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LEADER-MEMBER EXCHANGE AND EMPLOYEE PERFORMANCE: THE MEDIATING ROLE OF PSYCHOLOGICAL SAFETY AT BAROMBONG DISTRICT OFFICE

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Abstract

This study examines the relationships among Leader-Member Exchange (LMX), psychological safety, and employee performance in a district-level public organization. The study was conducted at the Barombong District Office, Gowa Regency, South Sulawesi, Indonesia, using a quantitative associative design with a cross-sectional survey. A saturated sampling technique was applied, involving all 41 employees, including civil servants and contract/honorary personnel. Data were collected through a five-point Likert-scale questionnaire and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS. The results show that LMX did not have a significant direct effect on employee performance ($\beta = 0.171$, $p = 0.436$). However, LMX had a strong positive effect on psychological safety ($\beta = 0.819$, $p < 0.001$), while psychological safety significantly affected employee performance ($\beta = 0.724$, $p < 0.001$). The indirect effect of LMX on employee performance through psychological safety was also significant ($\beta = 0.593$, $p = 0.001$), indicating an indirect-only mediation pattern. These findings suggest that high-quality leader-employee relationships contribute to performance primarily by creating an interpersonal environment in which employees feel safe to communicate, acknowledge mistakes, express different views, and participate constructively. The study contributes to LMX and Social Exchange Theory by identifying psychological safety as an important mechanism linking relational leadership to employee performance in a frontline local-government context.

Keywords: *Leader-Member Exchange; Psychological Safety; Employee Performance; Public Sector; Local Government; Mediation*

1. INTRODUCTION

Employee performance is a fundamental determinant of organizational effectiveness in the public sector because the quality, responsiveness, and reliability of public services depend substantially on employees' ability to perform administrative, coordination, and citizen-oriented responsibilities consistently. Unlike private organizations, public institutions operate within formal bureaucratic structures, procedural regulations, accountability mechanisms, and direct public scrutiny. Employees are therefore expected not

only to accomplish assigned tasks but also to demonstrate responsiveness, accuracy, coordination, professionalism, and service orientation in dealing with citizens. These demands are particularly pronounced at the district level, where government employees represent one of the most immediate points of interaction between local government and the community.

The Barombong District Office provides an appropriate organizational context for examining these issues because a district office occupies a strategic position in the local public-service system. Its employees are involved in administrative services, internal coordination, community-related activities, and the implementation of government programs at the local level. These responsibilities require employees to interact regularly with citizens, colleagues, and their immediate leader while simultaneously complying with bureaucratic procedures and institutional requirements. Consequently, employee performance in such an organization cannot be understood solely as the completion of formal job descriptions. It also reflects the capacity of employees to communicate effectively, coordinate tasks, respond to public needs, solve day-to-day service problems, and maintain service quality under organizational and resource constraints.

Prior observations underlying the present study indicated that service procedures and supporting organizational conditions at the Barombong District Office were not uniformly optimal, although the office is responsible for serving a relatively large local population. Such conditions increase the importance of internal organizational mechanisms that can strengthen employees' willingness and ability to perform effectively. In this context, leadership relationships are particularly relevant because employees at the district level work within a relatively close hierarchical structure in which the local leader plays an important role in work allocation, communication, coordination, support, evaluation, and access to organizational resources. The quality of interaction between leaders and employees may therefore influence how employees perceive their roles, how confidently they communicate, and how willing they are to take initiative in responding to work-related and citizen-related demands (Bahar et al., 2026).

This argument is also supported by evidence from public organizations in South Sulawesi, where leadership, work motivation, organizational climate, and quality of work life have been shown to be closely associated with employee performance (Jumady et al., 2022; Maulana et al., 2025). Nevertheless, the effectiveness of leadership in public organizations may depend not only on formal authority or a general leadership style but also on the quality of the interpersonal relationship developed between a leader and each employee. This distinction is important in district government offices, where employees may formally occupy comparable positions but experience different levels of leader support, trust, communication, participation, and access to work-related information.

