

Leader-member exchange and organizational commitment improve social business performance through organizational citizenship behavior

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ABSTRACT

Across diverse economies, social enterprises have emerged as key drivers of sustainable development, adopting innovative business models to address social and economic challenges. As the importance of social business performance continues to grow, understanding the organizational factors that enhance such performance is essential. This study investigates the influence of leader-member exchange and organizational commitment on social business performance, with organizational citizenship behavior as a mediating variable. The research was conducted among micro, small, and medium enterprises supported by the Aisiyiah network in East Java, Indonesia, involving 146 respondents. Data were analyzed using structural equation modeling with partial least squares. The results reveal that leader-member exchange significantly affects social business performance, whereas organizational commitment shows a negative and non-significant effect, indicating that the hypothesized positive relationship is unsupported. Leader-member exchange also positively affects organizational citizenship behavior, while organizational commitment does not. Furthermore, organizational citizenship behavior significantly enhances social business performance and mediates the relationship between leader-member exchange and social business performance, but does not mediate the organizational commitment-social business performance link. These findings suggest leadership quality is more decisive than employee commitment in eliciting discretionary behaviors that improve social business outcomes. The study strengthens the relevance of social exchange theory in explaining leadership-behavior-performance dynamics in social enterprises. From a practical perspective, leaders and owners of social MSMEs should prioritize cultivating trust-based relationships and fostering organizational citizenship behavior through recognition systems, while aligning employee commitment with proactive contributions. Such strategies are vital for balancing financial sustainability with social value creation in emerging economies.

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1. Introduction

The emergence of social businesses as an alternative to conventional profit-oriented enterprises has drawn growing global attention, particularly in developing economies such as Indonesia. Social enterprises aim to address societal challenges through innovative business models that prioritize social impact over profit maximization. The contribution of micro, small, and medium-sized enterprises (MSMEs) to Indonesia is approximately 57.6% of the national gross domestic product, and they employ approximately 97% of the workers (Kurniasari et al., 2023; Rumijati & Hakim, 2023). The social enterprise sector has significant potential to drive inclusive and sustainable economic growth.

Over the past decade, more than 300,000 social enterprises have been recorded in Indonesia, reflecting significant momentum in this sector (Margiono & Feranita, 2021). These enterprises have become instrumental in bridging societal gaps, especially where government intervention falls short (Heriyati et al., 2024). Recent empirical evidence emphasizes the growing role of social entrepreneurship in driving innovation and sustainability, particularly in emerging economies. For instance, Zainol and Saraswati (2023) demonstrated that social entrepreneurship orientation, including innovativeness, proactiveness, and socialness, significantly contributes to sustainability performance among Indonesian social enterprises. Similarly, Bacq and Eddleston (2018) highlight how family and community embeddedness shapes the social mission of enterprises, while Nguyen et al. (2021) provide evidence from Vietnam on the broader socio-economic contributions of social enterprises to labor market outcomes. These insights reinforce the notion that innovation-driven and socially embedded entrepreneurship at the community level is vital for achieving inclusive development. However, despite their growing relevance, social enterprises face several critical challenges. These include balancing financial sustainability with social objectives, assessing and demonstrating social impact, and managing organizational effectiveness in data-scarce environments (Abramson & Billings, 2019; Iskandar et al., 2022). Social enterprises continue to encounter pressing challenges, including funding constraints, stakeholder coordination, political–legal uncertainties, and a lack of impact measurement tools (Iskandar et al., 2022; Margiono & Feranita, 2021). These complexities demand a deeper understanding of the internal behavioral and relational elements that affect the performance of social businesses.

Globally, social businesses are mixed organizations that blend financial sustainability with social missions. Their alignment with the United Nations' sustainable development goals, particularly poverty eradication and decent work, positions them as strategic agents of inclusive development (Littlewood & Holt, 2018; Oliński & Mioduszeński, 2022). However, they continue to struggle with resource scarcity, complex stakeholder expectations, and difficulties in measuring social impact due to a lack of standardization and context-specific tools (Cosa & Urban, 2023; Grange & Mäas, 2023).

In terms of business innovation, many social enterprises in Indonesia have adopted the social business model canvas and village-owned enterprise maturity models, which aim to capture both economic returns and social benefits (Umar et al., 2020; Wahyono et al., 2025). Empirical research has proven that technology adoption, business model innovation, and employee engagement are key internal drivers of social business performance (Iskandar et al., 2023; Wu & Cai, 2023). Externally, social capital, market orientation, and government support significantly shape organizational outcomes (Nakudom and Jitpakdee, 2020). These internal and external elements form a dynamic and complex system that influences financial success, depth, and breadth of social impact. Social performance is further enhanced when social enterprises engage in strategic corporate social responsibility practices, particularly those targeted at internal stakeholders, such as employees, which can reduce opportunistic behavior and foster cohesion (Nguyen et al., 2020). However, despite growing scholarly attention,

research on performance measurement in social businesses remains fragmented and lacks standardized frameworks, especially for MSMEs in Southeast Asia (Grange & Maas, 2023).

These complexities demand a more profound insight into the organizational behavior and relational mechanisms contributing to performance. Leadership plays a pivotal role in shaping these internal dynamics. In particular, the leader-member exchange (LMX) concept has been widely studied as a predictor of employee behavior and performance outcomes. Elevated levels of leader-member exchange are characterized by reciprocal trust, shared respect, and mutual commitment between leaders and followers, which may drive employees to exceed their formal job requirements (Mehmood et al., 2020). Studies have shown that leader-member exchange positively correlates with job satisfaction, commitment, and performance (Lee et al., 2018; Li et al., 2018; Tahir et al., 2023). However, this relationship is not universally consistent; some findings suggest that leader-member exchange alone may not sufficiently encourage prosocial behaviors, such as organizational citizenship behavior, unless mediated by deeper attitudinal variables, such as organizational commitment (Ibrahim et al., 2014).

Organizational commitment is related to an individual's sentimental ties and involvement, often reflected through dedication and loyalty. Due to limited formal rewards and structures, organizational commitment is crucial in MSMEs and social businesses (Surip et al., 2021; Rachman et al., 2022). Empirical evidence suggests that organizational commitment predicts job satisfaction and retention and may influence discretionary behaviors such as organizational citizenship behavior (Grego-Planer, 2019).

