadership that prefers a strong interaction with subordinates and constantly improve the quality of relationships with them, which of course results in increasing the level of mutual trust and organisational commitment as the final outcome of the leadership process. This way they can adequately respond to the constant changes in the business environment, thereby increasing individual and organisational performances, and thus the competitiveness of its business organisations.

When it comes to dimensions of LMX leadership, it is evident that the mean of the smallest dimension of L5 has a level of readiness of managers to "get out of the pulley" employee if he/she really needed help, even to their own detriment, with an average of 2.7095, which suggests that managers included in this study should work on self-evaluation to additional education and training to improve their personal effectiveness in terms of the development of this dimension, which is in direct mutual-effect relationship with the dimensions of mutual trust, and that could seriously affect the motivation and job satisfaction, and reflect on the organisational commitment and the effectiveness of employees' performances.

As for the dimensions of mutual trust (IT) from the questionnaire on measuring the level of mutual trust, it is evident that the highest arithmetic mean has IT5, level of belief that colleagues (people working with them) would help if needed with an average 4.7335 which leads to the conclusion that the level of mutual trust between people who work together (co-workers, members of a team), is at the very high level, which can be understood as the result of a high level of quality of relationships within the team.
In this context it is important to note that the average arithmetic means of the other dimensions of mutual trust are balanced and at a relatively high level, except dimension IT7 (level of solid belief that the organisation will always be fair to employees), which has the lowest mean with the average of 3.4251 which is somewhat logical given the fact that the area in which the research was conducted (Bosnia and Herzegovina, the Western Balkans), is still in the transition process, and that the concept of market operations still has not been fully implemented, both in the state nor in private sector, which is why employees cannot be firmly convinced that in their organisation in the near future, there will not be some transitional changes that would inevitably bring the uncertainty of employees.

Finally, it is evident that the mean dimension of organisational commitment is quite high and balanced suggesting that organisational commitment is at a relatively high level. The highest mean of the dimension has OCM6 (level of giving its maximum in the workplace) with an average arithmetic mean 5.4640, and the smallest mean has the dimension OCM4 (level of commitment to the organisation even if the organisation does not make good financial standing), with an average arithmetic mean 3.2874.

Table 2 shows a statistically significant correlation dimensions of LMX leadership and dimensions of mutual trust and organisational commitment, thus confirming the hypothesis of the existence of the mentioned correlation which positively affects the effectiveness of business and organisational performance. Of dimensions of leadership, almost all dimensions have a strong correlation, which is actually logical, because leaders who aspire to provide good long-term individual and overall organisational performance for their organisation, place strong interaction processes in the centre of their attention, whose main task is to increase the quality of relations and thus mutual trust and organisational commitment of employees, emphasising their long-term positive impact for the organisation in the future.

Of dimensions of mutual trust (IT), a statistically significant and quite a balanced correlation have IT1 (sincere appreciation of employees’ opinions by the management of organisation), IT2 (opinion of employees on the good future of the organisation and work of the managers), and IT6 (level of belief that the leadership of the organisation is effectively doing its job), as opposed to, for example IT9 (level of full confidence in the abilities and skills of their associates) and IT10 (level of belief that most associates would do their job, even when supervisors are not nearby), who also have quite a balanced correlation, but with lower intensity, which is understandable because these dimensions of mutual trust, in addition to human resources, which are the focus of leaders, are largely influenced by other factors of the business environment, first of all unregulated market system of business, but also, generally speaking, unregulated society in which organisations covered by this research do business, which may result in irregular income of financial benefits (salaries), low standard of living, etc..

Also, from the obtained results shown in Table 2, it can be concluded that there is a positive correlation, which is statistically significant at the level **p<0.01 between dimensions of LMX leadership and dimension of mutual trust, particularly between:L3 (level of feeling that the manager understands the potential of employees) and IT1 (sincere appreciation of employees’ opinions by the management organisation); then between L5 (level of readiness of managers to "get out of the pulley" employee if he/she really needed help, even to their own detriment) and IT1 (sincere appreciation of employees' opinions by the management organisation); as well as between L5 (level of readiness of managers to "get out of the pulley" employee if he/she really needed help, even to their own detriment) and IT7 (level of solid belief that the organisation will always be fair to employees), and between L6 (level of confidence of employees in the decision of the managers, in order to defend them) and OCM1 (level of pride in what they do for their organisation), between L6 (level of confidence of employees in the decision of the managers, in order to defend them) and OCM5 (level of sense of belonging to the organisation).

On the basis of the above conclusions based on statistical correlations, it can be concluded that the dimensions of LMX leadership theory, based on continuous development of the quality of the relationship between leaders and followers, with continuous interaction and adequate channels of communication (skills and techniques) and good motivation, have a significant impact on dimensions of mutual trust and organisational commitment. On the other hand, these dimensions significantly affect the individual and organisational performances, the effectiveness of business processes and thus on the overall market position of the organisation.
Almost all correlations are statistically significant at the level **p <0.01.

5. Conclusion
The research confirmed the hypothesis that leadership based on LMX leader-member exchange theory has a strong and positive impact on interpersonal relations and organisational commitment in organisations that were included in this study. The article summarises the theoretical foundations as well as the results of this study and confirms previously known fact that the application of LMX leadership theory positively affects the results of the organisation, especially on performance, organisational commitment, the atmosphere at work, innovations, belonging to the organisation, giving jurisdiction, career advancement, and many other important organisational variables.

LMX theory warns that managers need to be aware of the way they treat their subordinates, and the desirability of developing a higher level of sensitivity to the needs of subordinates, as well as the need of faienabling for all employees to be adequately involved in the working process of their organisation in the most appropriate way. Also, the message of this theory is that managers need to continuously build relationships of trust and partnership with their subordinates.

So, this theory allows managers to assess their own leadership in terms of the quality of relationships with subordinates and allow them to be more responsive in working processes and thus enhance the effectiveness of their work units by building strong relationships with their subordinates. In this way, overall organisational performances are directly improving, which is why as a general conclusion of this study a statement arises on the need for continuous application of the elements of this leadership theory based on the process of interaction between leaders and subordinates, if they want to achieve better performance for their organisation, or generally better market position in an increasingly competitive and dynamic business environment.

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