

Appendix 1: What Leader-Member Exchange Theory tells managers

The idea that leaders treat their individual subordinates differently may seem like common sense to practitioners. But for decades leadership research was obsessed with the quest to identify a single “best” leadership style or at least to establish which approach was most effective under which conditions. As part of that effort to categorize leadership styles, subordinate ratings of their bosses were systematically *averaged out*. In other words, deviations between subordinates’ views of their common boss tended to be dismissed as errors of perception or errors of measurement. The emergence of leader-member exchange theory established the fact that leaders actually treat their subordinates differently.ⁱ

Early research showed that leader relationships range from close partnerships with “trusted assistants” (high quality relationships) to more contractual links with “hired hands” (low quality relationships). How prevalent was this? Studies investigating this issue suggested that only about one in ten managers formed similar relationships (all high or all low) with all their direct reports.ⁱⁱ Furthermore, the evidence suggested that the relationships were not evenly distributed from high to low, but tended rather to form two clusters: an in-group and an out-group.ⁱⁱⁱ The fact that these clusters varied in proportion, were not always very tight and sometimes included a middle group, made it an inconvenient construct for research purposes – and so it was eventually abandoned – but it is a notion that certainly rings true with practitioners.

The standard explanation for why the boss would maintain differentiated relationships with subordinates focused on resource constraints. The hypothesis went as follows: Leaders need to develop a certain number of subordinates to help them run the work unit. Demands on the leader’s time and social resources limit the number of high-quality relationships that can profitably be developed and maintained.^{iv}

This view has received some empirical support from studies showing that subordinates’ reports of relationship quality is negatively associated with span of control (work unit size).^v Beyond this explanation, the fundamental question of *why* leaders differentiate has hardly been posed or tested. In particular, the 10 percent of bosses who did *not* maintain differentiated relationships were never asked why, nor studied as such.

Characteristics and consequences

How do researchers assess the quality of a boss-subordinate relationship? The interested parties instinctively know and generally agree, but what dimensions should researchers measure to find out? Early studies focused on the issue of “negotiating latitude”.^{vi} This label characterized the boss’ flexibility in allowing the subordinate to make changes in his or her job, and the leader’s willingness to use formal authority to help solve a problem on the member’s job. Measures of negotiating latitude subsequently gave way to broader characterizations of the nature of the general working relationship.

Throughout the 1980s and 1990s, a multitude of dimensions were proposed to try to capture the strength of the working relationship. An exhaustive review of the field recently concluded that a cluster of six items tended to predominate in most studies: these were mutual support, trust, liking, latitude, attention, and loyalty.^{vii} Why should

this matter to practitioners? Because unless we know what constitutes a good working relationship, it's difficult to think what to do to preserve or improve it.

One of the strongest features of leader-member exchange theory is its clear association with a wide range of desirable *outcomes*, in terms of individual attitudes and behaviors. With respect to employee attitudes, high quality relationships have been consistently associated with higher job satisfaction and satisfaction with the leader. For example, in one study, hospital employees were asked questions like "Which gives you more satisfaction? Your job or the things you do in your spare time?" Given a population of nurses and support staff whose work is heavily vocational, one might imagine that everyone would answer "the job!" But the results clearly showed that higher quality relationships consistently correlated with greater levels of employee satisfaction and lower levels of felt inequity.^{viii}

Beyond satisfaction with the immediate task and the boss, high quality relationships also influence employee's sense of organizational commitment. This might be expected with fairly low-level employees who perhaps equate their boss with the organization as a whole, but it also turns out to be the case for upper level managers in big companies. A poor working relationship with their immediate boss correlates with significantly lower commitment to the firm.^{ix}

With respect to actual behaviors, there is strong evidence that high quality relationships generate more innovative behaviors and, in a wider sense, more "extra-role" behaviors. For example, a study of scientists and engineers working in the R&D center of a US multinational, showed that higher quality relationships (as judged by subordinates) were associated with more innovative behaviors (as judged by their bosses). The more innovative employees were considered better at searching out new technologies or generating product ideas, promoting ideas to others, and finding funds and developing plans to implement them.^x

In a similar vein, several studies undertaken in hospitals have shown that nurses who have stronger relationships with their immediate superiors also display enhanced citizenship behaviors.^{xi} In practical terms this means that they are more inclined to do things like: help others who have heavy workloads, assist bosses without needing to be asked, listen to the problems or worries of colleagues, go out of their way to help new employees – and refrain from doing things like: taking undeserved breaks, being absent without notifying people, spending a lot of time on personal phone conversations, violating the informal rules or complaining about petty things.