Leader-Member Exchange (LMX) theory provides a strong theoretical perspective for explaining such relational differences. LMX conceptualizes leadership as a set of

differentiated dyadic relationships between a leader and individual members rather than as a uniform supervisory approach applied equally to all employees. High-quality LMX relationships are characterized by mutual trust, professional respect, contribution, reciprocity, loyalty, and access to socioemotional and work-related resources. By contrast, lower-quality relationships tend to remain limited to formal employment obligations and transactional exchanges (Dienesch & Liden, 1986; Graen & Uhl-Bien, 1995; Liden & Graen, 1980; Liden & Maslyn, 1998).

The relevance of LMX is particularly evident in a public-sector setting such as the Barombong District Office. Although public organizations are governed by standardized procedures and formal job structures, the implementation of day-to-day work frequently depends on informal communication, leader accessibility, coordination, discretion, and interpersonal trust. Employees who experience high-quality relationships with their leader may receive clearer information, greater support, increased opportunities to participate in decision-making, and stronger recognition of their contributions. These relational resources can strengthen employees' willingness to exert effort beyond minimum role requirements and enhance their capacity to respond effectively to administrative and service challenges.

LMX theory is also consistent with Social Exchange Theory, which proposes that social relationships are governed partly by norms of reciprocity. When individuals receive valued support, respect, recognition, and resources from another party, they tend to reciprocate through positive attitudes and constructive behaviors (Blau, 1964). In an organizational context, employees who perceive supportive and trustworthy treatment from their leader may reciprocate through stronger commitment, cooperation, initiative, and job performance. A recent systematic review confirms that social exchange mechanisms continue to provide an important explanation of how perceived support and relationship quality are transformed into employee attitudes and behaviors (Ahmad et al., 2023).

Empirical research has generally demonstrated positive associations between LMX and desirable employee outcomes. However, the relationship between LMX and employee performance is not necessarily direct, uniform, or context-independent. Longitudinal research indicates that the influence of exchange quality on employee performance may differ across stages of organizational membership (Liu et al., 2021). At the group level, differentiation in LMX can also affect employees' perceptions of the political climate and influence subsequent workplace behavior (Park et al., 2022). Studies in Indonesian organizations similarly report positive relationships between LMX and performance, while also demonstrating that variables such as self-efficacy and organizational commitment may explain part of the relationship (Irfan et al., 2025; Musa et al., 2025).

These findings suggest an important theoretical issue: high-quality leader-employee relationships may improve performance not simply because employees receive greater support, but because such relationships create a psychological environment in which

employees feel more secure when communicating, asking for clarification, acknowledging mistakes, offering suggestions, and taking interpersonal risks. This mechanism may be especially important in hierarchical public organizations, where formal authority, administrative procedures, status differences, and concerns regarding evaluation can discourage employees from openly expressing uncertainty or disagreement.

Psychological safety therefore provides a theoretically meaningful mechanism through which LMX may be translated into employee performance. Psychological safety refers to a shared belief that the workplace is safe for interpersonal risk taking, allowing individuals to ask questions, admit mistakes, express disagreement, report problems, and propose new ideas without fear of humiliation, rejection, or punishment (Edmondson, 1999, 2018). Psychological safety does not imply the absence of accountability or performance standards. Rather, it reflects an interpersonal environment in which employees can communicate openly and contribute constructively while remaining accountable for their responsibilities.

This distinction is particularly relevant to employees in a district office. Public-service employees routinely encounter situations that may require clarification, coordination, problem reporting, discretionary judgment, and rapid responses to citizens' needs. When employees fear negative interpersonal consequences, they may avoid asking questions, remain silent about service problems, conceal errors, or refrain from proposing improvements. Such behavior can weaken coordination and reduce service effectiveness. In contrast, when employees perceive the workplace as psychologically safe, they are more likely to communicate openly, seek assistance when needed, share relevant information, acknowledge operational problems, and participate actively in resolving service issues.

