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NPTEL ONLINE
CERTIFICATION COURSE

LEADERSHIP AND TEAM EFFECTIVENESS

LECTURE – 07

Leader-Member Exchange (LMX) Theory

PROF. SANTOSH RANGNEKAR

DEPARTMENT OF MANAGEMENT STUDIES



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- The Cycle of Leadership Making
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Image Source: <https://sites.psu.edu/leadership/2013/04/20/experiencing-leader-member-exchange-theory-first-hand/>

Leader Member Exchange Theory

LMX theory developed by **George Graen** is also known as **Vertical Dyad Linkage Theory**. LMX argues that leaders do not treat all followers as if they were a uniform group of equals. Rather, the leader forms specific and unique linkages with each subordinate, thus creating a series of dyadic relationships. (Hughes, Ginnett & Curphy, 2015)

LMX theory is “A theory that supports leader’s creation of ingroups and outgroups; subordinates with ingroup status have higher performance ratings, less turnover, and greater job satisfaction.” (Robbins, Judge & Vohra, 2019).

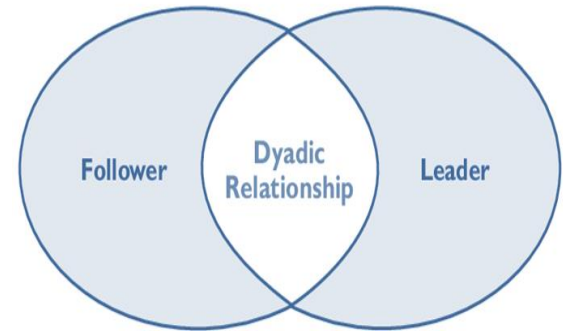


Image Source: (Graen & Uhl-Bien, 1995)

Leader Member Exchange Theory (Cont.)

In general, the linkages tend to be differentiated into two major groups.

- In the **out-group**, or low-quality exchange relationships, interpersonal interaction is largely restricted to fulfilling contractual obligations.
- In the **in-group**, leaders form high-quality exchange relationships that go beyond “just what the job requires.” These high-quality relationships are indeed “exchanges” because both parties’ benefit.



Image Source: <https://sites.psu.edu/leadership/2014/12/05/leadership-member-exchange/>

Leader Member Exchange Theory (Cont.)

