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Relationship Based Leadership: The Development of Leader Member Exchange Theory

Sathiyaseelan Balasundaram

HR Consultant and Coach, India

&

Anuradha Sathiyaseelan

Associate Professor, Department of Psychology, Christ university, India

Abstract

Despite several studies on leadership, there still is no clear understanding of what leadership is and how it can be achieved. Traditional classification of leadership theories has been either on the basis of traits, behaviour or situation. The focus of these approaches has been primarily on the characteristics of the manager or the supervisor that make him or her effective in leadership situations. This typology of leadership does not specifically explain the influence of the follower characteristics or the leader relationship with the subordinate. LMX is one such leader relationship theory. It is not very clear as to where the LMX theory fits in the overall context of different leadership approaches. This paper discusses the LMX Theory in the context of the vast literature on Leadership, its evolution and practical utility for leadership development in organizations.

Keywords: leader member exchange (LMX), leader relations, leadership, vertical dyad linkage (VDL), LMX theory, relationship based approach, leadership style, “in group – out group”

Introduction

Leadership is a subject that has long excited interest. The term connotes images of powerful, dynamic individuals commanding huge armies, directing corporate empires and shaping the course of nations. Researchers have studied different models of leadership and have attempted to discover the abilities, traits, behaviors, source of power or aspects of situation that determine how well a leader is able to influence followers and accomplish task objectives (Yukl, 2002).

Typical models of leadership make assumptions that leaders employ an Average Leadership Style (ALS) behaviour with their subordinates. This approach assumes that – one, leaders tend to behave in a similar manner with all group members (Vecchio, 1982; Williams, Podsakoff, & Huber, 1992). Two, members reporting to leader of an organizational unit are homogenous in their perceptions, interpretations and reactions and therefore can be considered one single entity. Three, all the subordinates in an organizational unit are likely to respond in nearly similar manner when the leader displays different levels of considerate or initiating-structure behaviour (Graen & Cashman, 1975).

An alternative to the ALS approach is the Leader Member Exchange Theory. The LMX theory explains the role making processes between the leader and each member of the organizational unit and the relationship that develops over time between them (Dansereau, Graen & Haga, 1975; Graen and Cashman, 1975). This approach explains for cases where each of the leader-member relationships in an organizational unit can be either similar or very different (Dansereau, Graen & Haga, 1975). Personal compatibility and dependability becomes the basis for such exchange relationship. The LMX theory suggests that a small number of trusted members who function as assistants, lieutenants or advisors enjoy a high exchange relationship with the leader. And as the exchange cycle gets repeated again and again, these relationships are formed through reciprocal reinforcement of behaviour, and unless the cycle is broken, the relationships tend to evolve into relationships with a high degree of dependence, support and loyalty (Yukl, 2002).

In the leader-member exchange relationship, the superior cannot rely solely on the employment contract. Rather the leader is required or expected to find alternate basis for influencing the members' behaviour. Under such a context, the interpersonal exchange relationship between the leader and the

member becomes the alternative basis of influence. This source of influence can include outcomes that can be highly valued by both the superior and the member. The superior in such a relationship might offer among other things, outcomes of open and honest communication, opportunities for influence in decision making, job latitude, support member actions, display confidence in the member and extend consideration for the member. The member can respond to this behaviour of the leader by expending more than the required time and energy on tasks, assuming greater responsibility and showing more commitment to the unit or organization success. The more the extent of this leader-member exchange, the more the need for the leader to be ready to negotiate unit or organization related matters with the member. The superior is dependent on the member and must respect this dependence on that member (Dansereau, Graen & Haga, 1975; Wilson, Sin & Conlon, 2010). In turn, the subordinate is expected to work harder, show greater commitment to achieve the task objectives and show loyalty towards the leader and to take on additional responsibilities such as supporting the leader with his/her administrative duties (Yukl, 2002).