Organizational citizenship behavior is defined by Organ (1988) as voluntary behavior beyond formal role requirements, and is linked to innovation, productivity, and organizational efficiency (Liu et al., 2021; Wilhelm et al., 2022). It has been recognized as a means of mediation used by leadership to influence the organization's performance (Amalia et al., 2021; Santoso et al., 2022). These behaviors are especially critical to organizational success in social business settings where formal structures are often weak.

Despite its theoretical richness, the current literature reveals two key gaps. First, most leader-member exchange, organizational commitment, and organizational citizenship behavior models have been tested in corporate or public sector settings, with limited empirical work in social enterprises or MSMEs (Sutanto & Hendarto, 2020; Terpstra-Tong et al., 2020). Second, very few studies have examined these relationships in Southeast Asia, particularly in Indonesia, where contextual factors such as institutional support, cultural norms, and resource scarcity may alter the mechanisms between leader-member exchange, organizational commitment, organizational citizenship behavior, and business performance (Nguyen et al., 2021; Siregar et al., 2023; Hayati et al., 2024).

This study addresses these gaps by empirically testing a structural model that investigates the impact of leader-member exchange and organizational commitment on social business performance, with organizational citizenship behavior as a mediating variable. This study focuses on MSMEs under the Aisyiyah network in East Java, a women-led socio-religious organization known for community-based entrepreneurship and social empowerment. Understanding the behavioral and relational dynamics of such enterprises may offer significant insights into enhancing the effectiveness and sustainability of social businesses in Indonesia and similar contexts.

This study seeks to understand how leader-member exchange and organizational commitment influence social business performance and whether organizational citizenship behavior mediates these relationships. This study aims to advance the current knowledge on the behavioral drivers of performance in social enterprises, offer practical recommendations for MSMEs leaders, and contribute to the development of leadership and human resource strategies in the social business sector.

2. Literature Review and Hypotheses Development

2.1. Literature Review

2.1.1. Social Exchange Theory

Social exchange theory (SET) explains social behavior through interactions driven by individuals' efforts to optimize rewards and limit their expenditures. Within organizational settings, this theory underscores that employees are inclined to demonstrate positive behaviors, such as organizational citizenship behavior, when they believe that fairness is present and rewarding exchanges in the workplace (Stafford & Kuiper, 2021). SET highlights key elements such as trust, reciprocity, and the nature of resources exchanged, which may be tangible, such as rewards, or intangible, such as respect and recognition (Cropanzano & Mitchell, 2005). This makes the theory especially relevant in leader-member exchange relationships, where high-quality exchanges foster mutual obligation and commitment (Iddrisu, 2025). The SET particularly applies to social enterprises, as these organizations often lack formal reward systems. Employees' commitment and organizational citizenship behavior are likely sustained not by material compensation but by the perceived meaningfulness of their roles and fair treatment from leaders and the organization.

2.1.2. Transformational Leadership Theory

Transformational leadership theory (TLT) focuses on how leaders empower and encourage their subordinates to exceed expectations. It comprises four dimensions: acting as a moral exemplar (idealized influence), inspiring followers through vision (inspirational motivation), promoting intellectual growth (intellectual stimulation), and offering tailored support and mentorship (individualized consideration) (Blom, 2024). Regarding leader-member exchange dynamics, transformational leadership enhances the quality of leader-subordinate exchanges, thus fostering greater organizational commitment and extra-role behaviors, such as organizational citizenship behavior (Humphreys & Einstein, 2003). In social businesses, where motivation and purpose often outweigh financial rewards, this leadership style helps build an organizational culture that is grounded in shared values and sustained performance (Garad et al., 2022). Moreover, transformational leadership can facilitate knowledge sharing and creativity, which are critical for social enterprises aiming for innovation and social impact (Sayyadi 2019).

2.1.3. Social Businesses and Small Medium Enterprises

Social businesses distinguish themselves by emphasizing their social mission over profit maximization. Rather than solely pursuing economic returns, they aim to solve societal problems using market-based mechanisms (Mainsah et al., 2004; Yunus et al., 2010). This model maintains market efficiency while directing resources toward collective benefits. According to Yunus et al. (2010) and Abidin and Rinaldi (2022), Five key characteristics define social business: a mission to address social problems, reliance on market mechanisms rather than donations, social value through both product and process, innovation as a primary capital resource, and reinvestment of profits to expand social impact.

In Indonesia, the rise of social enterprises, often rooted in MSMEs, reflects a grassroots transformation in which business owners shift from profit orientation to inclusive value creation (Elkington et al., 2008). These enterprises often emerge from personal and community motivations, aligning economic activities with societal needs. Employees and other stakeholders also play a critical role, as ideas and actions, not just financial capital, form the basis of these organizations.

2.1.4. Business Performance in Social Enterprises

Business performance in social enterprises involves dual logic: achieving economic viability while creating social value. The balanced scorecard, developed by Kaplan and Norton (1992), remains a relevant framework encompassing the financial perspective (e.g., revenue, cost control), customer perspective (e.g., service quality, satisfaction), internal process perspective (e.g., efficiency, innovation), and learning and growth (e.g., human resource development, cultural alignment). In social enterprises, performance must also capture non-financial indicators such as community empowerment, social impact, and environmental sustainability (Shahin et al., 2014). This multidimensionality makes employee behavior and leadership quality particularly influential.

2.1.5. Leader-Member Exchange

Leader-member exchange, introduced by Graen and Uhl-Bien (1995), emphasizes the dyadic, individualized connections between leaders and followers. Leader-member exchange asserts that leaders create distinct interactions, perhaps high-quality (in-group) or low-quality (out-group), in contrast to traditional leadership theories that handle follower interactions consistently (Hughes et al., 2015; Robbins and Judge, 2019). Good leader-member exchange relationships are distinguished by support, trust, and respect for one another, enhancing discretionary effort, innovation, and commitment to the organization. Empirical studies have found that leader-member exchange positively affects innovation support and work structure (Harris et al., 2014), organizational climate, job clarity, and performance in social businesses (Santoso et al., 2022; Whitney et al., 2022; Maharvi et al., 2023). Thus, leader-member exchange is a strategic leadership approach in low-resource environments, such as social enterprises.

