

# Conceptualizing the impact of Leader-member Exchange in non-profit and religious organisations: The case of waqf institutions in Malaysia

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## ABSTRACT

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While a great discussion on past research done to investigate the impact on Leader-Member Exchange (LMX) in producing the positive outcome of the management, relatively little research has been done conducted to examine the link between LMX to the effectiveness of the management particularly in a religious based non-profit organization in a Malaysia setting. Meanwhile, a discussion on LMX of the non-profit organisation is not explicitly religious based as the discussion on Malaysia institution, and specifically among non-profit organisation religious based is lacking. Thus, the objective of this study to address the issue of communication among leader-member via LMX theory and to propose potential effect to the effectiveness of the management particularly in a religious based non-profit organisation, specifically in Waqf institutions in the Malaysian setting.

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## 1. Introduction

The concern and attention of the effectiveness of non-profit organisation have increased and highlighted over the years (Liket & Maas, 2013). Due to this, growing interest among investors, stakeholders and individual donor to ascertain the effect on the allocation of sources fully utilized by the management of institutions (Carman & Fredericks, 2010; Lecy, Peter, & Haley, 2012). As a result, a non-profit organisation needs to demonstrate its actions and prove that they are fulfilling with all requirements (Carman & Fredericks, 2010).

This phenomenon is also reflected in the institution of Waqf, particularly in Malaysia when Audit showed that there are issues of effectiveness in handling the property of this institution. The credibility and integrity of Waqf institution have been questioned when an audit report disclosed that there are Waqf

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lands still not developed in few areas in Malaysia. There are also issues of data storage in keeping the information of donor and the property invested as well in tracking the location of properties that are occupied by irresponsible individuals (Ahmad & Muhamed, 2011; Isa, Ali, & Harun, 2011; Ismail, Salim, & Ahmad Hanafiah, 2015; Mat Rani & Abdul Aziz, 2010). Due to that, the investor or donor (or in this study called as Waqif) as well the public keep demanding on the accountability and transparency reports and performances (Carman & Fredericks, 2010) of this institution to ensure they are implemented and complied with all activities based on the integrity and trustfulness, and how well they encounter the requirements of their constituencies (Kaplan, 2001)

Accordingly, in ensuring that the organisation can sustain and subsist, the core competencies areas such as managerial leadership must be developed (Lecy et al., 2012). A leader plays a crucial role in influencing the members through direction, guidance, persuasion and inspiration (Barrett, 2006) as leaders need to be excellent and effective in communication. Even though communication is perceived as something that is embedded and difficult to quantified (Brown, Paz-aporicio, & Revilla, 2019), but a leader needs to realize that communication is one of the most powerful influences in their relationship with employees (Mayfield & Mayfield, 2010). Meanwhile, effectiveness of the organisation have very significant from the leader's interaction and communication (Mitchell, Fredendall, & Cantrell, n.d.; Mohammad & Ravanfar, 2015).

In seven McKinsey Model (Kaplan, 2005), seven (7) elements in measuring the organisation effectiveness are highlighted, and one of them is *Style*. The component of style discusses the interactions between leader and employees that occur at the workplaces (Kaplan, 2005). It is believed that the way a leader leads the organisation in the workplaces based on the communication that occurs, may influence the performance, productivity and culture of the organisation (Femi Festus, 2014). The importance of communication that occur in organization is supported by Mintzberg (1973) when he revealed that leaders spent up to 80% of their work time to interact with the employees every day at the workplaces. The amount of time spent in communication demonstrated that the higher percentage of relying on communication occurs between leader-employees, and it influences the quality of the relationship between leader and employees. For this reason, communication and interaction between leader-employees are perceived as critical at the workplaces.

