Leader Member Exchange

The Leader-Member Exchange (LMX) theory focuses on the amount of interaction between a leader and individual leader. It contends that outcome of a leadership is dependent upon how much of interaction exists between the leader and the members. Since a leader has limited time, discretion and positional power, they tend to focus their attention on members who would maximize their leadership outcome.

Unlike previous theories which were either leader-centric or subordinate centric, the LMX views the dyadic relationship between the two as one of the contributing factor to leadership effectiveness. Unlike other approaches which viewed the subordinates as a group or team, LMX considers each individual in the team separately.

Based on the interactions between the leader and subordinates, the theory recognizes two distinct types of relationships

In-Group

The members who go beyond their expected roles and have a constructive approach to the tasks receive special attention from the leaders, they form the In-group. Leaders identify them as subordinates that are proactively seeking to help the leadership role. The In-Group is identified as high-quality of LMX with positive outcomes.

Some of the characteristics and benefits of In-Group are:

1. Members initiate and negotiate their role expansion beyond their job description.
2. The relationship with leader comprises of mutual trust, respect and liking.
3. Members receive reciprocal attention, more information and concerns from their leader.
4. Members receive more positive performance evaluation, higher frequency of promotions, their desired work assignments and much more support.

Out-Group

The members, who only try to work enough to fulfill their contractual obligations, form the Out-Group. Compared to the in-group, the members of out-group do not receive any additional attention or benefits, their interaction with leader is formal and task oriented. The out-group is a low degree LMX and as expected only provides mediocre results.

1. The communication or interaction between the leader and member is formal, more
like scripted gestures between two strangers. 
Leader tries to influence the subordinate but there is little reciprocity. 
Subordinate is primarily concerned with fulfillment of self-interest.

It is easy to identify existence of both in-group and out-group in any organizations, some thinkers might argue that it polarizes the organization and is de-motivating. However, it will continue to remain a fact, thus a good leader must consciously make effort to expand his In-Group in the organization.

**LMX Improvement Model**

1. **Identify Out-Group**: The leader must identify the out-group under his organization, analyze their past performance and identify some key characteristics that would help in exploring their interests.
2. **Explore Motivation**: The leader should initiate some planned dialogs to better understand the subordinate’s personal aspirations, his task related preferences and career goals. The motive of this exercise is to test the willingness of the subordinate to take new responsibilities, and also to test and develop the confidence in the leader. It results in the leader obtaining more feedback from the subordinate and reduces the self-interest oriented approach of the subordinate.
3. **Reduce De-motivation**: While it’s important to understand what motivates an individual, it’s equally important to identify factors that might prove de-motivational. Below are some of the factors that affect LMX, the leader must use them to analyze the factors that might be leading to low LMX.
4. **Create Partnership**: Once both the leader and members have gone through the reciprocal testing phase, they establish mutual trust and confidence. The leader should then take the partnership approach to the interactions and encourage the subordinate to negotiate the assignments.

**Factors influencing LMX**

1. **Perceived Contractual Breach**: An employee joins the organization with some reciprocal expectations and promises against his service, this forms a perceived contract and not actual written contract. When the employee feels that the organization has not lived up to it’s expectations, it’s a Perceived Contractual Breach (PCB) and results in low LMX. On the other hand, when an employee doesn’t live up to the expectations the organization had at the time of hiring, it also results in low LMX.
2. **Low ability and willingness**: As in situational leadership model, when the individual has both low ability & willingness, the leader is forced to take directive style which inherently is low LMX.
3. **Cognitive similarities**: When both leader and member have the same approach to problem solving, it can be termed as cognitive similarities and research has shown that it leads to high LMX. On the contrary, sex, religion and race have shown no significant affect on LMX, it dispels the myth that a multi-cultural/national organization is better.
4. **Organizational communication**: There is an element of satisfaction in employees when they are properly communicated about various aspects of organization; this satisfaction has shown to boost the LMX.
   1. **Personal and interpersonal communication** with leader and coworkers has results in higher LMX. It provides a sense of organizational citizenship to the subordinates, that he is integral part of the organization.
   2. **The decisional power of the leader in organizational hierarchy** has direct influence on the LMX. When the leader has high influence on the upper hierarchy of the organization, the subordinates find it satisfying and are motivated. The influence can be divided as both strategic i.e related to decision making as well as work-related i.e performance review, task assignments etc.
The amount of organizational information received also has positive affect on LMX, when more transparency exists in the workings of organization, more confidence and motivation members have to exceed the expectations.

**Social exchanges:** Interactions that are not work related also have positive affect on LMX; perhaps it helps in building mutual confidence and trust and is motivational.

**Task characteristics:** When task are unstructured or unclear, their work methods are not known or are new, the LMX is high. It partially due to the characteristics of task that are challenging and hence elevate interest in the members to go beyond their roles. Also the leader’s attention is high due to risky nature of the task itself, subordinates demands will also be higher.

**Caution:** When task are unclear, it is hard to evaluate the efficiency and outcome of individuals and it provides an opportunity for individuals to exhibit pseudo role expansion without any significant contribution.

**Strengths of LMX**

1. **Very Practical:** It is very easy to identify the In-Group & Out-Group in any organization; it provides good reason of why not all individuals perform equally. It also provides a good model to integrate out-group with in-group.

2. **Importance of communication:** It provides a strong bases to give due importance to aspects of communication and exchanges between leader and members.

**Criticism of LMX**

1. **Conflicts Ethics:** While the law governs the corporate to be fair and prohibit any discrimination, the identification of Out-Group & In-Group itself is a form of segregation. It is often hard to convince that such segregation is indeed intended to promote organizational citizenship of the out-group and would not be used for any other purpose.

2. **Diagnostics Method:** Although there are several LMX questionnaires, each focus on some dimensions, there is yet no comprehensive diagnostic method that has been created and studied.