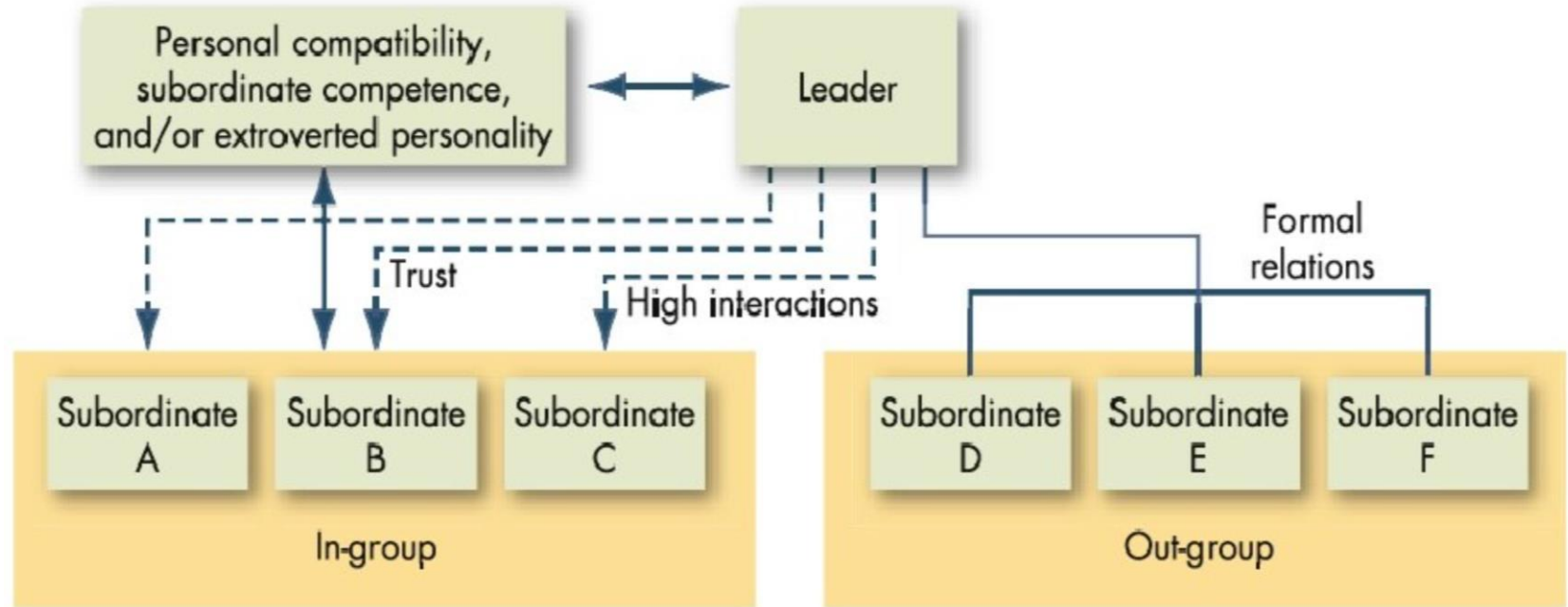


Image Source: <https://www.pinterest.ph/pin/313070611593702833/>


Leader Member Exchange Theory (Cont.)

- Early on, the focus of LMX theory was on stages of development as the process of the relationship developed over time. These stages typically were described as **Role-taking, Role-making and Routinization**
- **Role-taking** : leader offers opportunities and evaluates the follower's performance and potential.
- **Role-making** : A role is created for follower based on a process of trust building.
- **Routinization** : Similarities (for the in-group) and differences (often accentuated for the out-group) become cemented.

Leader Member Exchange Theory (Cont.)

- The biggest leap forward in LMX came 25 years after its introduction, in an article by Graen and Uhl-Bien.
- The authors expanded the descriptive portion of the model, which continued to focus on the dyadic processes between the leader and followers.
- With LMX Model, Graen and Uhl-Bien suggests behaviors that the leader should engage in to actively develop relationships (hence the prescriptive label) and build more in-group relations across the follower pool.

The Cycle of Leadership Making



| Characteristic | Stranger | Acquaintance | Maturity |
|-----------------------------|----------------|--------------|--------------------|
| Relationship building phase | Role-taking | Role-making | Role routinization |
| Reciprocity | Cash and carry | Mixed | In-kind |
| Time span of reciprocity | Immediate | Some delay | Indefinite |
| Leader-member exchange | Low | Medium | High |
| Incremental influence | None | Limited | Almost unlimited |

Source: (Hughes, Ginnett, & Curphy, 2015) (Graen & Uhl-Bien, 1995)

The Cycle of Leadership Making (Cont.)

- The leadership making process prescribes that the leader should work to develop special relationships with all followers.
- Leader should offer each follower an opportunity for new roles, responsibilities, and challenges, should nurture high-quality exchanges with all followers.
- Leader should focus on ways to build trust and respect with all subordinates—resulting in the entire work group becoming an in-group rather than accentuating the differences between in-groups and out-groups.

Leadership Making (Phase 1)- Stranger

- Interactions within the leader-subordinate dyad are generally rule bound.
- Rely on contractual relationships.
- Relate to each other within prescribed organizational roles.
- Experience lower quality exchanges.
- Motives of subordinate directed toward self-interest rather than good of the group.

Leadership Making (Phase 2)- Acquaintance

- Begins with an **offer** by leader/subordinate for improved career-oriented social exchanges.
- Testing period for both, assessing whether
 - the subordinate is interested in taking on new roles
 - leader is willing to provide new challenges
- Shift in dyad from formalized interactions to new ways of relating.
- Quality of exchanges improves along with greater trust & respect.
- Less focus on self-interest, more on goals of the group.

Leadership Making (Phase 3)- Mature Partnership

- Marked by high-quality leader-member exchanges.
- Experience high degree of mutual trust, respect and obligation toward each other.
- Tested relationship and found it dependable.
- High depend of reciprocity between leaders and subordinates and May depend on each other for favors and special assistance.
- Highly developed pattern of relating that produce positive outcomes for both themselves & the organization.