Psychological safety has developed into an established domain of organizational research and has been associated with learning behavior, employee voice, collaboration, knowledge sharing, innovation, and performance-related outcomes (Edmondson & Bransby, 2023; Newman et al., 2017). Leadership is consistently identified as one of its most important antecedents because employees make judgments about interpersonal safety partly by observing how leaders respond to questions, errors, alternative opinions, and employee participation. Leaders who respond constructively to employee input can signal that interpersonal risks are acceptable, whereas punitive or dismissive responses may reinforce silence and defensive behavior.

From this perspective, LMX can foster psychological safety because high-quality exchanges communicate to employees that they are trusted, respected, valued, and supported by their leader. Employees who maintain strong relational exchanges with their leader are likely to perceive lower interpersonal risk when expressing work-related concerns or participating in problem solving. Empirical research supports this argument by demonstrating associations between LMX and psychological safety across different organizational contexts, including studies conducted during the COVID-19 period and research concerning employee voice and leader affect (Assefa et al., 2024; Sundu et al.,

2022; Wang et al., 2024). Recent evidence also suggests that leadership approaches such as authentic leadership may contribute to psychological safety partly through the development of high-quality LMX relationships (Dong & Xing, 2026).

Psychological safety, in turn, can contribute to employee performance by facilitating behaviors that are essential to effective public service delivery. Employees who feel psychologically safe are more likely to exchange information, seek feedback, engage in learning behavior, participate in coordination, propose service improvements, and take constructive initiative. These behaviors are especially important in district-government organizations because the quality of public service frequently depends on coordination across administrative functions and on employees' capacity to respond flexibly to citizens' needs within formal regulatory boundaries.

Accordingly, the present study positions psychological safety as a mediating mechanism linking LMX to employee performance at the Barombong District Office. The organizational setting provides a particularly relevant context for testing this relationship because district-level government offices combine bureaucratic hierarchy, formal service procedures, differentiated employee roles and employment statuses, direct interaction with citizens, and close day-to-day interaction between employees and a local organizational leader. These characteristics create conditions in which both relationship quality and interpersonal safety may have important consequences for how effectively employees perform their duties.

The proposed mediation model also responds to a conceptual limitation in studies that examine only the direct relationship between leadership and employee performance. A direct-effect approach indicates whether LMX is associated with higher performance but provides limited explanation of the psychological process through which the relationship operates. By introducing psychological safety as a mediator, this study seeks to explain how relational resources derived from high-quality LMX may be converted into productive employee behaviors. In other words, the study examines whether employees perform better merely because they have stronger relationships with their leader, or because those relationships create an interpersonal climate in which employees feel sufficiently safe to communicate, participate, learn, and take constructive initiative.

Based on this theoretical reasoning, the study proposes four hypotheses. First, Leader-Member Exchange is expected to have a positive effect on employee performance (H1). Second, Leader-Member Exchange is expected to have a positive effect on psychological safety (H2). Third, psychological safety is expected to have a positive effect on employee performance (H3). Fourth, psychological safety is expected to mediate the effect of Leader-Member Exchange on employee performance (H4).

The study is expected to make both theoretical and contextual contributions. Theoretically, it extends the application of LMX and Social Exchange Theory by identifying

psychological safety as an explanatory mechanism through which leader-employee relationship quality may translate into performance. This contributes to a more process-oriented understanding of leadership effectiveness rather than treating LMX solely as a direct predictor of employee outcomes. Contextually, the study provides evidence from a district-level government organization, a setting that remains relatively less represented in the LMX and psychological safety literature compared with private-sector, corporate, healthcare, and knowledge-intensive organizations. By focusing on the Barombong District Office, the study also highlights the relevance of relational leadership and psychological conditions for improving employee effectiveness in frontline local-government service delivery.

Thus, the central argument of this study is that employee performance in district government is shaped not only by formal systems, procedures, and individual capabilities, but also by the relational and psychological quality of the workplace. High-quality LMX may provide the trust, support, and recognition necessary to establish psychological safety, while psychological safety may enable employees to transform those relational resources into communication, learning, initiative, coordination, and ultimately stronger job performance. This mechanism is particularly significant in public-service organizations where effective performance depends on employees' capacity to operate within formal bureaucratic structures while remaining responsive to the dynamic needs of the community.