The leader-member relationship that is derived from Social Exchange Theory (SET) suggests that the relationship between leader and employees is based on social exchange, whereby each party must offer something and the other party must value and appreciate as well as perceive the exchange as equitable or fair (Graen & Uhl-Bien, 1995). Leader-member exchange (LMX) relationship involves various elements of exchange including the information, support, and material sources that can perceive greater acceptance of the exchange, and would lead to a higher quality of LMX (Choi, Kim, & Yoo, 2014). Research showed that high quality of LMX relates to a range of positive outcomes such as contributing to better work and organisation performance, higher engagement of employees, increasing self-efficacy and commitment among team members, and creating job crafting and career satisfaction. In addition, LMX has shown significant negative relationship with employees' withdrawal behaviours including absenteeism and intention to leave (Adil & Awais, 2016; Anand, Hu, Vidyarthi, & Liden, 2018; Bakar, Mustaffa, & Mohamad, 2009; Chaurasia & Shukla, 2013; Han, 2010; Khan & Malik, 2017; Luo & Cheng, 2014; Martin et al., 2015; Nazari, Yektayar, & Yousefi, 2014; Tresi & Mihelič, 2018; Wang, Kim, & Milne, 2016). These findings provide a positive outcome to the organization; therefore, this framework is a feasible model for testing the relationship between leader-employee communication through LMX and the effectiveness of management. Specifically, all the implication on the positive outcome of higher LMX is cognitively associated with the effectiveness of the management.

While a great discussion on past research done to investigate the impact on LMX in producing the positive outcome of the management, relatively little research has been conducted to examine the link between LMX to the effectiveness of the management particularly in a religious-based non-profit organization in a Malaysian setting. Previous studies on LMX focus more on profit organization and it involves with other countries, such as US, China, Pakistan (Adil & Awais, 2016; Brown et al., 2019; Choi et al., 2014). Meanwhile, discussion on LMX of the non-profit organisation is not explicitly religious-

based (Bang, 2015; Oliveira, Flôres, & Aguiar, 2015), as the discussion on Malaysia institution, and specifically among non-profit organisation religious based is lacking. Thus, the objective of this study is to address the issues of communication among leader-member via Leader-Member Exchange (LMX) theory and to propose the potential relationship to the effectiveness of the management, particularly in a religious-based non-profit organization, specifically in Waqf institution in a Malaysian setting. The research framework proposed in this study can be adopted and further developed by future empirical studies.

This paper is organized as follows. First, the literature is reviewed to show how the effectiveness of non-profit organization has been portrayed in the literature review in order to clearly define effectiveness. Next, the measurement of effectiveness in a non-profit organisation is discussed and analysed, in order to allow being practised by Waqf institution. Lastly, a possible significant link between effectiveness and leader-member communication via the theory of Leader-Member Exchange (LMX) is proposed.

## 2. Literature Review

### 2.1 *Defining and Understanding the Effectiveness*

It is imperative to synthesize the concept of effectiveness in a non-profit organisation as the definition of effectiveness varies according to different opinions. According to Bartuševičienė and Šakalytė (2013) and Zheng, Yang, and Mclean (2010), effectiveness can be defined as measuring the degree to which a business achieves its goals or objectives. Specifically, the operational definition for this study is derived from different definition and develop based on few articles including Exponent Philanthropy (2014), Herman and Renz (2004), Arshad and Zain, (2017), and Kaplan (2001). Thus, effectiveness is defined as ‘ability of the organisation in performing the key function by applying the strong practices, procedures, and policies in the correct manner practice to achieve some desired or positive outcome and in fulfilling the expectation from the stakeholders.’ Effectiveness is defined to be able to encourage and anticipate productive results of the organization. An effective organisation may lead to increase productivity and profitability, improve performance and attain higher engagement among employees, build self-confidence and efficacy as well develop employees with innovative and creative skills in performing their tasks and job (Bedarkar & Pandita, 2014; Boyle & Hassan, 2016; Cherian & Jacob, 2013; Iwu, Kapondoro, Twum-Darko, & Tengeh, 2015; Rahmawati, Haerani, & Hamid, 2016; Shilbury & Moore, 2006; Shmailan, 2016)

However, discussion on the effectiveness of non-profit organisation has been significant debate among scholars (Jun & Shiau, 2012; Lecy et al., 2012; Willems & Boenigk, 2014). Since the primary purpose of the non-profit organization is neither profit-making nor reaching financial growth (Kaplan, 2001), thus, the measurement of the effectiveness and productivity of the organization become more complicated (Helmig, Ingerfurth, & Pinz, 2013) as the objectives of the non-profit organization are rather vague. Due to that, it is tough to identify and measure the effectiveness in different organisation or institution as these institutions may not share the same vision and objectives (Iwu et al., 2015).