Concluding thoughts about the LMX Theory

- In its earlier form (the vertical dyad linkage model), LMX was one of the simplest of the contingency models. Even today, it is largely about the process of relationship building between the leader and the follower. The situation has barely crept in.
- From an application perspective, perhaps the biggest limitation of LMX is that it does not describe the specific behaviors that lead to high-quality relationship exchanges between the leader and the follower.
- LMX, as opposed to some of the subsequent contingency models, continues to generate research into the present decade. In fact, among all major contingency models, LMX has most research articles published and is being studied both across countries and with globally distributed teams

Concluding thoughts about the LMX Theory

- Various Research Paper published on LMX Includes papers on
 - ❖ Follower Proactive Personality
 - ❖ The Extent of the Leader's Social Network
 - ❖ The Degree to which Employees identify their supervisor with the organization
 - ❖ Employees' perceptions of both the procedural and distributive justice climate
 - ❖ The Degree that followers perceive that the leaders treat all members fairly
 - ❖ The Leaders represent the group's values and norms

Case Study: “LMX Theory: Barack Obama”

- Barack Hussein Obama was elected the 44th President of the United States in 2008. During his presidency, his leadership style was described at times as transformational, servant, charismatic, dysfunctional, extreme, and non-existent.
- Regardless of different perceptions, leaders must interact with many to accomplish goals and advance organizations. Leaders also interact with a small group of close advisors or confidants who lend guidance and support in return for increased loyalty and/or favoritism.

(Baker & Baker, 2017)

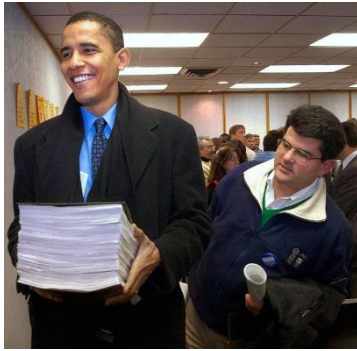


Barack Hussein Obama

Image Source: <https://www.biography.com/us-president/barack-obama>

Case Study: “LMX Theory: Barack Obama” (Cont.)

This dynamic of interacting with a small group yet having to rely on the support of a larger group is critical to the leadership process and known as leader–member exchange theory (LMX).



Barack Obama with
Don Shomon in 2003

It was during his time in the Illinois state senate that Obama began building close relationships with advisors and legislators. One was with his first Illinois senate aide, **Dan Shomon**, who would later become his close political advisor. Shomon’s key contribution to Obama’s political development was making Obama realize that he needed to understand all of the political cultures of Illinois if Obama had any ambition to advance farther in Illinois politics beyond the state legislature.

(Baker & Baker, 2017)

Image Source: <https://www.wbez.org/stories/obama-5-up-or-out/f2378d3c-de46-4165-87f6-2a91a5ebecac>

Case Study: “LMX Theory: Barack Obama” (Cont.)

- Obama later develop strong relationships with the people who in turn have greater influence with Obama during his 2004 US Senate campaign: **David Axelrod**, a highly regarded political consultant; **Jim Cauley**, who became Obama’s campaign manager; **Pete Giangreco**, who ran the direct mail operations; and pollster **Paul Harsted**
- The Obama campaign included many nationally-known advisors: **Robert Gibbs**, **David Plouffe**, and **Valerie Jarrett** (political advisors); **Austan Goolsbee** and **David** and **Christina Romer** (economics); and **Susan Rice** (national security) (Obama’s Inner Circle, n.d.). Many of these people later became some of Obama’s first appointments to his staff and cabinet. One, Valerie Jarrett, remained with Obama through his final year in office and held significant influence with him. (Baker & Baker, 2017)

Case Study: “LMX Theory: Barack Obama” (Cont.)

He also had close ties (both politically and personally) with Vice President **Joe Biden** who, by virtue of his title, was included in every major discussion Obama held with his Senior Leadership team

Obama’s close confidants have provided him with guidance and assistance when making difficult decisions. This close group has also created criticism from those inside and outside his administration regarding the openness and transparency of Obama’s decision-making process and has created the perception of allowing less participation while deciding critical matters facing the United States.