2. RESEARCH METHOD

This study employed a quantitative associative design with a cross-sectional survey to examine the relationships among Leader-Member Exchange (LMX), psychological safety, and employee performance at the Barombong District Office, Gowa Regency, South Sulawesi, Indonesia. The population comprised all 41 employees, including civil servants and contract/honorary personnel. Given the relatively small population, saturated sampling was applied so that all employees were included as respondents. The individual employee served as the unit of analysis. Data were collected using a five-point Likert-scale questionnaire, supported by observation and organizational documentation.

LMX was operationalized using four dimensions-affect, loyalty, contribution, and professional respect-based on the multidimensional LMX framework of Liden and Maslyn (1998) and subsequent relational interpretations of LMX (Manata & Grubb, 2022). Psychological safety was measured through employees' willingness to take interpersonal risks, acknowledge mistakes, express differing views, communicate concerns, and feel that individual differences are respected, consistent with Edmondson's conceptualization (Edmondson, 1999, 2018). Employee performance was assessed through work quality, quantity, timeliness, effectiveness, and independence. These measures reflected the study's theoretical model, in which LMX was positioned as the exogenous construct, psychological safety as the mediating construct, and employee performance as the endogenous construct.

Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS. The measurement model was evaluated using outer loadings, Average Variance Extracted (AVE), Cronbach's alpha, composite reliability, and the Fornell–Larcker criterion. The structural model was assessed using inner VIF, path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2), following established PLS-SEM guidelines (Hair et al., 2019, 2022). Hypotheses were tested using 2,000 bootstrap resamples with two-tailed tests at $\alpha = 0.05$. Mediation was evaluated through the significance of direct and indirect effects and the 95% bootstrap confidence interval. Indirect-only mediation was identified when the indirect effect of LMX on employee performance through psychological safety was significant while the direct effect was not (Sarstedt & Moisescu, 2024).

3. RESULTS AND DISCUSSION

Respondent Profile and Descriptive Results

The study involved all 41 employees of the Barombong District Office, Gowa Regency, comprising civil servants and contract/honorary personnel. As presented in Table 1, male respondents accounted for 56.1% of the sample, while female respondents represented 43.9%. Most respondents were older than 35 years (65.9%), indicating that the workforce was predominantly mature in age. In terms of educational attainment, 87.8% of respondents held at least a D-IV/S1 qualification, including 9.8% with a master's degree. Meanwhile, 56.1% had worked for less than ten years, 41.5% had between 10 and 25 years of service, and only one respondent had more than 25 years of tenure.

These characteristics indicate a relatively mature and well-educated workforce with heterogeneous levels of organizational experience. This profile is relevant to the district-government context because employees with different employment statuses, educational backgrounds, and lengths of service operate within the same bureaucratic and public-service environment and are expected to coordinate closely in delivering administrative and citizen-oriented services.

Table 1. Respondent Characteristics (n = 41)

Characteristic	Frequency	%
Gender - Male	23	56.1
Gender - Female	18	43.9
Age 25-35 years	14	34.1
Age >35 years	27	65.9
Education - Senior high school	2	4.9
Education - Diploma III	3	7.3
Education - D-IV/S1	32	78.0

Education - S2	4	9.8
Tenure <10 years	23	56.1
Tenure 10-25 years	17	41.5
Tenure >25 years	1	2.4

Source: *Data processed, 2026*

Descriptive analysis showed generally favorable perceptions across the three study constructs. The mean scores were 4.30 for Leader-Member Exchange (LMX), 4.28 for psychological safety, and 4.47 for employee performance, indicating high levels across all constructs.

Within LMX, professional respect recorded the highest mean score (4.415), whereas affect showed the lowest mean (4.203). This pattern suggests that leader–employee relationships were perceived more strongly in terms of professional recognition and competence than in terms of interpersonal attachment. Although both dimensions remained high, the difference indicates that professional aspects of the exchange relationship may be particularly salient in the formal bureaucratic environment of the district office.