2.1.6. Organizational Commitment

Organizational commitment reflects an individual's emotional attachment, faith in the organization's goals, and readiness to remain consistent with them (Luthans, 2011). According to Mowday et al. (1979), organizational commitment includes adherence to the organization's principles and objectives, willingness to work hard, and desire to stay a member. Steers (1977) emphasized that commitment goes beyond passive loyalty and involves active engagement in the organization. In MSMEs and social enterprises, where formal reward structures may be minimal, organizational commitment plays a central role in shaping performance, stability, and organizational continuity (Suharto et al., 2019; Surip et al., 2021). Organizational commitment was initially connected to increased productivity, low turnover, and enhanced service quality, which are vital for sustaining social mission-driven organizations (Phuong et al. 2023).

2.1.7. Organizational Citizenship Behavior

Organizational citizenship behavior encompasses voluntary acts by individuals that are not mandated by their job descriptions but enhance organizational performance (Chahal & Mehta, 2010; Organ, 1988). These behaviors are not formally rewarded but are essential for building a cooperative and innovative culture in the organization. Organizational citizenship behavior includes five dimensions: altruism, helping others with work tasks; sportsmanship, tolerating inconveniences without complaints; conscientiousness, exceeding minimum job expectations; courtesy, preventing conflict through consideration; and civic virtue, active involvement in

organizational governance (Organ et al., 2006; Majeed et al., 2017). Organizational citizenship behavior is particularly critical in social business settings because of the need for internal motivation and prosocial behaviors. Studies have confirmed that organizational citizenship behavior predicts organizational effectiveness, job satisfaction, and innovation (Yaakobi & Weisberg, 2020; Wilhelm et al., 2022).

2.2. Hypotheses Development

2.2.1. Positive Effect of Leader-Member Exchange on Social Business Performance

Leader-member exchange emphasizes the importance of exchanges in connecting supervisors and subordinates. Trust, support, shared respect, and felt obligations are key features of high-quality leader-member exchange relationships. These relational exchanges foster a more positive work environment and drive employee behavior beyond task execution (Robbins & Judge, 2019). Leadership is even more critical in social enterprises, where formal incentives are often minimal. In line with SET, such exchanges reflect reciprocity, wherein supportive leadership is returned with stronger employee engagement and performance (Terpstra-Tong et al., 2020). Previous studies have demonstrated that strong leader-member exchange relationships significantly influence organizational innovation, adaptability, and cooperative work climates, which are essential for social business success (Santoso et al., 2022; Whitney et al., 2022). Recent findings show that leader-member exchange enhances employee contributions and performance, although evidence from Indonesian MSMEs suggests mixed results, highlighting the need to consider mediating mechanisms (Sutanto & Hendarto, 2020; Maharvi et al., 2023). **H₁: Leader-Member Exchange Has a Positive Effect on Social Business Performance.**

2.2.2. Positive Effect of Organizational Commitment on Social Business Performance

Organizational commitment reflects an employee's psychological attachment, alignment with the organization's values, and willingness to participate in organizational activities (Luthans, 2011). In mission-driven organizations such as social enterprises, strongly committed workers typically demonstrate resilience, persistence, and a willingness to make sacrifices for the organization's success (Suharto et al., 2019; Surip et al., 2021). From the SET perspective, employees who feel emotionally attached are motivated to reciprocate through stronger performance contributions (Nguyen et al., 2021). Committed employees often take ownership of their roles, align themselves with the organizational values, and display high levels of intrinsic motivation. This helps make operations more efficient and goal attainment (Ortega-Parra & Sastre-Castillo, 2013). In social enterprises, where business outcomes often hinge on limited resources, the presence of committed individuals may compensate for a lack of formal systems and generate higher performance. **H₂: Organizational Commitment Has a Positive Effect on Social Business Performance.**

2.2.3. Positive Effect of Leader-Member Exchange on Organizational Citizenship Behavior

A well-established stream of research has shown that leader-member exchange is one of the primary antecedents of organizational citizenship behavior. Superior leader-member exchange relationships create a social exchange environment in which subordinates feel appreciated and encouraged, inspiring them to return the favor by exhibiting behaviors that exceed job expectations (Kapil & Rastogi, 2018; Che

et al., 2021). Recent research confirms that high-quality leader-member exchanges foster altruism, cooperation, and initiative, reflecting reciprocity mechanisms central to SET (Terpstra-Tong et al., 2020; Maharvi et al., 2023). These actions could include lending a hand to colleagues, offering to take on extra work, and demonstrating initiative. Leader-member exchange contributes to psychological safety and relational trust, encouraging discretionary behavior (Anand et al., 2018). Moreover, Che et al. (2021) found that leader-member exchange is positively related to task performance and organizational citizenship behavior, confirming the consistency of this linkage across contexts. In social enterprises, where collective effort and voluntary engagement are crucial for fulfilling social and economic goals, such behaviors can be particularly impactful. **H₃: Leader-Member Exchange Has a Positive Effect on Organizational Citizenship Behavior.**

2.2.4. Positive Effect of Organizational Commitment on Organizational Citizenship Behavior

Organizational commitment is a central attitudinal driver of organizational citizenship behavior. Workers who are emotionally invested in their companies are inclined to act far beyond their duties, demonstrating discretionary behavior that contributes to organizational cohesion and performance (Grego-Planer 2019). Recent evidence highlights that organizational commitment fosters civic virtue and cooperative behaviors, aligning with SET's principle that employees reciprocate commitment with discretionary contributions (Siregar et al., 2023). Bakhshi et al. (2011) emphasize that all aspects of commitment, affective, continuance, and normative, are significantly related to the overall levels of organizational citizenship behavior. In social businesses, where organizational missions and shared values are emphasized, commitment can fuel positive behavioral responses, such as altruism, conscientiousness, and civic virtue. These behaviors are crucial in settings that rely on voluntary contributions, peer collaboration, and trust-based mechanisms rather than formal hierarchies or extrinsic rewards (Wijaya 2020). **H₄: Organizational Commitment Has a Positive Effect on Organizational Citizenship Behavior.**