Barack Obama with Valene Jarrett

(Baker & Baker, 2017) Image Source: <https://blog.dailyfreepress.com/2014/11/14/valerie-jarrett/>

Case Study: “LMX Theory: Barack Obama” (Cont.)

- President Obama has a strength of creating effective relationships with those closest to him while also establishing good relationships with many others. He also has a potential blind spot by having an inner circle that may keep him from being transparent, inclusive, and allowing others to participate in the decision-making process.

Q1) Who is in President Obama’s in-group and why? Is his in-group an asset or detriment to the *perception* of his presidency?

Q2) How important are in-groups in regards to the leadership process? Are they more of an asset or liability for the leader and why?

(Baker & Baker, 2017)



Research Paper

Paper: Leader-member exchange, work engagement, and job performance

Authors: Kimberley Breevaart , Arnold B. Bakker , Evangelia Demerouti , Machteld van den Heuvel

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Leader-member exchange, work engagement, and job performance

Kimberley Breevaart and Arnold B. Bakker
Department of Work and Organizational Psychology,

Erasmus University Rotterdam, Rotterdam, The Netherlands
Evangelia Demerouti

Department of Industrial Engineering and Innovation Sciences,
Human Performance Management Group,
Eindhoven University of Technology, Eindhoven, The Netherlands, and
Machteld van den Heuvel

Department of Social and Organizational Psychology,
Utrecht University, Utrecht, The Netherlands

Abstract

Purpose – The purpose of this paper is to examine the process through which leader-member exchange (LMX) is related to followers' job performance. Integrating the literature on LMX theory and resource theories, the authors hypothesized that the positive relationship between LMX and employee job performance is sequentially mediated by job resources (autonomy, developmental opportunities, and social support) and employee work engagement.

Design/methodology/approach – In total, 847 Dutch police officers filled out an online questionnaire. Multilevel structural equation modeling was used to test the hypothesized relationships and to account for the nesting of employees in teams.

Findings – Employees in high-quality LMX relationships work in a more resourceful work environment (i.e. report more developmental opportunities and social support, but not more autonomy). This resourceful work environment, in turn, facilitates work engagement and job performance.

Research limitations/implications – Because of the research design, it is difficult to draw conclusions about causality. Future research may test the newly proposed relationship using a longitudinal or daily diary design.

Practical implications – This study emphasizes the value of high-LMX relationships for building a resourceful environment. In turn, this resourceful environment has important implications for employees' work engagement and job performance.

Originality/value – This study examines LMX as a more distal predictor of employee job performance and examines a sequential underlying mechanism to explain this relationship. Furthermore, this paper explicitly examined job resources as a mediator in the relationship between LMX and employee job performance.

Keywords Leadership, Leader-member exchange, Job demands-resources theory, Employee engagement, Job resources

Paper type Research paper



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Leader-member exchange theory (LMX theory; Graen and Cashman, 1975; Graen and Uhl-Bien, 1995) is unique in its focus on the dyadic relationship between leader and follower. Rooted in role making and social exchange theories (Brau, 1964; Graen, 1976; Kahn *et al.*, 1964), LMX theory states that followers develop unique exchange relationships with their leader. In turn, the quality of this relationship influences followers'

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Research limitations/implications

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Practical implications

- The results of the study emphasize the importance for subordinates to have a good relationship with their leader, since the quality of the LMX relationship is associated with the quality of the work environment. It also stresses the importance for leaders of having a good relationship with subordinates, since this is positively related to employees' work engagement and their appraisals of job performance. Research shows that engaged employees also have a better health and are absent less often.
- Studies also showed that it is possible to train leaders in their active listening skills, spending time talking to each subordinate, and sharing expectations. Compared to the control groups, this training led to gains in LMX quality, job satisfaction, and productivity

Book Recommendation

The Oxford Handbook of Leader-Member Exchange

Edited By: Talya N. Bauer, Berrin Erdogan
Publisher: ©by Oxford University Press
Language: English
Paperback: 560 Pages
ISBN-10 : 0199326193
ISBN-13 : 978-0-19-932619-8