Antecedents and development

What determines the quality of a working relationship? Early studies argued that the leader assessed the new hire's ability, performance and competence through a series of assignments or "try-outs" and progressively developed high-quality exchanges with the better performers.^{xii} More recent research has confirmed that there is indeed a link between member performance (as defined by the leader's performance ratings) and leader reports of relationship quality.^{xiii} But because the studies involved well established boss-subordinate pairings, it is not at all clear whether performance is a cause or a consequence of the high relationship quality – particularly bearing in mind that "in-group" status carries obligations: "In return for greater status, influence and

benefits... in-group subordinates are expected to work harder, to be more committed to task objectives, and to share some of the leader's administrative duties."^{xiv}

Other studies have raised severe doubts about the likelihood that performance is really the dominant *initiator* of relationship quality. One study, in particular, looked at objectively measured performance, boss ratings of performance and relationship quality.^{xv} The researchers found that poorly performing "in-group" subordinates were given high performance ratings, *regardless of their actual performance*. Conversely, boss ratings of "out-group" employees were consistent with actual performance. For the entire sample, the correlation between objective performance and relationship quality was virtually nil (0.07). Although objective performance is not all that bosses look at, one would not expect its effect to be wiped out by relationship quality.

These unsatisfactory findings prompted researchers to investigate other potential drivers of relationship quality. The effect of compatibility between leader and member has been increasingly explored, in terms of actual similarity, perceived similarity and liking. Studies of demographic similarities, such as age, gender, race, education, and job tenure have shown mixed results.^{xvi} On the other hand, studies of *perceived* similarity have yielded some interesting findings. For example, perceived attitude similarity – on issues of family, money, career, strategies, goals in life, and education – was strongly related to ratings of relationship quality.^{xvii} Perceived similarity can be reinforced by the subordinate's ingratiation efforts. Not surprisingly, upward praise ("I look for opportunities to show my respect/admiration") and opinion conformity ("In front of boss, I express values, opinions and attitudes similar to his/hers") are both associated with higher quality relationships.^{xviii}

Leader liking of the subordinate has also been consistently related to relationship quality.^{xix} Indeed, in two studies – one lab based, the other a field study in a bank – exploring the relationship between liking and quality of the working relationship found correlations of 0.74 and 0.73 respectively, suggesting a very close link.^{xx}

Another factor that weighs against performance as the chief vector of the relationship trajectory is the speed at which "in-groups" and "out-groups" emerge. The speed issue is highlighted by very few studies since most tend to focus on existing boss-subordinate relationships rather than newly formed ones. This makes it impossible to capture critical aspects of the development process that may begin during the first interactions and become established within a few weeks.^{xxi} Just to give an indication of how fast this could be, a laboratory study of 80 "leader-member" pairs using university students found that group membership distinctions had developed within ninety minutes of starting work on a simulation problem.^{xxii} Studies of the interview process show that strong impressions formed of applicants *before* and *during* job interviews probably influence job interactions from *day one*.^{xxiii} Of course, this pre-entry expectation exchange is a two-way process, in that future subordinates also gather information about the leader's characteristics, values and views on leadership.^{xxiv}

Summary

Leader-member exchange theory first established empirically that most bosses maintain different types of relationships within their group of subordinates. It draws attention to the empirical association between high quality relationships and outcomes

such as organizational commitment, job satisfaction, satisfaction with the leader, and performance.^{xxv} It raises the issue of likely biases associated with high-quality relationships – particularly potential favoritism and distortions of performance ratings, and hints at the dangers of having a sharply differentiated in-group in terms of the potential impact on the out-group: feelings of resentment, loss of team identity, impoverished cooperation and teamwork.^{xxvi} Indeed, these drawbacks have stimulated a prescriptive version of the theory with an explicit aim of establishing special exchange relationships with *all* subordinates, not just a few favorites.^{xxvii}

The main limitation of leader-member exchange research is that it is not particularly helpful in describing the specific leader behaviors that foster high quality relationships. At best it implies generalities about the need for leaders to show trust, respect, openness, latitude and discretion. The only practical insight offered comes from a training intervention reported in one study.^{xxviii}

The field experiment involved employees and their bosses in a large data processing unit. Bosses were taught to maintain high-quality relationships with all their subordinates by: a) spending time talking about each person's problems, concerns and expectations; b) using "active" listening skills and being sensitive to the particular issues raised by each member; c) refraining from imposing the leader's frame of reference on issues discussed; and d) sharing some of the leader's expectations about his or her own job, the member's job and their working relationship. The results showed *dramatic* effects on subordinates' objective performance (28 percent increase) and satisfaction, but *only* when subordinates' growth need strength was high (the average increase was a more modest 15 percent). Growth need strength was determined in advance by asking the subordinates a series of questions to find out what mattered most to them in a job (security, affiliation, development opportunities). This suggests that high-quality relationships may not always be desired.

ⁱ Dansereau, F., Graen, G., & Haga, W. J. (1975) "A vertical dyad approach to leadership within formal organizations", *Organizational Behavior and Human Performance*, 12: 46-78.

