

Module 2

Leader-Member Exchange Theory

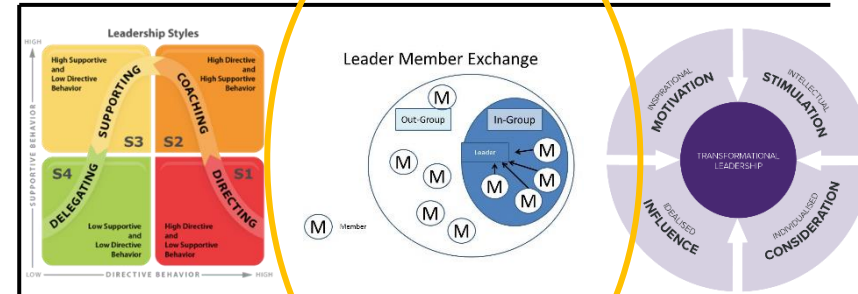
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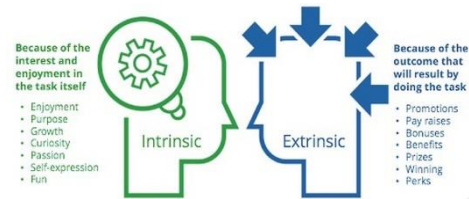
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Overview

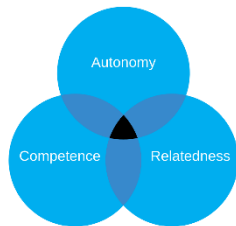
We will zoom in on three leadership styles



We will dive in 2 types of motivation and their implication



We will go deeper into self-determination theory



Learning objectives

After completing this module, you should be able to:

- Explain the nature of, and the strengths and criticism of leader-member exchange theory.
- Understand the differences between in-groups and out-groups, and to explain how the relationship quality changes over time.

Leader-member exchange theory

Description

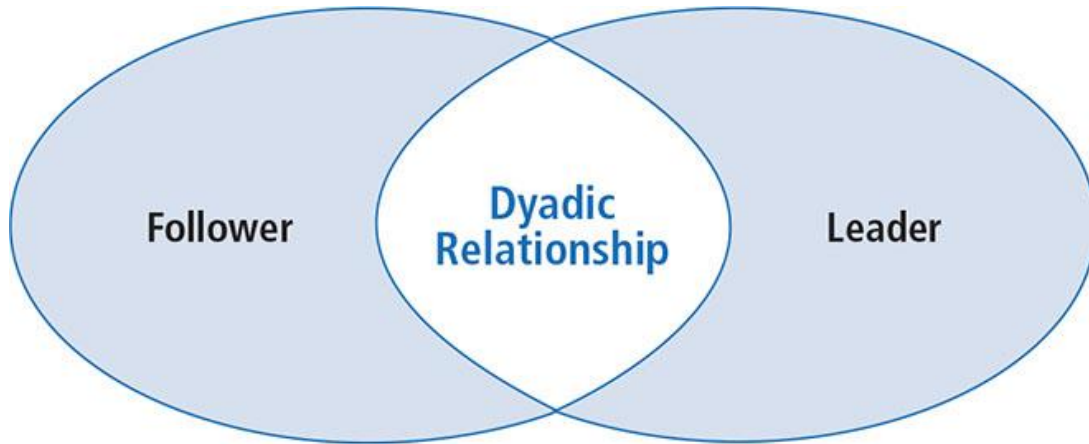


Leader-member exchange (LMX) theory

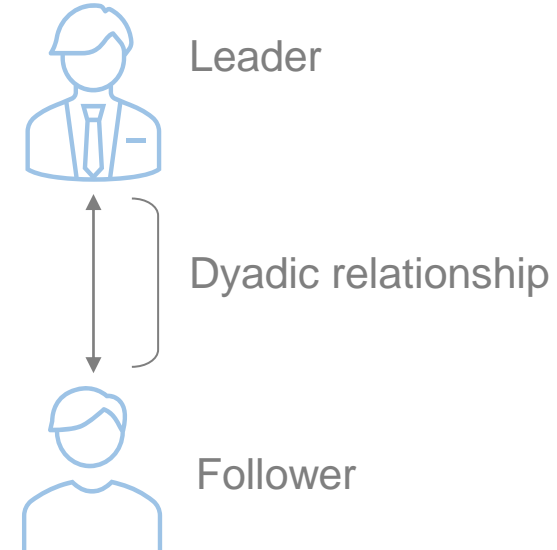
- conceptualizes leadership as a **process** that is centered on the **interactions** between leaders and followers
- **challenges the assumption** that leaders treat followers in a **collective way** as a group
- directs attention to the **differences** that might exist between the leader and each of his/her followers