For psychological safety, interpersonal risk taking (4.138) and openness in acknowledging mistakes (4.154) recorded comparatively lower scores than comfort in expressing views and confidence that individual differences were respected. Although these values remained favorable, the pattern suggests that employees may experience greater caution when interpersonal risk involves personal vulnerability, particularly admitting errors or exposing uncertainty. This distinction is substantively relevant in a public-service setting, where employees are expected to follow formal procedures while simultaneously responding to operational problems and citizens' needs.

Overall, the descriptive findings suggest that the primary area for organizational improvement is not general employee satisfaction with the workplace, but rather the extent to which employees feel sufficiently secure to acknowledge mistakes, seek clarification, and engage in potentially sensitive interpersonal exchanges.

Measurement and Structural Model Assessment

Prior to testing the structural relationships, the measurement model was evaluated for indicator reliability, convergent validity, internal consistency reliability, and discriminant validity. All reflective indicators exceeded the recommended outer-loading threshold of 0.70, indicating adequate indicator reliability.

As shown in Table 2, Average Variance Extracted (AVE) values ranged from 0.747 to 0.805 and therefore exceeded the recommended threshold of 0.50. Cronbach's alpha, rho_A, and composite reliability values were also above 0.70 for all constructs, demonstrating satisfactory internal consistency. These results confirmed that LMX, psychological safety, and employee performance exhibited adequate reliability and convergent validity.

Table 2. Measurement Model Quality

Construct	Cronbach's α	rho_A	CR	AVE	√AVE
LMX	0.899	0.904	0.930	0.768	0.876
Psychological Safety	0.888	0.892	0.922	0.747	0.864
Employee Performance	0.939	0.941	0.954	0.805	0.897

Source: *Data processed, 2026*

Discriminant validity based on the Fornell-Larcker criterion was also satisfied. However, the distinction between psychological safety and employee performance was relatively narrow. The square root of the AVE for psychological safety was 0.864, while its correlation with employee performance was 0.863. Although the formal criterion was satisfied, the very small margin indicates substantial empirical overlap between the two constructs. Accordingly, the magnitude of the psychological safety-performance relationship should be interpreted cautiously.

The structural model showed no critical multicollinearity problems. The inner VIF value for LMX in predicting psychological safety was 1.000, while the predictor VIF values for employee performance were 3.031, remaining below the commonly accepted threshold of 5.

The model explained 67.0% of the variance in psychological safety ($R^2 = 0.670$) and 75.7% of the variance in employee performance ($R^2 = 0.757$). These values indicate substantial explanatory capacity within the present organizational context. The adjusted R^2 values were similarly high, at 0.662 and 0.744, respectively.

Predictive relevance was also positive, with Q^2predict values of 0.505 for psychological safety and 0.608 for employee performance. Thus, the model demonstrated meaningful predictive relevance for both endogenous constructs.

Table 3. Structural Model and Predictive Indicators

Endogenous Construct	R^2	Adjusted R^2	Q^2predict	f^2 Effects
Psychological Safety	0.670	0.662	0.505	LMX → PS = 2.031
Employee Performance	0.757	0.744	0.608	LMX → EP = 0.040; PS → EP = 0.712

Source: *Data processed, 2026*

The effect-size results further clarified the relative contribution of each predictor. LMX exerted a very strong effect on psychological safety ($f^2 = 2.031$), while psychological safety showed a substantial effect on employee performance ($f^2 = 0.712$). By contrast, the direct contribution of LMX to employee performance was relatively small ($f^2 = 0.040$). This pattern provides an initial indication that the influence of LMX on performance may operate

primarily through psychological safety rather than through a strong independent direct pathway.

Hypothesis Testing

Hypotheses were tested using bootstrapping with 2,000 resamples and two-tailed significance testing at $\alpha = 0.05$. The results are presented in Table 4.

The direct effect of LMX on employee performance was positive but statistically nonsignificant ($\beta = 0.171$, $t = 0.779$, $p = 0.436$). Accordingly, H1 was not supported. Although the direction of the coefficient was positive, the result indicates that the quality of leader–employee relationships did not independently explain employee performance when psychological safety was included in the model.