In this article, I first attempt to explain where the LMX theory fits into the overall context of the theory and approach to leadership and leadership domains. I then proceed to review the research on LMX theory followed by the stages of evolution of LMX theory as detailed by Graen and Uhl Bien (1995). Based upon this research and stages of development, I evaluate the LMX theory, its practical utility for leadership development in organizations and its limitations.

Leadership Theory and domains of leadership

Despite several studies on leadership, there still no clear understanding of what leadership is and how it can be achieved. There are many theories that attempt to explain the different aspects of leadership, but there is little idea of how they all tie in together (Graen & Uhl Bein, 1995).

Traditional classification of leadership theories has been either on the basis of traits, behaviour or situation. The focus of these approaches has been primarily on the characteristics of the manager or the supervisor that make him or her effective in leadership situations. This typology of leadership does not specifically explain the influence of the follower characteristics or the leader relationship with the subordinate. And it is difficult to determine where to fit in such approaches that study the follower characteristics or leader relationships into the overall thinking on leadership.

LMX is one such leader relationship theory - it is not very clear as to where the LMX theory fits in the overall context of different leadership approaches. One way to view the classification of leadership theory is to include the other levels involved. These levels could be, the follower (Meindl, Ehrlich & Dukerich, 1985; Kelley, 1988; Hollander, 1992) or the dyadic relationship between the leader and follower (Graen & Uhl Bein, 1991). Since leadership involves all these three domains, studies can focus on each of these levels separately – models that focus on the traits or behaviour of the leader, models that focus on follower behaviour and models that focus on the relationship such as the LMX; or multiples domains in combination that address the leader, follower and the situation (Graen & Uhl Bein, 1995).

There are several studies that focus on the leader, but there is a dearth of research on the areas of the follower or leader relationship. It is clear that more research is needed in the area of leader relationship and how it fits in with the other domains of the leader and the follower. And even within in the relationship domain, the focus of research can be on different level – for example, investigation can be on the dyadic relationship or on the individuals within the dyad or on the dyad within the group.

Research on LMX

The definition of LMX differs substantially from study to study (Yukl, 2002). There has not been any lack of research on definition of LMX, or its measures, or the dimensions of an LMX model (Ferris, Liden, Munyon, Summers, Basik, & Buckley, 2009). Dienesch and Liden (1986) stressed that LMX as a theory needs to have more structure and suggested a framework for LMX construct that included dimensions of mutual affect, contribution, and loyalty. Graen and Scandura (1987) proposed a two-dimensional framework for the construct – quality and coupling. Quality reflects the components of loyalty, support and trust among members of a dyad and coupling deals with behavioral elements of

influence, delegation, latitude, and innovativeness (Schriesheim, Castro, and Cogliser 1999). Schriesheim et al. (1999) proposed six domains for the LMX construct - mutual support, trust, loyalty, liking, latitude, and attention. Graen and Uhl Bien (1995) concluded that working relationship as the dimension of LMX was appropriate and empirically justified. However, if a one-dimensional conceptualization of LMX is not pursued, then the most appropriate dimensions of LMX are respect, trust, and obligation (Graen & Wakabayashi, 1992).

Empirical support for a four-dimension model of LMX was demonstrated by Liden and Maslyn (1998), which included facets of affect, loyalty and contributions as suggested by Dienesch and Liden (1986) with the added dimension of professional respect (see also, Liden, Sparrowe, & Wayne, 1997). In summary, research on LMX has identified affect, loyalty, contribution, professional respect, support, trust, attention, obligation, influence, delegation, latitude, and innovativeness as the dimensions of work relationships (Ferris et al, 2009).

There have been substantial number of studies on the dimensions of LMX, but most studies have explored LMX only from the perspective of the leader. Only a small number of studies explored LMX from the perspective of both the leader and the follower (Deluga & Perry, 1994; Liden, Wayne, & Stilwell, 1993; Markham, Yammarino, Murry, & Palanski, 2010; Phillips & Bedeian, 1994; Scandura & Schriesheim, 1994; Sin, Nahrgang & Morgeson, 2009; Zhou & Schriesheim, 2009, 2010).