This issues is also reflected to institution of Waqf particularly in Malaysia when review on literature discloses that the elements of effectiveness in measuring the success and productivity of Waqf institution (Arshad & Zain, 2017; Hassan, Abdul-Rahman, & Yazid, 2018; Noordin, Haron, & Kassim, 2017) have been identified in different contexts. Thus, for the next section, the various dimensions of measuring the effectiveness among Waqf institution are discussed.

## 2.2 Empirical Study and Indicators of Effectiveness in Waqf Institution

Measuring the effectiveness is crucial in evaluating the performance and stability of the Waqf institution. Since Waqf falls under the third sector organization (TSO) (Mohd Arshad & Mohamed Haneef, 2015, 2016), stakeholder of the organisation depends on the performance indicators that comprise of input, output and outcome in measuring their effectiveness (Cordery & Sinclair, 2013). However, performance measurement among third sector organisation, including Waqf institution, has yet to achieve a certain level of standardization. Siraj (2012) argued that the indicator for performance measurement of Waqf institution varies and differs.

Previously studies on Waqf focus more on the financial aspect (Shafii, Yunanda, & Rahman, 2014; Sulaiman & Adnan, 2009; Sulaiman & Zakari, 2018) rather than other areas in determining the effectiveness of the institution. Even though the effectiveness of the institution can be sustained and enhanced if with adequate and substantial financial support from the donors or funders (Arshad & Zain, 2017); however, concentrating only one-dimensional measurement is not adequate in determining the effectiveness of the organisation (Lecy et al., 2012). A few weaknesses are identified by Arshad and Zain (2017) such as inability to reflect on the other essential elements like employees involvement as well customer satisfaction (Holder-webb, Cohen, & Wood, 2009; Simnett, Vanstraelen, & Chua, 2009). Siraj and Karbhari (2014) argued that the institution of Waqf should not rely on the financial aspect alone because nonfinancial performance also provides the information in contributing to the success and quality of the organisation. Therefore, consideration on the non-financial information is needed as it might offer helpful information besides the scope of financial aspect such as sustainability, social responsibility, social accounting (Malek-yonan, Bakhtiar, & Rafsanjani, 2016). Similarly, non-financial information also demonstrates the institution's responsibility to the related stakeholders or donors (Arshad & Zain, 2017). Therefore, positive and ethical elements should be included to encourage and inspire the investor or contributor involved with the organisation's activities or programs (Herman & Renz, 2004).

A recent study by Arshad and Zain (2017) highlighted the perspective of input, output and outcome in measuring the effectiveness of Waqf institution, which is based on an idea suggested by Cordery and Sinclair (2013). This proposition is also parallel with study the conducted by Noordin et al. (2017) that focused on the essential element (input, output and outcome) in measuring the performance needed among the third sector organisation. The first element, which is input, refers to funds or properties received for operation, as Waqf institution acknowledge assets or immovable properties from the waqif (Arshad & Zain, 2017). Thus, ensuring that all the properties have been registered and gazetted under the State Islamic Religious Council (SIRC) is essential, and the institution is responsible for ensuring the properties are handled efficiently. Beside, input also comprises element of technical expertise, knowledge and human resource, as well training and staffing that can help in handling the institution's activities and programs (Bagnoli & Megali, 2011; Epstein & Mcfarlan, 2011), that may not be possible to be measured in monetary form (Noordin et al., 2017). Information on input and activities are essentials as to assist the Waqf institution to determine which activities are efficient, and simultaneously provide early warning of those challenges.

Furthermore, output elements are also used in measuring the effectiveness as proposed by Arshad and Zain (2017), and Cordery and Sinclair (2013). Output can be defined as 'tangible and intangible products or services that are the results of the organization's activities (Epstein & Mcfarlan, 2011 p: 28), or said as the immediate products or services produced by a program and that signify as the quantity of performing the job, or the capacity of completing the activities (Epstein & Buhovac, 2009). For the institution of Waqf, all of the output produced must align with the mission, vision and objective of the existing of this institution (Arshad & Zain, 2017). For example, an institution of Waqf should ensure that the distribution of the wealth to beneficiaries achieve the economic balances in a holistic context by the provision of facilities like education, health, places of worship, road facilities and others (Ahmad & Muhamed, 2011). Indirectly, it must be according to the intention of donor or waqif (Arshad & Zain, 2017). When the activities are successfully delivered to beneficiaries, the organisation or institution attains the most practical level, as they were able to deliver the activities as requested and intended by the

donor or waqif (Siraj & Karbhari, 2014). The institution is also perceived as useful when the organization can record the highest ratios of outputs to inputs (Siraj & Karbhari, 2014 p: 9). At the same time, Siraj and Karbhari (2014) added that the institution of Waqf could be assumed as useful when the institution can fulfil the public interest to the optimum level of beneficiaries' satisfaction (Noordin et al., 2017); thus, known as social effectiveness. Measuring the output element assists the Waqf institution in detecting any obstacles and challenges in pursuing their objective and undertake immediate solution in resolving challenges faced.