2.2.5. Positive Effect of Organizational Citizenship Behavior on Social Business Performance

Organizational citizenship behavior is increasingly recognized as a key behavioral mechanism that enhances organizational effectiveness, especially in resource-constrained environments such as social enterprises (Podsakoff & MacKenzie, 1997; Yaakobi & Weisberg, 2020). Employees who engage in organizational citizenship behavior contribute beyond their defined roles, foster collaboration, and build positive organizational cultures. Recent studies have confirmed that organizational citizenship behavior improves innovation, adaptability, and resilience in MSMEs (Liu et al., 2021; Wilhelm et al., 2022). This collective behavior improves interpersonal dynamics and operational outcomes, such as productivity, service quality, and stakeholder trust. Shahin et al. (2014) argue that organizational citizenship behavior has a major impact on social business performance. Given that many social businesses lack rigid procedural controls, organizational citizenship behavior among employees can bridge systemic gaps and enhance organizational resilience. These findings indicate that organizational citizenship behavior is a behavioral pathway to organizational success in the context of social businesses. **H₅: Organizational Citizenship Behavior Has a Positive Effect on Social Business Performance.**

2.2.6. The Indirect Effect of Leader-Member Exchange on Social Business Performance through Organizational Citizenship Behavior

While leader-member exchange may directly influence performance, its full impact may be better understood through mediated pathways. High-quality leader-member exchange relationships foster organizational citizenship behavior by creating a climate of trust and reciprocity (Che et al., 2021), which consequently enhances social performance (Anshari et al., 2018). This mediation aligns with the SET: Supportive leadership fosters organizational citizenship behavior, which is reciprocated through higher organizational outcomes contributions (Nguyen et al., 2021). Therefore, organizational citizenship behavior is a critical intervening variable that transforms relational quality into behavioral contributions and ultimately organizational performance outcomes. This pathway is particularly relevant in social business settings, where discretionary efforts often substitute formal systems. Understanding organizational citizenship behavior as a behavioral consequence of leader-member exchange adds depth to the theory and practical application of leadership in social enterprises. **H₆: Organizational Citizenship Behavior Mediates the Relationship between Leader-Member Exchange and Social Business Performance.**

2.2.7. The Indirect Effect of Organizational Commitment on Social Business Performance through Organizational Citizenship Behavior

Similar to its role in leader-member exchange, organizational citizenship behavior is an intermediary linking organizational commitment to enhanced performance. Commitment fosters employees' sense of ownership and alignment with organizational objectives, encouraging them to undertake proactive and discretionary actions (Hasani et al., 2013). These behaviors, defined as organizational citizenship behaviors, support smoother operations, greater flexibility, and enhanced performance outcomes (Rini, 2013). Empirical evidence shows that organizational commitment enhances cooperative behaviors, which then translates into better organizational outcomes via organizational citizenship behavior (Siregar et al., 2023). Thus, organizational citizenship behavior acts as a behavioral conduit through which commitment translates into concrete performance results, particularly in social enterprises that rely on trust, collaboration, and informal accountability systems. **H₇: Organizational Citizenship Behavior Mediates the Relationship between Organizational Commitment and Social Business Performance.**

2.3. Research Model

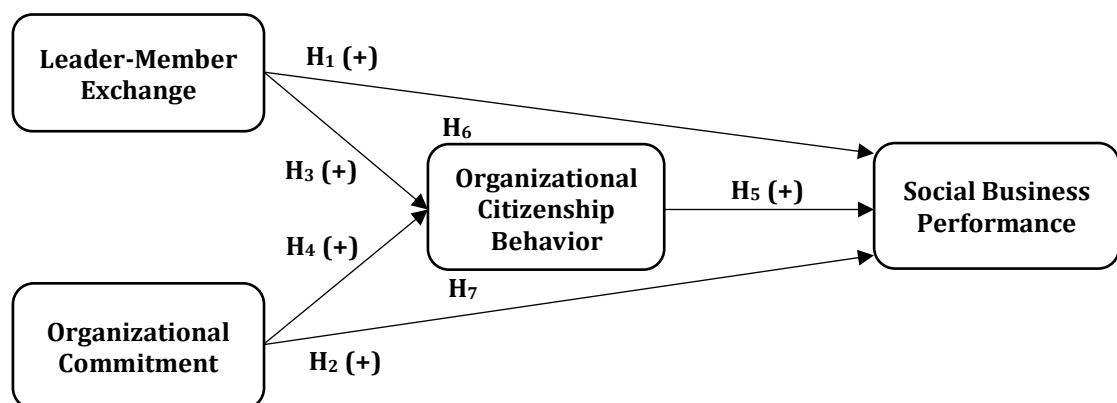


Figure 1. Research Model

Figure 1 illustrates the proposed research model. It illustrates the direct relationships of leader-member exchange and organizational commitment on social business performance, the direct effects of leader-member exchange and organizational commitment on social business performance, and the mediating role of organizational citizenship behavior. The arrows indicate hypothesized positive relationships, consistent with the SET, which frames leadership and commitment as antecedents of discretionary behaviors that enhance social business outcomes.

3. Research Methods

3.1. Population and Sampling Method

This study applies an explanatory research design and a quantitative approach to investigate the causal connection between leader-member exchange, organizational commitment, organizational citizenship behavior, and social business performance. The research population includes MSMEs supported by Aisiyiyah, a women-led socio-religious organization in Indonesia. Although no official statistics are available regarding the total number of MSMEs in the Aisiyiyah network, the organization is widely recognized for its extensive community-based entrepreneurship initiatives across East Java, Indonesia. Purposive sampling, a non-probability sampling technique, was employed to select participants according to predetermined standards. The inclusion criteria were being an active manager or owner of MSMEs affiliated with Aisiyiyah, engaging in social business activities for at least two years, and being directly involved in decision-making and day-to-day operations. A total of 146 respondents participated in the online survey.