In contrast, LMX had a strong positive and statistically significant effect on psychological safety ($\beta = 0.819$, $t = 12.248$, $p < 0.001$), providing support for H2. This result indicates that higher-quality relationships between employees and their leader were strongly associated with greater perceptions of interpersonal safety in the workplace.

Psychological safety also had a positive and statistically significant effect on employee performance ($\beta = 0.724$, $t = 3.636$, $p < 0.001$), supporting H3. Employees who perceived the workplace as safer for interpersonal risk taking tended to report higher levels of work performance.

Most importantly, the specific indirect effect of LMX on employee performance through psychological safety was positive and significant ($\beta = 0.593$, $t = 3.422$, $p = 0.001$), with the 95% bootstrap confidence interval ranging from 0.250 to 0.953 and therefore excluding zero. H4 was consequently supported.

Table 4. Hypothesis Testing Results

H	Path	β	t	p	Decision
H1	LMX → Employee Performance	0.171	0.779	0.436	Not supported
H2	LMX → Psychological Safety	0.819	12.248	<0.001	Supported
H3	Psychological Safety → Employee Performance	0.724	3.636	<0.001	Supported
H4	LMX → Psychological Safety → Employee Performance	0.593	3.422	0.001	Supported

Source: *Data processed, 2026*

Because the indirect effect was significant while the remaining direct effect of LMX on employee performance was nonsignificant, the results indicate an indirect-only mediation pattern. The total effect of LMX on employee performance was 0.764, consisting of a direct effect of 0.171 and an indirect effect of 0.593. Thus, approximately 77.6% of the total association was transmitted through psychological safety.

This finding is central to the proposed model because it indicates that LMX was associated with employee performance predominantly through its capacity to create a psychologically safer interpersonal environment.

Discussion

The findings provide a more differentiated explanation of how leader-employee relationship quality is associated with employee performance in a district-level public organization. Rather than supporting a simple direct-effect model, the results indicate that psychological safety constitutes the principal mechanism through which LMX is associated with performance at the Barombong District Office.

The first finding showed that LMX did not have a statistically significant direct effect on employee performance after psychological safety was incorporated into the model. This does not indicate that LMX is irrelevant to performance. Rather, it suggests that relational quality alone may not be sufficient to translate directly into higher performance. Employees may experience trust, professional respect, support, and reciprocal exchange with their leader, but these relational resources appear to become behaviorally consequential when they also generate an environment in which employees feel safe to communicate, participate, acknowledge problems, and take constructive interpersonal risks.

This finding is consistent with the broader LMX literature, which suggests that the performance consequences of leader-member relationships are frequently contingent on intervening psychological and organizational processes. Gabel-Shemueli and Riva Zaferson (2021), for example, highlight the roles of trust in leadership and satisfaction with appraisal processes, while Park et al. (2022) demonstrate that the broader relational and political climate surrounding differentiated LMX relationships can influence employee behavior. Evidence from public organizations in South Sulawesi likewise indicates that leadership tends to operate together with motivational and work-environment mechanisms in explaining employee performance (Jumady et al., 2022; Maulana et al., 2025). Similarly, Mahmud et al. (2025) found that leadership effects on performance in a public-sector setting operated through work motivation.

The second finding demonstrated a particularly strong relationship between LMX and psychological safety. This result is theoretically consistent with LMX theory because employees use repeated interactions with their leader to evaluate whether interpersonal engagement is likely to produce supportive or adverse consequences. High-quality LMX communicates that employees are valued, professionally respected, trusted, and accepted as meaningful contributors. Such relational signals can reduce uncertainty regarding whether asking questions, acknowledging difficulties, or expressing alternative views will result in interpersonal penalties.

This mechanism is especially relevant within a district-government office. Although work is formally structured through hierarchical authority and administrative procedures, everyday service delivery requires continuous communication, coordination, problem identification, and interpretation of operational issues. Employees must therefore navigate both formal bureaucratic requirements and interpersonal relationships. When relationships with leadership are characterized by professional respect and reciprocal support, employees may feel more secure in communicating concerns or seeking clarification without perceiving such behaviors as threats to their standing within the organization.