Also, it is difficult to compare the results across the different studies on LMX as these studies have used several different measures of LMX, from the time the LMX theory was first proposed (Yukl, 2002).

Evolution of the LMX Theory

Graen & Uhl-Bien (1995) describe the stages of development of LMX theory. The development has been through four stages: Stage 1, studies discovered differentiated dyads. In Stage 2 the characteristics of LMX relationships and their implications for organizations was investigated; In stage 3, the dyadic partnership building was described; and in stage 4 the differentiated dyadic relationships to group and network levels were aggregated (Graen and Uhl Bien, 1995). This progression through each of the stages has encompassed an evolution in thinking about LMX as a leadership model and what it has to offer, as well as the level of analysis at which it has to be examined. First, Dansereau, et al. (1975), in their study on Vertical Dyad Linkage (VDL), documented that leaders rather than using an average leadership style with their subordinates, develop a differentiated relationships with each of their direct reports. Once research documented this relationship validity, studies on LMX investigated the nature of these differentiated relationships and their implication for organizations. Next came the Leadership Making model (Graen & Uhl-Bien, 1991; Uhl-Bien & Graen, 1992) that recognized the value in increasing the proportions of high-quality relationships in organizations and suggested the dyadic partnership building process as a means to accomplish this. Finally, current studies are focusing on how the differentiated dyads can effectively function within larger collectives. Thus this evolution of LMX theory represents a research based learning since the early vertical dyad linkage (VDL) studies.

Key Findings

In stage 1, the initial focus was on leader behavior as perceived by the leader and the follower. However, discovery of variation in responses from follower regarding questions about their leaders, resulted in dyads (leader-member) becoming the unit for analysis, and the relationship domain became the focus of LMX theory research (Graen & Uhl-Bien, 1995).

In Stage 2, investigations addressed the topic of differentiated LMX relationships and their relationships with organizational variables. The findings of this stage validated the existence of differentiated LMX relationships and how they developed. Studies showed that quality of LMX had a significant positive relationship with many outcome variables (Graen & Uhl-Bien, 1995).

In stage 3, focus was on development of high-quality relationship in a dyad, without reference to the organizational unit. In this stage moved LMX out of the "in-group" / "outgroup" thinking. It provided the basis for a more practical and equitable model of developing high quality relationship

throughout the organization. Also, given the beneficial outcome of high quality LMX relationships for both the members of the dyad and for organizations, the thrust was towards encouraging managers to offer high quality relationship to all of their subordinates. It is doubtful if all of these offers would result in development of high quality LMX relationships in organizations, but as long as the offers are made, the LMX process may be perceived as more equitable increasing the potential for a greater number of high quality LMX relationships in organizations and thus creating more effective leadership. However, many of these issues need further testing, but it is expected that questions raised in this stage could help to build better and more effective leadership within organizations (Graen & Uhl-Bien, 1995).

Until this point, independent dyads and dyadic relationships within organizational units was the focus of LMX research. In Stage 4, LMX research adopted a systems level perspective to address the question of how differentiated dyadic relationships assemble together within a larger network of (Uhl-Bien & Graen, 1992, 1993a, 1993b).

Determinants and Consequences of LMX

Studies have been conducted on the factors that predict the quality of exchange relationship in a dyad. A favorable relationship is likely when the leader perceives the subordinate as competent (Yukl, 2002). Also, certain personality traits of the leader and the subordinate have impact on the quality of dyadic relationship. Nahrgang, Morgeson, & Ilies (2009) report that high scores on extraversion and agreeableness for both the leader and the subordinate result in a more favorable exchange relationship in the early stage of dyadic relationship development. This is presumably due to these traits being associated with supportive and trusting style of interaction.