Leader-member exchange

Dyadic relationship



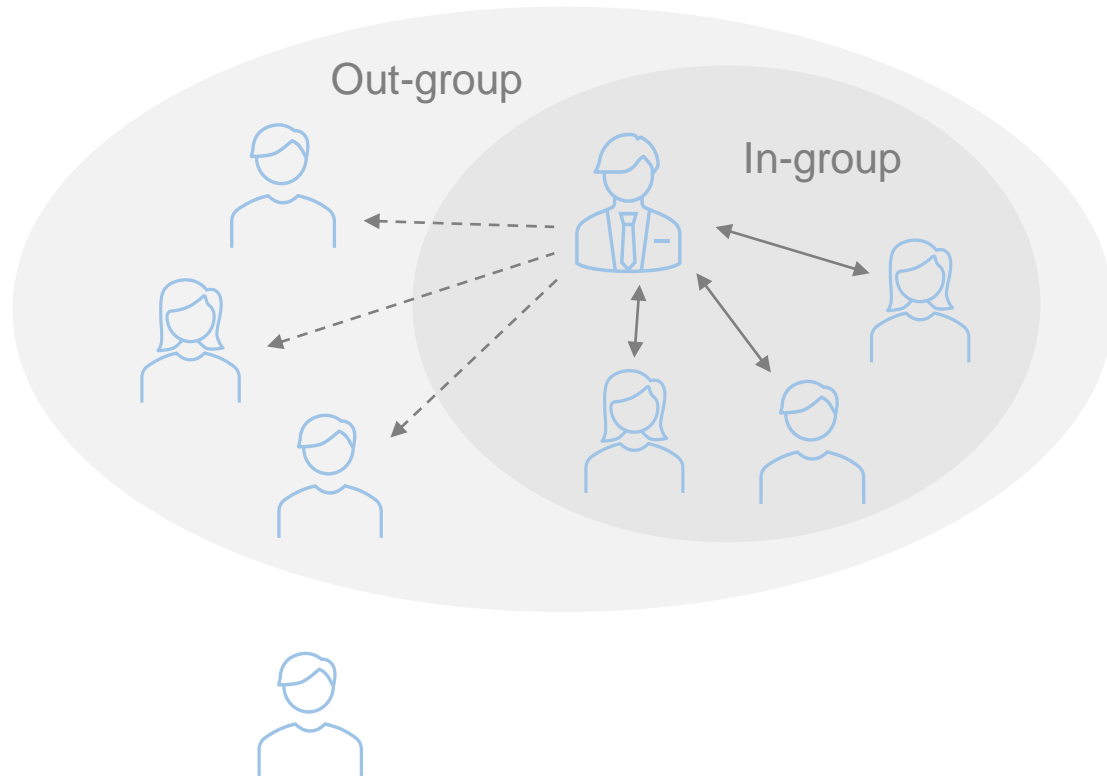
Vertical dyads



- LMX makes the **dyadic relationship** between leaders and followers the focal point of the leadership process.
- LMX is generally defined as the “overall **relationship quality** between a leader and a follower” (Buengeler et al., 2021: 262).

Leader-member exchange

In-groups and out-groups



In-groups:

- Expanded/negotiated role responsibilities (extra-roles)
- Relationships marked by mutual trust, respect, liking, and reciprocal influence
- Receive more information, influence, confidence, and concern than out-group members

Out-groups:

- Formal employment contract (defined-roles)
- Relationships marked by formal communication based on job descriptions
- Usually just come to work, do their job, & go home

Leader-member exchange

Leadership making



Phase 1 Stranger

- Interactions are **rule bound** and rely on **contractual** relationships
- Experience **lower quality** exchanges
- Motives of followers directed toward **self-interest**

Phase 2 Acquaintance

- Begins with an “offer” by leader/follower for **improved** career-oriented **social exchanges**
- **Shift in dyads** from formalized interactions to new ways of relating
- Quality of **exchanges** **improve** along with greater trust & respect

Phase 3 Partnership

- Experience **high-quality** exchanges
- High degree of mutual **trust, respect, and obligation** toward each other
- High degree of **reciprocity** between leaders and followers
- Focus on goals of the **group**

Leader-member exchange

Strengths



- LMX theory **validates our experience** of how people within organizations relate to each other and the leader
 - In-groups and out-groups are reality
- **Dyadic relationship** the centerpiece of the leadership process
 - Effective leadership is contingent on effective leader-member exchanges
- Importance of **communication**
 - Effective communication can cause high quality exchanges between leader and follower
- Solid research foundations

Leader-member exchange theory

Research findings (Meta-analyses by Dulebohn et al. [2012] and Martin et. al [2016])



LMX enhances

- task performance (k = 146, mean correlation = 0.30)
- citizenship performance (i.e., activities that are not necessarily task-related but that contribute to the organization in a positive way”(k = 97, mean correlation = 0.34)
- overall organizational commitment (k = 58, mean correlation = 0.41)
- general job satisfaction (k = 88, mean correlation = 0.42)

LMX reduces

- counterproductive performance (i.e., negative behaviors that harm others in the organization, such as property misuse, theft) (k = 19, mean correlation = -0.24)
- turnover intentions (k = 38, mean correlation = -0.34)

Leader-member exchange theory

Criticism



- Supports the development of **privileged groups** in the workplace; appears **unfair** and **discriminatory**
 - LMX leadership creates inequalities
- Existence of in-groups and out-groups may have **undesirable effects** on the group as a whole
 - Erodes cooperation and social harmony
- The **basic theoretical ideas** of LMX are **not fully developed**
 - How are high-quality leader-member exchanges created? What are the means to achieve building trust, respect, and obligation?

Leader-member exchange theory

Application

- Directs managers to assess their leadership from a relationship perspective
- Sensitizes managers to in-groups and out-groups





Questions or comments?

References



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