3.2. Data Collecting Method

Data for this study were gathered using a five-point Likert scale, with one denoting "strongly disagree" and five denoting "strongly agree." Indicators from the established literature were used to assess each variable in this analysis. Social business performance (SBP) was assessed using four items (profitability, sales turnover, return on capital, and market share), adapted from prior studies on MSMEs performance (Arena et al., 2015; Magnanelli et al., 2016; Wu & Cai, 2023). Organizational citizenship behavior (OCB) was assessed through five dimensions with 15 items (altruism, courtesy, sportsmanship, conscientiousness, and civic virtue), as suggested by Organ (1988) and Podsakoff et al. (2000). Organizational commitment (OC) was evaluated using three components with nine items (affective, continuance, and normative commitment) based on Meyer et al. (1993). Leader-member exchange (LMX) was measured using five items reflecting leader expectations, contingent rewards, transformational leadership behavior, personality compatibility, and communication patterns (Graen & Uhl-Bien, 1995; Liden et al., 2000; Rockstuhl et al., 2012).

3.3. Data Analysis Method

Structural equation modeling with the partial least squares technique was applied using Smart PLS version 3.0 to examine the research model. The consistency of convergence was tested by outer loading with a loading factor of 0.5–0.6 (Chin, 1998; Haryono, 2016), reliability was assessed through Cronbach's alpha, and composite reliability > 0.7 (Hair et al., 2019). After confirming the measurement model's validity and reliability, the inner model was examined to assess the correlations between variables and the importance of direct and indirect (mediating) effects using bootstrapping with t-statistics > 1.96 and p-values < 0.05. Hypotheses were tested using the findings regarding the effects of leader-member exchange and organizational commitment on social business

performance, and organizational citizenship behavior served as a mediating variable both directly and indirectly.

4. Results and Discussion

4.1. Characteristics of Respondents

Demographic information on age, gender, marital status, educational level, type of business, length of business, and social media usage was gathered to better understand the respondents' background characteristics. Table 1 presents the detailed profiles of the 146 respondents.

Table 1. Characteristics of Respondents

Characteristics	Category	Frequency	Percentage
Age	20-30 year	14	10%
	31-40 year	52	34%
	41-50 year	53	37%
	51-61 year	27	19%
	Total	146	100%
Gender	Male	33	23%
	Female	113	77%
	Total	146	100%
Marital Status	Marry	133	90%
	Unmarried	10	7%
	Scattered/Divorced	3	3%
	Total	146	100%
Education	Junior High School	2	2%
	Senior High School	21	15%
	Diploma	22	15%
	Undergraduate	101	68%
	Total	146	100%
Business Type	Food	32	22%
	Reseller	32	31%
	Service	7	4%
	Frozen Food	21	14%
	Fashion	36	25%
	Trade	11	4%
	Total	146	100%
Length of Business	>1 years	20	14%
	1-5 years	54	37%
	6-10 years	36	25%
	11-15 years	25	17%
	>15 years	11	7%
	Total	146	100%
Social Media	Whatsapp	146	100%
	Instagram	137	91%
	Facebook	132	82%
	Twitter	36	24%
	Line	3	0.02%
	Tiktok	3	0.02%
	Total	146	

As shown in Table 1, the respondents were primarily female (77%), married (90%), and within the 41–50 age group (37%). Most had an undergraduate education (68%) and had operated their businesses for 1–5 years (37%). The most common business

type was reselling (31%), and all respondents used WhatsApp as their main communication platform (100%), followed by Instagram (91%) and Facebook (82%). These demographic patterns reflect a relatively mature, educated, and digitally connected group of MSMEs actors involved in social business activities in East Java, Indonesia.

4.2. Validity Test

This study uses an outer loading threshold of 0.5–0.6 to assess indicator validity, as suggested by Chin (1998) and Haryono (2016). The outcomes are presented in Table 2 and Figure 2. One indicator (OC1) was removed because of low loading. For SBP, two indicators (SBP1 and SBP2) were excluded for not meeting the validity thresholds. The remaining indicators for all variables met the acceptable criteria and were retained in the measurement model.

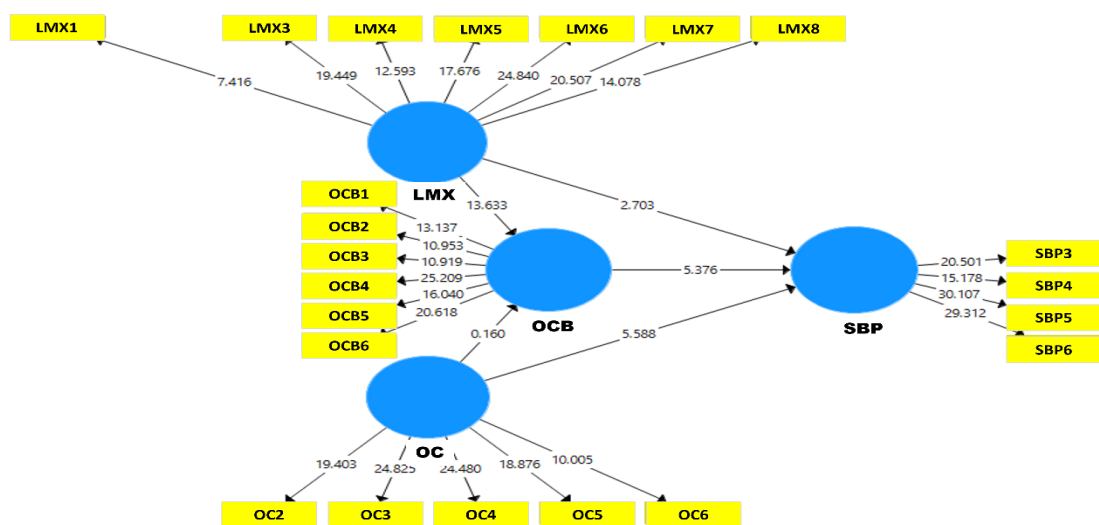


Figure 2. Measurement Model

Table 2. Validity Test Result

Indicator	Leader-Member Exchange	Organizational Commitment	Organizational Citizenship Behavior	Social Business Performance
LMX1	0.609			
LMX3	0.746			
LMX4	0.768			
LMX5	0.727			
LMX6	0.750			
LMX7	0.765			
LMX8	0.637			
OC2		0.713		
OC3		0.857		
OC4		0.825		
OC5		0.785		
OC6		0.736		
OCB1			0.679	
OCB2			0.674	
OCB3			0.657	
OCB4			0.808	
OCB5			0.770	
OCB6			0.734	