Meanwhile, a study by Arshad, Zain, Urus, and Chakir (2018) perceived that by developing a connection and networking with other parties also lead for creating and maintaining the positive environment that may contribute to the effectiveness of Waqf institution. Waqf institution may create collaboration and alliance with some government and non-government sectors or any other institutions to provide better services to the society (Arshad et al., 2018). By applying the concept of *aqasid al-shariah* (Arshad et al., 2018; Laldin, Mahmud, & Sawari, n.d.; Muhamad et al., 2015) in handling and managing the institution, Waqf institution can optimize the effectiveness of this institution. Generally, *aqasid al-shariah* can be defined as 'intent, objective, purpose, aims and end goals, and it signifies the stated purpose of Shariah' (Mahmud & Shah, 2010 p:54). This concept plays a vital role in preserving the ummah's economic ownership through the protection of Waqf assets. This concept relates to the objective to safeguard the interest and needs of the world and hereafter (Laldin et al., n.d.) and it implies that the definitive point of Waqf is doing great deeds for Allah SWT

For example, the collaboration between SIRC and Islamic Financial Institution and other agencies are vital as it was proved when projects were successfully developed the Menara Ijarah Waqf / Menara Bank Islam and Taman Wakaf Seetee Aisyah. Thus, these projects clearly show the need and importance of collaboration and smart partnership between other agencies (Kamal & Seman, 2017) in obtaining high-level ideas and openness. Through this partnership and collaboration, flexibility in the administration of business in line with the benefits is achieved. This is because, administrative affairs are not limited to the revelation from Al-Quran and the Sunnah, but it is open to the government's *ijtihad* as long there is no violation of Islamic Law (Jabatan Kemajuan Islam Malaysia, 2019) and protect the right and interest of Islamic community. Additionally, the value in *maqasid al-shariah* that applied are in line with the human nature that desires favourable and pleasant in all aspects of life and might be constructed truthfully and integrity within the network (Arshad et al., 2018; Jabatan Kemajuan Islam Malaysia, 2019).

Next, outcome is defined as 'the specific changes in behaviours and individuals affected by the delivery of these services and products activities (Epstein & Mcfarlan, 2011 p: 28). As suggested by Arshad and Zain (2017), Waqf institution is perceived as useful when the collection of properties and assets are increased together. Both believe that with the improvement of awareness among the public on the involvement of Waqf activity and projects, there would be a more positive impact on consumers. Generally, the outcome can be explained as the long term impacts from the output, which produces the benefits and positive impacts to the stakeholder (Cordery & Sinclair, 2013). Through outcome indicators, it was able to assess whether the activities or projects are meeting their goals or not. In the case of Waqf, the outcome helps to identify and ensure the transparency and accountability of all Waqf activities as well as the benefits that a project delivers to the beneficiary.

On the other hand, the effectiveness of Waqf is also related to the idea of accountability (Arshad & Zain, 2017; Mansor & Jamil, 2018). As reported by Noordin et al. (2017); Siswanto, Rosdiana, and Fathurahman (2017); Yaacob, Petra, and Sumardi (2015), accountability is highly discussed and highlighted among scholars in ensuring that Waqf institutions are operated based on integrity and trust (Yaacob et al., 2015). Furthermore, the report by audit department showed that management of Waqf property in Peninsular Malaysia is still not satisfied, leading to the increase in queries and doubts the effectiveness and efficiency of this institution in handling Waqf properties (Jabatan Audit Negara, 2017). Thus, by highlighting the element of accountability, it is equivalent to the concept of *amanah* (trust) and *khilafah* (vicegerent) (Noordin et al., 2017) that practises among Islamic organisation. Islamic practices perceived that when a leader fails to apply the accountability in their practices of administration, the leader seems to fail in coordinating and reinforcing the culture in their organisation. Hence, leaders that

can inspire the employees' mental perception in applying the culture is believed to be able to create a favourable and positivity of work culture (Mayfield & Mayfield, 2016) and it might turn to create efficiency and effectiveness.