Studies also show that when in a favorable exchange relationship, leader behaviour tends to be more supportive of the subordinate. Also, a favorable relationship results in leader behaviour of more consultation with the subordinate and more delegation of authority to him/her. In a high LMX relationship, subordinate behaviour towards the leader is that of being more supportive of the leader, more openness and honesty in communicating to the leader (Yukl, 2002).

It is not clear as to what extent the subordinate can influence the role making process in a dyadic relationship, but it is likely that some subordinates may be proactive about developing a high quality relationship rather than passively accepting the leaders approach to the relationship.

Dirks and Ferrin (2002) in their study found that a favorable relationship resulted in high level of subordinate trust. High favorable relationship was also positively correlated with better role clarity, higher job satisfaction, greater commitment to organization, improved performance and more citizenship behaviour (Erdogan, & Liden, 2002; Gerstner & Day, 1997; Ilies, Nahrgang, & Morgeson, 2007; Liden, Sparrowe, Wayne, 1997; Schriesheim et al., 1999).

Graen & Uhl-Bien (1995) based on their research suggest that leaders should try to establish favorable exchange relationship with all subordinates if possible and not with just a few of their favorites.

Studies also show that a leader's upward dyadic relationship influences the quality of his/her downward dyadic relationships (Cashman, Dansereau, Graen & Haga, 1976; Graen, Cashman, Ginsburg, & Schiemann 1977). A manager with a favorable relationship with the superior is more likely to have favorable relationships with the subordinate. A favorable upward relationship helps the manager to obtain more benefits for the subordinates and facilitate their performance (Yukl, 2002).

Evaluation of LMX Theory

LMX theory has several conceptual weaknesses that limits its usefulness (Dienesch & Liden, 1986; Schriesheim et al., 1999; Vecchio & Gobdel, 1984). Several revisions to the theory have been attempted to overcome the deficiencies but more improvements are needed. Despite a growing body of research little is still known about the development of the role making process in a LMX relationship. The theory implies that LMX relationships evolve in a smooth manner (Yukl, 2002), but evidence from research shows that dyadic relationships develop through several phases of ups and downs

(Fairhurst, 1993). More longitudinal research may be needed to resolve these inconsistencies and provide better empirical data of the pattern of interactions that lead to a high quality LMX relationship.

The theory can be improved by studying how a leader develops different dyadic relationships, and how each of the relationships affect the other dyadic relationships and how it impacts group performance. Research indicates that group performance is improved by some level of differentiation in LMX, especially if such differentiation is perceived by the group as being fair (Liden, Erdogan, Wayne & Sparrowe, 2006). However increase in differentiation is likely to result in feelings of resentment by low exchange members, if they feel that the 'in group' members are getting more benefits than they deserve (McClane, 1991). Further, Wu, Tsui & Kinicki (2010), report that leaders behaviour directed at select individuals with the objective of improving their performance and self-efficacy may result have positive effect on the individuals at whom the behaviour is directed but may have negative impact on the group. The challenge for a leader is to develop a differentiated relationship with his / her subordinate to facilitate the achievement of team / organizational goals. While it is not necessary to treat all subordinates equally, the leader has the challenge of ensuring that each of the subordinate perceives themselves as important for the team and a respected member of the group.

Also, there has not been much research on the situational factors that impact the development of dyadic relationships (Green, Anderson, & Shivers, 1996). Some of the factors that are likely to impact the leader-member relationship are demographic characteristics of the unit members, characteristics of the job, stability of membership, size of the work unit, and the type of organization. These situational factors may impact on the type of dyadic relationship and the underlying exchange process (Yukl, 2002).

Conclusion

Theorizing and research on LMX has been carried out at multiple levels over the years. This article is an attempt at reviewing the literature on the LMX theory, the stages of its evolution, its determinants and consequences. The focus is to get a clearer understanding of the LMX within leadership theory and evaluates its usefulness as a process of leadership development within organizations. While LMX as a theory of leadership holds great promise, it has weaknesses that limit its usefulness. More longitudinal research may be needed to remedy the inconsistencies of LMX and to make it a valuable for leadership development.

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