Indicator	Leader-Member Exchange	Organizational Commitment	Organizational Citizenship Behavior	Social Business Performance
SBP3				0.764
SBP4				0.842
SBP5				0.903
SBP6				0.869

4.3. Reliability Test

To ensure that each construct was measured consistently, this study used three indicators of internal consistency reliability: Cronbach's alpha, composite reliability, and average variance extracted (AVE). According to Hair et al. (2019), the accepted thresholds are Cronbach's alpha ≥ 0.6 , composite reliability ≥ 0.7 , and AVE ≥ 0.5 . All the variables in this study met the reliability requirements. Cronbach's alpha scores above 0.6 indicate a good level of internal consistency in the scale. Similarly, all composite reliability values exceeded 0.7, and the AVE values exceeded 0.5, indicating that over half of the variance in each construct's indicators could be explained, meeting the recommended threshold (Hair et al., 2019). The square root value of the AVE of the whole construct was greater than the correlation value between constructs according to the results of the partial least square model, thus meeting the Fornell-Larcker criteria (Hair et al., 2022). Therefore, the measurement model can be considered dependable and valid for further analysis. The outcomes are presented in Table 3.

Table 3. Reliability Test Result

Variable	Cronbach's Alpha	Composite Reliability	AVE
Leader-Member Exchange	0.841	0.880	0.514
Organizational Commitment	0.846	0.889	0.616
Organizational Citizenship Behavior	0.815	0.867	0.522
Social Business Performance	0.867	0.910	0.716

4.4. R-Square Test

This study employs the R-squared (R^2) value, or coefficient of determination, to evaluate how well the independent variables explain the variation in the dependent variables. According to Haryono (2016), R^2 values can be categorized as follows: strong when equal to or above 0.67, moderate when near 0.33, and weak when less than or equal to 0.19. The outcomes are presented in Table 4.

Table 4. R-Square Test Result

Variable	R-Square
Organizational Citizenship Behavior	0.586
Social Business Performance	0.420

For organizational citizenship behavior, the R^2 value is 0.586, indicating that the leader can explain 58.6% of the variation in organizational citizenship behavior in terms of leader-member exchange and organizational commitment. This indicates moderate predictive power. The R^2 value for social business performance is 0.420, which means that organizational citizenship behavior, leader-member exchange, and organizational commitment explain 42% of the variance in social business performance. This also falls within the moderate category, suggesting that the model has an acceptable explanatory strength for predicting social business performance.

4.5. Hypothesis Test

Table 5 shows the outcomes of the direct hypothesis test based on the output of the structural equation model with the partial least squares approach. The hypothesis testing results indicate that leader-member exchange positively affects organizational citizenship behavior, thus supporting the first hypothesis. However, leader-member exchange has a significant but negative effect on social business performance, contrary to the hypothesized direction. Therefore, the second hypothesis is rejected in this study. Organizational commitment does not significantly influence organizational citizenship behavior; hence, the third hypothesis was rejected. In contrast, organizational commitment positively affects social business performance, supporting the fourth hypothesis. Similarly, organizational citizenship behavior significantly and positively affects social business performance, supporting the fifth hypothesis. Moreover, organizational citizenship behavior mediates the relationship between leader and member exchange and social business performance (the sixth hypothesis is supported), while the mediating role of organizational citizenship behavior between organizational commitment and social business performance is not significant (the seventh hypothesis is rejected). In summary, four of the seven hypotheses were supported.

Table 5. Hypothesis Test Result

Hypothesis	Original Sample	Sample Mean	Standard Deviation	T Statistic	P-Values
Leader-Member Exchange → Organizational Citizenship Behavior	0.760	0.756	0.056	13.633	0.000
Leader-Member Exchange → Social Business Performance	-0.323	-0.324	0.119	2.703	0.007
Organizational Commitment → Organizational Citizenship Behavior	0.010	0.019	0.059	0.160	0.873
Organizational Commitment → Social Business Performance	0.480	0.472	0.086	5.588	0.000
Organizational Citizenship Behavior → Social Business Performance	0.549	0.556	0.102	5.376	0.000
Leader-Member Exchange → Organizational Citizenship Behavior → Social Business Performance	0.417	0.422	0.092	4.547	0.000
Organizational Commitment → Organizational Citizenship Behavior → Social Business Performance	0.005	0.008	0.033	0.801	0.423

4.6. Discussion

4.6.1. The Effect of Leader-Member Exchange on Organizational Citizenship Behavior

This study demonstrates a significant association among leader-member exchange and organizational citizenship behavior. Leaders who engage in open, respectful, and supportive interactions with their subordinates foster a workplace setting that stimulates workers to participate in voluntary and beyond-the-job activities. Civic duty and altruism are essential for enhancing collaboration and general organizational performance. These findings are consistent with those of earlier studies (Anand et al., 2018; Che et al., 2021; Santoso et al., 2022), which revealed that high leader-member exchange relationships enhance organizational citizenship behavior through the mechanisms of trust, fairness, and mutual respect. SET provides a relevant lens: Employees who perceive fair treatment and empowerment from their leaders are less inclined to use organizational citizenship behavior in return (Santoso et al., 2022).

Drawing on SET, these results suggest that employees engage in organizational citizenship behavior as a form of reciprocity when leaders provide fairness, recognition, and socioemotional support (Wu & Cai, 2023). Thus, leader-member exchange emerges as a key antecedent of organizational citizenship behavior, supporting the operational efficiency of social enterprises. Leaders who invest in high-quality exchanges with their team members contribute to better business results and a positive work atmosphere that balances social and financial goals.