ⁱⁱ Liden, R. C., & Graen, G. (1980) "Generalizability of the vertical dyad linkage model of leadership", *Academy of Management Journal*, 23: 451-465.

ⁱⁱⁱ Dansereau, F., Graen, G., & Haga, W. J. (1975) "A vertical dyad approach to leadership within formal organizations", *Organizational Behavior and Human Performance*, 12: 46-78.

^{iv} Graen, G., & Uhl-Bien, M. (1995) "Development of leader-member exchange theory of leadership over 25 years: Applying a multilevel perspective", *Leadership Quarterly*, 6: 219-247.

^v Green, S. G., Anderson, S. E., and Shivers, S. L. (1996) "Demographic and organizational influences on leader-member exchange and related work attitudes", *Organizational Behavior and Human Decision Processes*, 66: 203-214. See also Green, S. G., Blank, W., and Liden, R. C. (1983) "Market and organizational influences on bank employees' work attitudes and behaviors", *Journal of Applied Psychology*, 68: 298-306.

^{vi} See, for example, Dansereau, F., Graen, G., & Haga, W. J. (1975) "A vertical dyad approach to leadership within formal organizations", *Organizational Behavior and Human Performance*, 12: 46-78.

^{vii} Schriesheim, C. A., Neider, L. L., Scandura, T. A. (1999) "Delegation and leader-member exchange: Main effects, moderators, and measurement issues", *Academy of Management Journal*, 41: 298-318.

^{viii} Vecchio, R. P., Griffeth, R. W., and Hom, P. W. (1986) "The predictive utility of the vertical dyad linkage approach", *Journal of Social Psychology*, 126: 617-625.

^{ix} Nystrom, P. C. (1990) "Vertical exchanges and organizational commitments of American business managers", *Group and Organization Studies*, 15: 296-312.

^x Scott, S. G., and Bruce, R. A. (1994) "Determinants of innovative behavior: A path model of individual innovation in the workplace", *Academy of Management Journal*, 37: 580-607.

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- ^{xi} See, for example, Anderson, S. E., and Williams, L. J. (1996) "Interpersonal, job, and individual factors related to helping processes at work", *Journal of Applied Psychology*, 81: 282-296; see also Settoon, R. P., Bennett, N., & Liden, R. C. (1996) "Social exchange in organizations: The differential effects of perceived organization support and leader member exchange", *Journal of Applied Psychology*, 81: 219-227.
- ^{xii} See, for example, Graen, G. (1976) "Role-making processes within complex organizations". In M. D. Dunnette (ed.), *Handbook of Industrial and Organizational Psychology* (pp. 1201-1245). Chicago: Rand McNally.
- ^{xiii} See for example, Dockery, T. M., and Steiner, D. D. (1990) "The role of initial interaction in leader-member exchange", *Group and Organization Studies*, 15: 395-413; see also Deluga, R. J., & Perry, T. J. (1994) "The role of subordinate performance and ingratiation in leader-member exchanges", *Group and Organization Management*, 19: 67-86.
- ^{xiv} Yukl, G. (1998, 4th ed.) *Leadership in Organizations* (New Jersey: Prentice Hall) 150.
- ^{xv} Duarte, N. T., Goodson, J. R., and Klich, N.R. (1993) "How do I like thee? Let me appraise the ways", *Journal of Organizational Behavior*, 14: 239-249.
- ^{xvi} Liden, R. C., Wayne, S. J., & Stilwell, D. (1993) "A longitudinal study on the early development of leader-member exchanges", *Journal of Applied Psychology*, 78: 662-674.
- ^{xvii} See Phillips, A. S., & Bedeian, A. G. (1994) "Leader-follower exchange quality: The role of personal and interpersonal attributes", *Academy of Management Journal*, 37: 990-1001; see also, Engle, E. M., & Lord, R. G. (1997) "Implicit theories, self-schemas, and leader-member exchange", *Academy of Management Journal*, 40: 988-1010.
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- ^{xix} See Wayne, S. J., Shore, L. M., & Liden, R. C. (1997) "Perceived organizational support and leader-member exchange A social exchange perspective", *Academy of Management Journal*, 40: 82-111.
- ^{xx} Wayne, S. J., and Ferris, G. R. (1990) "Influence tactics, affect, and exchange quality in supervisor-subordinate interactions: A laboratory experiment and field study", *Journal of Applied Psychology*, 75: 487-499.
- ^{xxi} See, in particular, Liden, R. C., Wayne, S. J., & Stilwell, D. (1993) "A longitudinal study on the early development of leader-member exchanges", *Journal of Applied Psychology*, 78: 662-674. See also Dansereau, F., Graen, G., & Haga, W. J. (1975) "A vertical dyad approach to leadership within formal organizations", *Organizational Behavior and Human Performance*, 12: 46-78.
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