The result is consistent with previous studies linking LMX to psychological safety and employee voice (Assefa et al., 2024; Sundu et al., 2022). It also corresponds with evidence showing that leader affect and authentic leadership can shape psychological safety through the quality of leader–employee relationships (Dong & Xing, 2026; Wang et al., 2024). Taken together, these findings reinforce the argument that psychological safety is not created solely by formal organizational policies; it is also constructed through employees' repeated interpersonal experiences with organizational leaders.

The descriptive findings provide additional support for this interpretation. Professional respect represented the strongest LMX dimension, whereas affect was comparatively lower. This suggests that employees primarily valued leadership relationships grounded in professional recognition and competence. In a bureaucratic public-service environment, such professional respect may provide an especially important basis for employees to feel legitimate and secure when contributing to organizational processes.

At the same time, interpersonal risk taking and openness in admitting mistakes were the comparatively weaker dimensions of psychological safety. This distinction is important because employees may generally perceive the workplace positively while still experiencing hesitation in situations that involve greater personal vulnerability. In formal public organizations, acknowledging an error can carry perceived reputational or administrative consequences. Thus, the development of psychological safety should not be interpreted merely as encouraging positive interpersonal relations, but as creating conditions in which employees can identify and communicate problems early without unnecessary fear of interpersonal repercussions.

The third finding showed that psychological safety was strongly associated with employee performance. This relationship is particularly plausible in a public-service context because effective performance depends not only on individual technical competence but also on timely communication and coordination. Employees may need to clarify instructions, report emerging problems, ask colleagues for assistance, acknowledge mistakes before they escalate, and suggest solutions when established procedures do not fully address a service situation.

Psychological safety reduces the perceived interpersonal cost associated with these behaviors. Employees who feel safe to communicate are more likely to share relevant

information, learn from mistakes, seek assistance, and participate constructively in problem solving. These behaviors can subsequently improve work quality, timeliness, effectiveness, and independence.

This interpretation is consistent with Edmondson and Bransby (2023), who position psychological safety as an important foundation for learning, voice, collaboration, and adaptive work behavior. Related research indicates that psychological safety can influence performance through mechanisms such as job crafting and thriving at work (Lee, 2022), behavioral integration within management teams (Mogard et al., 2023), communication behavior and innovative performance (Jin & Peng, 2024), and learning behavior in service-oriented work settings (Canel-Ortega et al., 2026).

The most important finding of the study is the indirect-only mediation of psychological safety. The results indicate that the relationship between LMX and employee performance was predominantly transmitted through psychological safety. In substantive terms, a high-quality relationship with a leader appears to constitute a relational resource, while psychological safety represents the psychological mechanism through which that resource becomes relevant to employee performance.

This finding extends a simple assumption that stronger leader-employee relationships automatically produce better-performing employees. Instead, the present results suggest a sequential mechanism: high-quality LMX provides interpersonal trust, professional respect, recognition, and support; these relational resources strengthen employees' perceptions of interpersonal safety; psychological safety subsequently facilitates communication, learning, coordination, initiative, and effective task execution.

This mediation mechanism is consistent with studies showing that psychological safety can transmit the effects of LMX to outcomes such as job crafting, discretionary work behavior, work engagement, and safety behavior (Akman & Isci, 2023; Bennouna et al., 2025; Dar et al., 2024; Mao & Tian, 2022). The findings therefore contribute to the LMX literature by demonstrating that the consequences of high-quality leader member relationships may depend less on the relationship itself than on the psychological conditions generated by that relationship.

The results are also consistent with Social Exchange Theory. From a social exchange perspective, employees who receive valued relational resources from their leader including professional respect, support, recognition, and opportunities to contribute are likely to develop positive reciprocal responses (Blau, 1964). The present findings suggest that such reciprocity may not occur only through direct effort or obligation. Instead, supportive exchanges can first reduce interpersonal uncertainty and strengthen psychological safety, enabling employees to participate more openly and productively in organizational processes.

This interpretation is particularly relevant to the Barombong District Office. District-level public organizations operate through formal authority, standardized procedures,

heterogeneous employment arrangements, and direct interaction with citizens. Employees must comply with administrative rules while remaining responsive to diverse service demands. Under these conditions, relationship quality becomes valuable when it enables employees to function more confidently within the organizational hierarchy rather than merely producing positive feelings toward leadership.

