

**Leadership and Team Effectiveness**  
**Prof. Santosh Rangnekar**  
**Department of Management Studies**  
**Indian Institute of Technology - Roorkee**

**Lecture - 07**  
**Leader-Member Exchange (LMX) Theory**

The last model we talked about is action, observation and reflection, and now we will talk about another theory. So, one by one, we understand now, as I always mentioned, that please learn these different theories and models, and as your situation requires, you have to be clever enough that know which theory or model will be applicable in your given situation.

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**Content**

- Leader Member Exchange Theory
- 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/>

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So, this is about the leader-member exchange theory, the cycle of leadership making phases; as usual, the case study, the research papers, the book recommendations and the references will be there for your further studies.

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## 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).

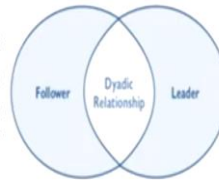


Image Source: (Graen & Uhl-Bien, 1995)

Now, in this case, you will find when we talk about the leader-member exchange theory, which was developed by George Graen is also known as the vertical dyad linkage theory, that the leader-member exchange theory argues that leaders do not treat all followers as if they were a uniform group of equals. So, when you have different subordinates, all subordinates cannot be of an equal level; instead, the leader forms specific and unique linkages with each subordinate, thus creating a series of direct relationships.

Moreover, what is the dyad relationship? Dyad relationship is the interpersonal relationship that is a superior and subordinate relationship. So, the leader-member exchange theory is the primary reason or the logic for creation is that is developing the everyone it should not be those who are the leaders they remain leaders and those who are not leaders then are not getting any opportunity to be a leader.

So, equal opportunity has to be given to all, a theory that supports leaders' creation of ingroups and outgroups subordinates within-group status have higher performance ratings less turnover and greater job satisfaction is there a beautiful outcome is there that is whenever we are talking about the leader-member exchange theory is there then they are having that is the high performance and the job satisfaction.

Because ultimately, the employees get the motivation to the employees. So, this is wrong to understand that every employee will be motivated by money only and monetary benefits only rather than it will be seen that it also has job satisfaction. I would also like to share one

example: we have the MBA student, and the MBA student has not opted for the first organizations coming for the campus placement.

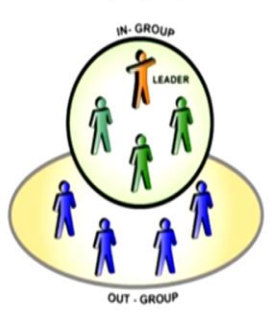
So, I asked her why you are not appearing for this. So, she said sir, and I want to appear for an organization that will give me the job profile. I am looking for a particular specialization. So, therefore job satisfaction is becoming more and more essential, and in general, the linkages tend to be differentiated into two major groups.

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**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.



The diagram illustrates the Leader Member Exchange Theory. It features two overlapping circles. The upper circle is labeled 'IN - GROUP' and contains a central figure labeled 'LEADER' (orange) and three surrounding figures (green). The lower circle is labeled 'OUT - GROUP' and contains five surrounding figures (blue). The circles overlap, suggesting interaction between the groups.

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

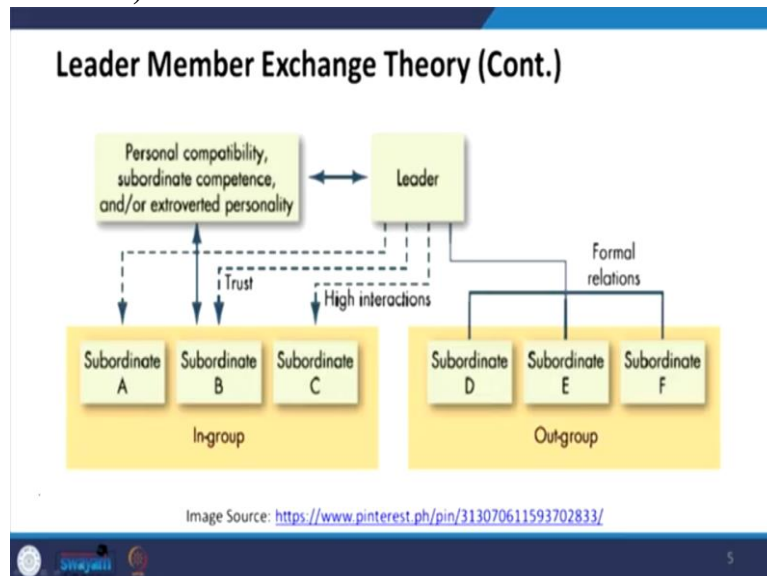
In the outgroup and low-quality exchange relationships, interpersonal interaction is primarily restricted to fulfilling the contractual obligations so that they will be the leader, and certain in-group people will be there. Moreover, there will be the leader where less interaction is there that will be the outgroup will be there in the in-group leaders form high-quality exchange relationships that go beyond just what the job requires.

So it is much more than required, and these high-quality relationships are exchanges because both parties benefit. So, naturally, those in the inner circle will benefit more because they will have more exchanges with and interactions with the leader. So therefore, in that case, compared to the out-group people or group people, they will have the lesser and lesser exchanges.

Moreover, as a result, they will not get much opportunity to learn. However, in this theory also, one critical point is both are learning the in-group people are also learning, and outgroup people are also learning and therefore, in the case of group people, those who are getting the

higher opportunities they will learn more. The leader will also learn from those the in-group members, while it is becoming challenging for them in the case of the out members. That is to go for that leadership understanding with the will because of the less interaction with the leader.