4.6.2. The Effect of Leader-Member Exchange on Social Business Performance

The results of this study do not support the hypothesized positive effect of member exchange on social business performance. Although the path coefficient was significant, its negative direction contradicted our proposed hypothesis. Accordingly, the second hypothesis is rejected in this study. This unexpected negative coefficient suggests that a higher-quality leader-member exchange relationship may not always translate into improved performance outcomes in social MSMEs. One possible explanation is that intense relational ties may lead to overdependence, complacency, or internal pressure that diverts resources from productive tasks. In other words, excessive relational investment might incur costs that outweigh its benefits in a resource-constrained setting. Theoretically, this result invites a more nuanced view of leader-member exchanges. While SET generally posits reciprocal gains, the “dark side” of relational leadership literature warns that under certain conditions, high-quality leader-member exchanges may yield negative consequences when trust and expectations become burdensome (Vriend et al., 2020). Further, research on dysfunctional leader-member exchange highlights that favoritism, role overload, and perceived unfairness can undermine group cohesion and performance (Othman et al., 2010).

Another relevant stream is leader-member exchange differentiation: when leaders develop very different relationships across followers, the relative standing among members may generate tension or resource competition, which can negatively affect performance at the group or organizational level (Estel et al., 2019). In the context of social enterprises, where resources are limited and social goals are prioritized, the costs of maintaining overly demanding relational dynamics (e.g., constant emotional support, consultations, and interpersonal demands) may undermine efficiency. Thus, managers should exercise caution: cultivating high leader-member exchange is valuable, but it must be balanced with clarity of role, accountability, and resource optimization.

4.6.3. The Effect of Organizational Commitment on Organizational Citizenship Behavior

Interestingly, the current study found no discernible link between organizational commitment and organizational citizenship behavior, suggesting that employees may feel loyal or obligated to the organization. However, this does not necessarily lead to extra-role behaviors. This result diverges from some previous studies (Fitrio et al., 2019; Grego-Planer, 2019) but aligns with others (Novianti, 2021; Merdiaty et al., 2023), suggesting that organizational commitment alone may not be sufficient to elicit organizational citizenship behavior. SET provides a possible explanation: without strong reciprocal exchanges or perceived fairness, employees may not translate their commitment into discretionary actions (Silva et al., 2023). In social businesses, employees may perceive their roles as socially meaningful, reducing the distinction between in-role and out-of-role activities. This indicates that

organizational citizenship behavior requires more than emotional attachment. It requires enabling conditions such as recognition, trust, or leadership support.

4.6.4. The Effect of Organizational Commitment on Social Business Performance

The study also demonstrates that organizational commitment has a positive and direct impact on social business performance. Workers who are emotionally, normatively, or continuously devoted to their company tend to align with its mission and are more inclined to devote time and energy to its success. This supports the SET, which suggests that employees reciprocate organizational support and shared values with enhanced performance (Herrera & De Las Heras-Rosas, 2021; Surip et al., 2021). Prior studies confirm that organizational commitment improves performance and employee contributions to social ventures (Surip et al., 2021; Silva et al., 2023). MSMEs are oriented toward social value, so this commitment is vital in sustaining operations despite limited profit margins. Loyal employees who internalize the organization's values are key drivers of maintaining long-term viability and delivering social impact (Herrera & De Las Heras-Rosas, 2021). The finding that organizational commitment positively affects social business performance indicates that employees devoted to their company will likely contribute to its success. This commitment may increase performance and engagement levels, which are crucial for achieving social business goals.

4.6.5. The Effect of Organizational Citizenship Behavior on Social Business Performance

The positive influence of organizational citizenship behavior on social business performance reinforces the importance of voluntary and discretionary behaviors in enhancing business outcomes. When employees willingly help colleagues, protect organizational resources, or suggest improvements, they contribute to a culture of collaboration and innovation, two factors critical to the success of MSMEs in the social sector. These findings reinforce the existing literature, highlighting organizational citizenship behavior as a key contributor to improved individual and team performance (Anshari et al., 2018; Soelton, 2023). In social enterprises, where financial incentives may be limited, intrinsic motivation and civic behavior are vital performance levers. Thus, fostering organizational citizenship behavior may increase social businesses' impact by building robust and purpose-driven organizational environments (Ramos & Ellitan, 2023). The favorable association between organizational citizenship behavior and social business performance indicates that when workers engage in organizational citizenship behavior, it enhances the organization's overall performance. This supports the notion that discretionary actions foster a constructive workplace atmosphere and enhance organizational performance.

4.3.6. The Role of Organizational Citizenship Behavior as a Mediator in The Interaction between Leader-Member Exchange and Social Business Performance

The current study demonstrates that organizational citizenship behavior mediates the relationship between leader-member exchange and social business performance. This implies that strong leader-member bonds motivate workers to engage in organizational citizenship behavior, contributing to enhanced performance. SET explains this process: Employees reciprocate trust and recognition from leaders by engaging in extra-role behaviors that ultimately improve organizational outcomes

(Kapil & Rastogi, 2018; Santoso et al., 2022; Wu & Cai, 2023). Prior studies have highlighted this mechanism, emphasizing that leadership fosters a social climate that encourages initiative and ownership (Anshari et al., 2018; Kapil & Rastogi, 2018; Santoso et al., 2022). In social enterprises, such behaviors are essential for ensuring adaptive and proactive responses to community needs and business challenges. The mediation confirms that the impact of leader-member exchange on performance is directly channeled through enhanced discretionary behavior.

Recent empirical evidence supports this finding. Che et al. (2021) demonstrated that organizational citizenship behavior significantly mediates the relationship between leader-member exchange and task performance, confirming the explanatory power of SET on cross-cultural contexts. Similarly, organizational citizenship behavior mediates the relationship between transformational leadership and employee performance, highlighting how leadership dynamics foster extra-role contributions (Qalati et al., 2022). Teng et al. (2020) further showed that leader-member exchange enhances organizational citizenship behavior, which drives business outcomes. These recent studies reinforce our results that organizational citizenship behavior is a robust mediator between leader-member exchange and social business performance. From the perspective of SET, the mechanism becomes clearer: when leaders provide trust, recognition, and resources, employees feel obligated to reciprocate through organizational citizenship behavior, which elevates social business performance. This exchange-based logic confirms that leadership quality translates into performance not directly, but through the discretionary behaviors employees willingly contribute.