In summary, these scholars have researched the indicators in measuring the effectiveness in Waqf institution, whereby the effectiveness of management in Waqf institution is more apparent. However, Waqf fails to differentiate itself from the rest of the other non-profit organisations that can distinguish and represent their uniqueness, known as core competencies. In ensuring that the Waqf institution continues to be competitive, identifying core competencies are highly encouraged. Core competencies that are associated with leadership styles and roles enable in creating a productive environment in the organisation. However, the discussion above does not discuss the component of a leader, while leaders are individuals who provide guidance and assistance, advice, and opportunities to the employees in ensuring that organizational goals are met (Barrett, 2006), as well as influencing people to perform the assigned task efficiently and competently. Leaders influence their organisation's effectiveness by motivating and inspiring the workforce by providing them with a clear vision of the organisation's strategic direction. Through clear and concise communication from a leader ensures that all employees know what to do and enable organizational effectiveness, productivity and profitability. Mitchell, Fredendall, and Cantrell (n.d.), and Mohammad and Ravanfar (2015) argued that the effectiveness and success of the organisation have a secure link with the communication of the leader.

Nevertheless, Catrin, Vernon, and Solange (2014) added that when a leader is actively engaged with employees, the conversation has the power in prompting the employee's performance and attitude. As a whole, effective communication between leader and employees is a requisite for a well-functioning workplace. Therefore, the connection between leader-members interaction through Leader-Member Exchange (LMX) theory and their link in producing the effectiveness of management are discussed. The discussion is presented in this preposition.

### *2.3 Leader-Member Exchange (LMX) and Its Proposed Relationship with the Effectiveness of Management*

Leader-Member Exchange (LMX) is a theory that involves with quality of the inter-personal relationship between leader and employees (Graen & Uhl-Bien, 1995). According to Graen and Scandura (1987), the relationship consists of exchange relationship, whereby each party is either employee or leader that must offer something, and the other party must see the exchange which is fair and reasonable. LMX is divided into four (4) dimension consisting of affect, contribution, professional respects and loyalty (Liden & Maslyn, 1998), whereby Maslyn and Uhl-Bien (2001) proposed that three (3) dimensions (affect, loyalty and professional respect) focus more on social exchange between leader-employees, whereas dimension of contribution is more on work basis.

The theory of LMX suggested that this dyadic relationship ranges from low to high (Lo, Ramayah, Min, & Songan, 2010). For high quality exchanges or in group, it refers that the relationship has high degree of mutual trust, respect and obligation (Graen & Uhl-Bien, 1995), and it is contrary for out-group members that have a low quality of exchanges and have less trust, respect and obligation (Graen & Uhl-Bien, 1995). A good LMX relationship may play a vital role in producing effectiveness in the organisation. Even though the empirical study showed the link is not direct, but numbers of study on LMX showed the impacts in producing a positive outcome of the organisation, which is strongly tied to performances and productivity, and are conceptually associated in producing the effectiveness of management. Furthermore, according to Social Exchange Theory (SET) due to limited of time, a leader will develop a close relationship with a specific numbers of employees and those who belongs to 'in-group', whereas for those that have low level of LMX will be grouped to the 'out-group' (Blau, 1964). Thus, considering the influence of the leader's support in 'in-group' members, high LMX level could be significant in producing effectiveness and productivity in the organisation.

Prior research on LMX has evidence that high-quality exchange relationship has significant influence to the organisation performance (Anand et al., 2018; Martin et al., 2015) such as its leading for higher engagement among employees (Chaurasia & Shukla, 2013; Khan & Malik, 2017). They believe that employees who are engaged in their task and job as well devoted to their organisation contribute to creating higher productivity and growth of the organisation (Chaurasia & Shukla, 2013). Employees that have higher engagement definitely will be more productive because they have their aims in achieving the organisational successful rather than personal factors (Hanaysha, 2016), and have a higher level of enthusiasm and dedication towards their job. Some scholars specified that when employees have higher engagement, it will lead to higher commitment (Erajesvarie Pillay & Singh, 2018). Though an employee may engage with their work but are not committed with their organisation, Albdour and Altarawneh (2014) believed that these two concepts could indeed be closely linked with high engagement are connected and linked with high organizational commitment.