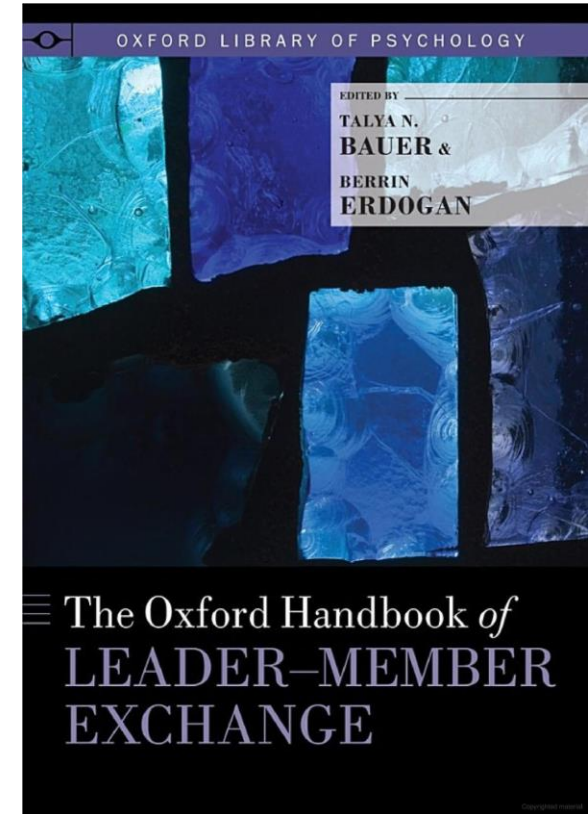


Image Source: <https://www.amazon.in/Handbook-Leader-Member-Exchange-Library-Psychology/dp/0199326177>

Book Recommendation (Abstract)

LMX has grown from a new theory in the 1970s to a mature area of research in 2015. Interest in this theory has increased rapidly over the past four decades, and the pace of research in this area continues to accelerate dramatically.

The Oxford Handbook of Leader-Member Exchange takes stock of the literature to examine its roots, what is currently known, what research gaps may exist, and what areas are in need of the most urgent research.

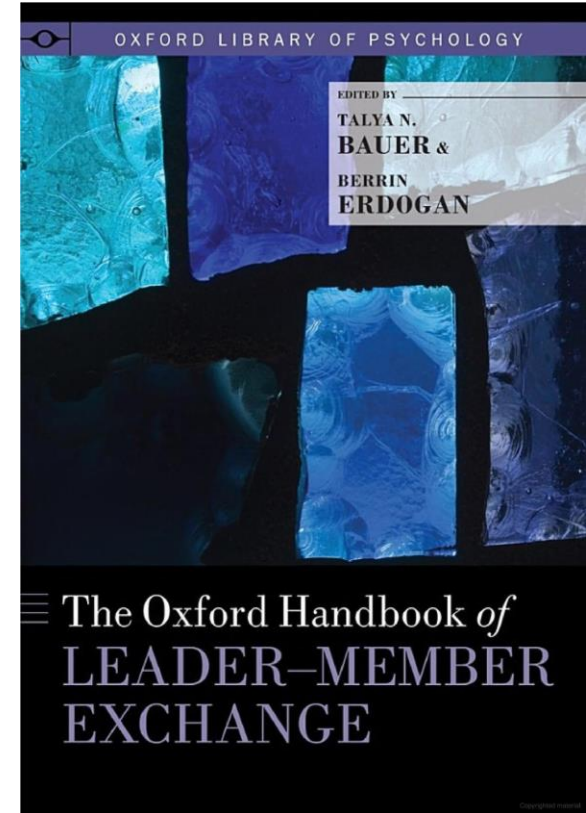


Image Source: <https://www.amazon.in/Handbook-Leader-Member-Exchange-Library-Psychology/dp/0199326177>

Book Recommendation (Contents)

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David V. Day and Darja Mischenko
3. Leader-Member Exchange Measurement
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4. Leader-Member Exchange (LMX) from the Resource Exchange Perspective: Beyond Resource Predictors and Outcomes of LMX
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Berrin Erdogan and Talya N. Bauer

Image Source: <https://www.amazon.in/Art-Leadership-George-Manning/dp/0077862457>

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Thank You