4.6.7. The Role of Organizational Citizenship Behavior as a Mediator in The Interaction between Organizational Commitment and Social Business Performance

Conversely, organizational citizenship behavior does not mediate the relationship between organizational commitment and social business performance. While organizational commitment contributes directly to performance, it does not appear to significantly influence organizational citizenship behavior in this context. This suggests that committed employees may fulfill their core responsibilities without going beyond them. These findings are consistent with Yaakobi and Weisberg's (2020) argument that organizational citizenship behavior may depend more on contextual elements, including organizational culture, leadership, and perceived fairness, than commitment alone. Recent studies have also provided mixed evidence. Arini (2025) and Hapsari et al. (2025) found that organizational citizenship behavior can mediate the effect of organizational commitment on performance, although the mediation tends to be partial and highly context dependent. Therefore, our non-significant result aligns with the view that commitment alone is insufficient to trigger extra-role behavior without contextual reinforcement.

SET further clarifies that commitment, without reciprocal exchanges or recognition, may not trigger voluntary discretionary behavior (Ramos & Ellitan, 2023; Silva et al., 2023). In other words, while employees may feel bound to their organization, the absence of reciprocal signals such as leader support, fairness, or recognition weakens the likelihood of organizational citizenship behavior emerging as a mediating mechanism between leader-member exchange and organizational citizenship behavior. This also indicates that in social businesses, the sense of duty and commitment may already be embedded in role expectations, limiting the salience of "extra-role" behaviors. Therefore, while organizational commitment is a key predictor

of performance, strategies to enhance organizational citizenship behavior should not rely solely on strengthening commitment but also on improving leadership quality and recognition systems. This perspective strengthens the theoretical argument that organizational citizenship behavior is more effectively activated by exchange-based dynamics (e.g., high-quality leader-member exchange) than by commitment alone. This study emphasizes good leadership and employees' voluntary behavior in driving social business performance. By fostering strong leader-member relationships and encouraging organizational citizenship behavior, organizations may cultivate a more motivated and productive workforce, eventually improving results in social-business settings.

4.6.8. Managerial Implication

The research outcomes point to several important consequences for leaders or owners of social MSMEs (managers), particularly those affiliated with community-based organizations such as Aisiyiyah, in Indonesia. First, the significant influence of leader-member exchange on organizational citizenship behavior and social business performance emphasizes the need for leaders to cultivate strong, trust-based relationships with their employees. Managers should focus on leadership practices that encourage open communication, respect, and mutual support, as these dynamics enhance employee engagement and extra role behaviors. Second, since organizational citizenship behavior directly mediates social business performance, managers must actively promote a culture that values voluntary and altruistic contributions. This can be achieved by implementing recognition systems and fostering a sense of shared purpose among employees.

Third, although organizational commitment positively affects social business performance, it does not translate into organizational citizenship behavior in this context, suggesting that commitment alone is insufficient to ensure organizational performance. Therefore, managers should develop targeted strategies to channel employee commitment into proactive behaviors that align with the organization's social mission. Fourth, leadership development programs tailored to the unique goals of social enterprises are essential for enabling managers to inspire and retain socially driven talent. Finally, strategic human resource practices that support participatory, flexible, and developmental environments are crucial for enhancing MSMEs' social and business outcomes of MSMEs. These implications underscore the importance of leadership quality and employee agency as central levers in achieving sustainable performance in socially oriented enterprises. They clarified that "managers" in this study refer to social MSMEs leaders or owners who are directly responsible for guiding organizational direction and motivating e.

5. Conclusion

This study emphasizes the critical role of leadership quality and discretionary employee behavior in enhancing social business performance. However, contrary to the initial expectation, leader-member exchange did not positively influence social business performance. Instead, the relationship was negative, and thus, the hypothesis was rejected. This finding suggests that while high-quality leader-member exchange improves organizational citizenship behavior, it may not directly enhance social business performance. In certain contexts, it could even undermine it if relational intensity leads to favoritism or inefficiency. Nonetheless, leader-member exchange indirectly contributes to performance by fostering organizational citizenship behavior, underscoring the mediating role of extra-role behavior in translating leadership exchanges into organizational outcomes. While positively

impacting social business performance, organizational commitment does not significantly foster organizational citizenship behavior, suggesting that commitment alone is insufficient to elicit extra-role behavior. Conversely, organizational citizenship behavior did not mediate the organizational commitment–social business performance relationship, highlighting that contextual factors, such as organizational culture or leadership recognition, may play a stronger role in shaping voluntary contributions. From a managerial perspective, this implies that leaders or owners of social MSMEs should carefully balance relational closeness with fairness and accountability while prioritizing recognition systems that encourage organizational citizenship behavior and channel employee commitment into proactive contributions aligned with their social mission. Such practices are critical for balancing financial sustainability and social value creation in emerging economies.

This study reinforces SET by demonstrating that high-quality exchanges between leaders and members stimulate organizational citizenship behavior, thereby enhancing organizational performance. Simultaneously, it nuances prior assumptions by showing that leader-member exchange may not always directly improve social business performance and that the “dark side” of leader-member exchange (e.g., overdependence or favoritism) can negatively impact outcomes. It also highlights that organizational commitment does not necessarily lead to organizational citizenship behavior, challenging the linearity of commitment-driven citizenship behavior in specific contexts. This suggests that leadership quality and recognition systems may be more immediate antecedents of discretionary work behaviors than affective or normative commitment. These results contribute to expanding the application of transformational leadership and exchange theories in social business contexts, particularly in emerging economies.

Some limitations were identified in this research. First, it focused solely on MSMEs within one region/county, which limited generalizability. Second, self-report questionnaires may introduce bias or inflate certain relationships because of social desirability. Third, the cross-sectional data limit causal interpretations. Future research should enhance causal inference using experimental or longitudinal designs. Additionally, broader and more varied organizational settings, such as cooperatives, nonprofits, or larger social enterprises, should be explored to compare dynamics across sectors. It is also recommended to examine additional moderating or mediating factors, such as perceived organizational support, trust, or job satisfaction, to enhance the understanding of the pathways linking leader-member exchange, organizational commitment, organizational citizenship behavior, and social business performance.

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