Usually, when the members show higher commitment in contributing to the organisation, it is basically because they have higher engagement, trust and career satisfaction (Agarwal, Datta, Blake-Beard, & Bhargava, 2012; Han, 2010; Kim & Koo, 2016). In daily interaction between employees and leadership, the trust relationship between leader-employees will contribute to building a high-quality relationship and ultimately will lead to satisfaction in the career. Employee engagement cannot be existing if the employees do not have trust in their leader and organisations (Shumi & Begum, 2017). Subordinates that put trust on their leader and organisation will tend to feel satisfied with their career development, and directly stimulate the engagement among them that eventually will create a high level of LMX. Bhargavi and Shehhi (2016) added that employees' trust in their leader has a considerable influence on the performance of the organisation. The study that was conducted among oil company in the UAE that involved 215 employees asserts that leaders that employ the LMX and create a favourable dealing with their employees will use the relationship to earn the trust among their employees (Bhargavi & Shehhi, 2016). A strong sense of trust among employees may encourage loyalty and faithfulness to the organisation, and simultaneously encourage them in contributing more on the productivity of the organisation. At the same time, when employees' trust increase, it will surge in their work engagement and will lead to climate the performance (Mahembe, 2017; Shumi & Begum, 2017).

A higher level of LMX also contributes to higher self-efficacy, which have positive impacts and contribute to performance and productivity (Cherian & Jacob, 2013). Self-efficacy is defined by Bandura (2012) as the self-confident among employees in performing specific task and jobs and related to contribution to organisational performances and productivity as it was affecting the task performance among them. Through self-efficacy, employees become more creative and willing to take challenges on work (Bandura, 2012) and increase their self-confidence (Peng, 2016), which is associated with producing higher performance and productivity. Optimistic leaders usually encourage their employees in carrying out challenging task that can stimulate employees' confidence level and perceive they respect level. When employees feel respected and valued, they will feel included and will view management in a more positive side and willing to put extra effort. It was such a signal that employees perceived the exchange was fair and reasonable and will put effort to repay by showing their encouragement to become more energetic and enhance in dealing with the new and challenging task as a mean of reciprocation (Luo & Cheng, 2014; Martin et al., 2015). This should, in turn, enhance task and performance because it was believed that the constructive exchanges between leader and employees lead to a reliable outcome to their leader and inspire employees to achieve the leader's expectation on task (Martin et al., 2015)

On the other hand, Tresi and Mihelič (2018) claimed that LMX also could be strengthened through job crafting. Job crafting is defined as employees' involvement in changing the nature of the task or redesign the limitation of their jobs through a few techniques including task, relational and cognitive (Tresi & Mihelič, 2018). It purposely fosters the pleasure and engagement of the job and can fit employees' motivation at the workplaces (Berg, Dutton, & Wrzesniewski, 2008). It can be seen that employees that have a higher quality of LMX tend to reformulate their job in ensuring that it is more meaningful and positive, and ultimately creating their self-efficacy (Tresi & Mihelič, 2018). A higher level of LMX also might obligate employees in pursuing new ideas and suggestion on the new method of

their job in recognizing more chances in job crafting (Berdicchia & Masino, 2017). Consequently, it leads to employees to enjoy in implementing their role as it enables in revitalising employees' emotional commitment and care more in achieving the organisation's effectiveness.

As discussed above, the current literature on Leader-Member Exchange agreed that LMX establishes and produces the effectiveness of the management. Effectiveness can be seen as the critical elements that should be highlighted by all of the non-profit organisations, including Waqf institution. In the meantime, the issues of ineffectiveness and inefficiency should be avoided as the community and public resources are over-utilised. In the case of Waqf, the direction of the establishment of the Waqf institution should be constructive as it is a step to empower and uphold the economy of the Ummah. Hence, leaders play a crucial role in formulating and implementing strategic road maps for their employees as the effectiveness of the organisation relies on the effectiveness of the leader. In achieving strategic planning, effective communication should be undertaken. Leader's interpersonal communication is critical for the employees to contribute to producing effectively. Hence, this study proposed that leader-employees communication through the Leader-Member Exchange (LMX) can influence employee's performance and ultimately produce effectiveness and efficiency. The proposed framework illustrated in Diagram 1 below:-