Accordingly, the study contributes to the literature by demonstrating that psychological safety provides an important explanatory bridge between relational leadership and employee performance in a frontline local-government setting. The findings shift the analytical emphasis from the question of whether LMX improves performance to the more theoretically informative question of how relationship quality is converted into performance. In this study, the evidence suggests that the conversion occurs primarily through a psychologically safer interpersonal climate.

Nevertheless, the results should be interpreted with several limitations in mind. First, the distinction between psychological safety and employee performance satisfied the Fornell-Larcker criterion by only a very small margin. Their high correlation indicates that the estimated association between the constructs may partially reflect conceptual or measurement proximity. Future studies should therefore assess discriminant validity using additional criteria, particularly the Heterotrait-Monotrait ratio (HTMT), and consider refining the measurement structure where necessary.

Second, all constructs were measured through self-reported questionnaires administered at a single point in time. Common-source and common-method effects may therefore have strengthened some observed relationships. Future research could combine employee perceptions of LMX and psychological safety with supervisor-rated performance, administrative performance records, or other objective service indicators.

Third, the cross-sectional design limits causal inference. Although the theoretical model proposes that LMX contributes to psychological safety and that psychological safety subsequently contributes to performance, the temporal ordering of these relationships cannot be conclusively established from cross-sectional data. Longitudinal research would provide stronger evidence regarding how leader-employee relationships and psychological safety develop over time and influence subsequent performance.

Finally, the study involved only 41 employees from a single district office. Because saturated sampling covered the entire organizational population, the results provide a comprehensive representation of the Barombong District Office at the time of data collection. However, they should not be generalized statistically to district offices or public organizations more broadly. Future research should test the proposed model across multiple district offices, municipalities, or public-sector institutions to determine whether the mediation mechanism remains consistent under different organizational and leadership conditions.

Overall, the results indicate that employee performance in the Barombong District Office is associated not simply with the existence of high-quality leader-employee relationships, but with what those relationships create psychologically. LMX appears to become meaningful for performance when employees experience the workplace as safe enough to communicate, acknowledge difficulties, express different views, and contribute constructively. Thus, the central empirical implication of the study is that psychological safety constitutes the principal pathway through which relational leadership is translated into employee performance in this district-level public-service context.

4. CONCLUSION

This study examined the relationship between Leader-Member Exchange (LMX), psychological safety, and employee performance at the Barombong District Office, Gowa Regency. The findings show that LMX did not have a significant direct effect on employee performance, but it had a strong positive effect on psychological safety. Psychological safety, in turn, significantly improved employee performance and fully transmitted the effect of LMX on performance through an indirect-only mediation mechanism.

These results indicate that the quality of leader-employee relationships is important not merely because supportive relationships directly enhance performance, but because they help create an interpersonal environment in which employees feel safe to communicate, acknowledge mistakes, express different views, seek clarification, and contribute to problem solving. In the context of a district-level public organization characterized by formal hierarchy, administrative procedures, heterogeneous employment status, and direct interaction with citizens, psychological safety therefore represents a critical mechanism through which relational leadership becomes relevant to employee effectiveness.

The study contributes to the LMX and Social Exchange Theory literature by demonstrating that relational resources such as professional respect, support, and reciprocal contribution may be converted into performance primarily through psychological safety. Practically, the findings suggest that public-sector leaders should strengthen not only the quality of leader–employee relationships but also everyday leadership practices that encourage open communication, constructive responses to mistakes, employee participation, and respectful expression of different perspectives.

Nevertheless, the findings should be interpreted within the study context. The research was conducted with 41 employees in a single district office using a cross-sectional and self-reported design. Future studies should examine the proposed model across multiple public organizations, incorporate longitudinal or multisource data, and further assess discriminant validity between psychological safety and employee performance. Overall, the study demonstrates that in the Barombong District Office, the effect of LMX on employee performance operates primarily through the creation of a psychologically safe work environment.

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