Fig. 1. The Proposed Framework of Leader-Member Exchange (LMX) on Management Effectiveness



### 3. Recommendation and Conclusion

In recent years, the effectiveness of non-profit organisation has emerged as a widespread discussion among scholars alike to describe publics that have awareness on the importance of involving in activities and programs under the non-profit organisation. It was believed that a non-profit organisation plays a critical and vital role in providing people with services that might contribute to economic stability. Despite the report from NAFI (2015) (as cited in Obaidullah & Shirazi, 2017) showed that 43% of the respondents do not trust the charitable organisation, followed by Taylor (2018) who disclosed that trust in non-profit organization dropped from 58% in 2017 to 49% in 2018. The study showed there is a significant loss of the non-profit organisation's competency and credibility. Due to this, non-profit organisation including Waqf institution should realize that effectiveness and efficiency are critical and impacts the society, Waqf is able to change the socio-economics of the Muslims by providing assistance to the needy, increasing income to the public and developing assets of Muslim, which can be seen as a machinery that drives the economic growth of the Muslims. Leaders, therefore, become a mechanism driver in the delivery information and through effective communication between leader and workers, it may retain engagement among employees and the key talents that might deliver the best in their performance and consequences to the growth of the organization. The central contribution of this paper is the construction of a conceptual framework for the effectiveness of management through the communication of leader-employees.



This conceptual paper is one of the first steps in developing a framework for the effectiveness of the religious-based non-profit organisation, specifically in Waqf institution in Malaysia. Indeed, the definition of effectiveness on a non-profit organisation that can move the discussion on the measurement of effectiveness in Waqf institution based on previous literature is clarified. The connection and link between the effectiveness and leader-employee interaction through leader-member exchange (LMX) theory is believed to be able to overcome the issues of ineffectiveness faced by Waqf institution.

Practitioners can also gain several implications from the conceptual framework to promote the effectiveness of Waqf institution. First, the Waqf institution can establish a positive working environment by improving the communication style between leader-employee at the workplaces. For leaders, by fostering collaboration and communication between employees might encourage teamwork, open and honest communication that is required in creating a pleasant feeling at the workplaces. This is because lousy communication is due to many problems for businesses, either small or large. Miscommunication limits the closeness of the relationship between leader and employees as well as employee engagement. When low engagement among employee occurs, it contributes to the less of commitment among them, eventually will affect the organisation. When communication effective does not take place, misunderstanding arises, and the workplace environment becomes negative. Moreover, the institution of Waqf also can organize some training program among leaders to strengthen their communication skills to be more effective in communication. In the training program, a leader may learn on how to become a better influencer, developing their ability to motivate and inspire others, creating clear and compelling messages, managing conflicts effectively and delivering tricky messages while maintaining a positive relationship with employees.

Second, leaders also may attend any relevant conferences that widely disseminated knowledge among academics and practitioners. Conferences purposely spread information and opportunities in meeting people and industry personnel that share common discipline. Through conferences and seminar, leaders also can get the opportunity in developing a new professional relationship and meeting influential people in the industry. For example, the International Islamic University of Malaysia has conducted the seminar on Waqf and talk by Prof Dr Mehmet Bulut, Rector Istanbul Sabahattin Zaim University on 9<sup>th</sup> July 2019, and on 12<sup>th</sup> July 2019 a seminar on innovative of Waqf was organized by Global University Islamic Finance (INCEIF), World Bank Group and International Shari'ah Research Academy for Islamic Finance. These seminars and conferences gather the Waqf institution leaders from each state in Malaysia and outside Malaysia, which gives the ideal opportunities for the leader in learning and gaining new friends and conveying helpful and valuable information for applying to their organisation. Through this program, leaders also can meet new people and learn new things that can lead to feelings of inspirations, as well as develop new ideas on ways to improve their jobs. At the same time, leaders also can gain the opportunity to exchange their experience and obtain point of view from other leaders on the best ways in managing and administering their Waqf institution. In other words, the sharing session may give positive impacts not only for the leaders but for the Waqf institutions as well.

By providing a conceptual framework for effective management of Waqf institution, the paper has contributed to the field of a non-profit organization, specifically in Waqf institution and related academic literature, which assist in overall understanding and further development of effectiveness of the religious-based non-profit organization

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