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Now here we will see how to decide the internal and external out-groups. So, subordinates A, B, and C are there. D, E, and F are there. So, the leader forms the former relationships with the outgroup while with the in-group people that is he also knows about the trust and high interactions with these people also he is contributing by knowing the personal compatibility of the A, B, C and subordinate competence and or the extroverted personalities are there.

So, therefore, in that case, while in case of the leader's interaction without group there is no trust there is no interaction with this is the D, E, F. So, therefore, in that case, the interaction with the A, B, C because of the trust and interaction and knowing the personal capabilities of the individual. So, whenever we talk about the individual's capabilities, the leader and group are becoming much more comprehensive than the leader with the outgroup members.

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### 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.

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. You have to learn that whenever a new boss joins, or you join a new organization, these three factors, role-taking, role making, and routinization, contribute to developing the relationship with the leader.

So, focusing on this role taking means what? A leader offers opportunities and evaluates the follower's performance and potential. So, therefore first, he will give you the job and then observe whether you have performed or not performed and what potential you have? Role making is followed based on a process of trust-building. So trust is their routinization in these similarities in an outgroup in differences often isolated for the outgroup becomes cemented.

Furthermore, therefore, based on the role-taking and the role making, cementing the relationship is there and making the routinization. Now, what happens whenever there is a task to be assigned? First, it will be given to the in-group people, so group members know there is trust, and they have that role-taking and making. So therefore, in that case, the routinization will be much stronger with the in-group persons.

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### 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 most significant leap forward in the leader-member exchange came 25 years after its introduction in an article by Graen and Uhl-Bien. So, therefore this theory was continuous continued, and in many organizations, they were finding these in-group people out of the outgroup people and making exchanges with them. This leadership style was adopted for many years, but later on, the authors expanded the descriptive portion of the model, focusing on the dyadic processes between the leader and followers.

Earlier, the leadership was one-sided; it was from the leaders to the followers. Nevertheless, now, it is dyadic that is from the followers to the leaders. Also, with the LMX model, Graen Uhl-Bein suggests that the leader should engage in an actively developed relationship. Here is the prescriptive label. Moreover, build more group relations across the follower pool. So, what is essential is that the number has been increased earlier; it was very selective. You know they say no, it should be more. Now in this period, there are four stages.

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### 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)

One is the characteristics: there is a stranger, the third is the acquaintance, and the fourth is maturity. So, in the characteristics, is there the relationship-building phase reciprocity times span of reciprocity between the leader and member exchange an incremental influence to be there while in case of the stranger it is a roll taking cash and carry immediate on low and none is there.

So, therefore here, the leader-member the stranger is the exchanger acquaintance is medium and the maturity it is very high in acquaintance it is a role making that is the what are the potential observation is thereby the leader makes you some delay. So therefore, that is role making and role-taking are here; acquaintance will be the medium leader-member exchange, and incremental influence is limited.

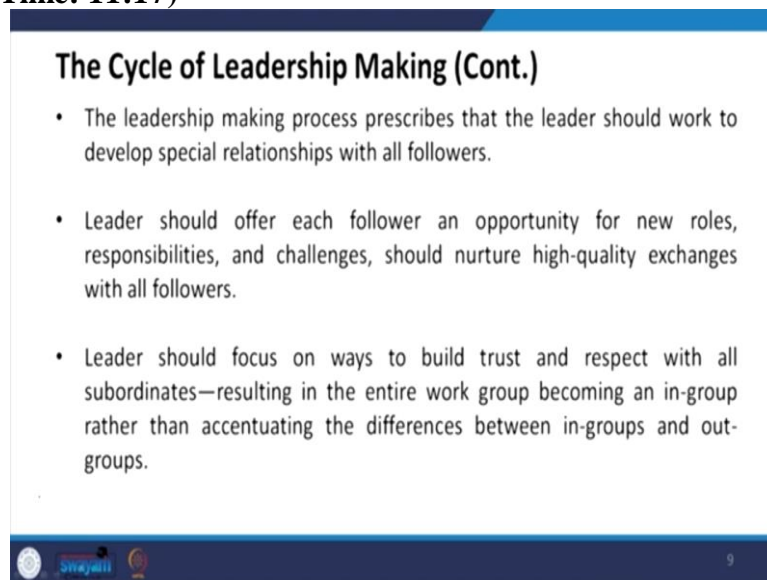
In case maturity is concerned with role routinization, role routinization means a cemented relationship between the leader and the follower whenever there is a cemented relationship between the leaders and the follower. So, role routinize is there they have in reciprocity that is in kind. So, sometimes the greetings are there, and as this type of greeting, it is reciprocity is there a times span of reciprocity.

In the case of the stranger, it is immediate; in the case of the acquaintance, some delay is there; in the case of maturity, it is indefinite times. In leader-member exchange, the stranger is low, acquaintance is medium, and maturity is the powerful incremental influence. It is none limited, and almost unlimited is there. So, therefore, in that case, whenever we are talking

about the incremental influence right from the relationship-building phase, these are the different phases are there.

Moreover, it starts with the role of routinization cementing and identifying the incremental influence's potential performance. So, here this particular path is taking care from building the relationship or the trust true to the routinization that requires a journey and in that journey that exchanges between the leader to the subordinates and from the subordinates to the leader that is becoming very, very important.

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**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.

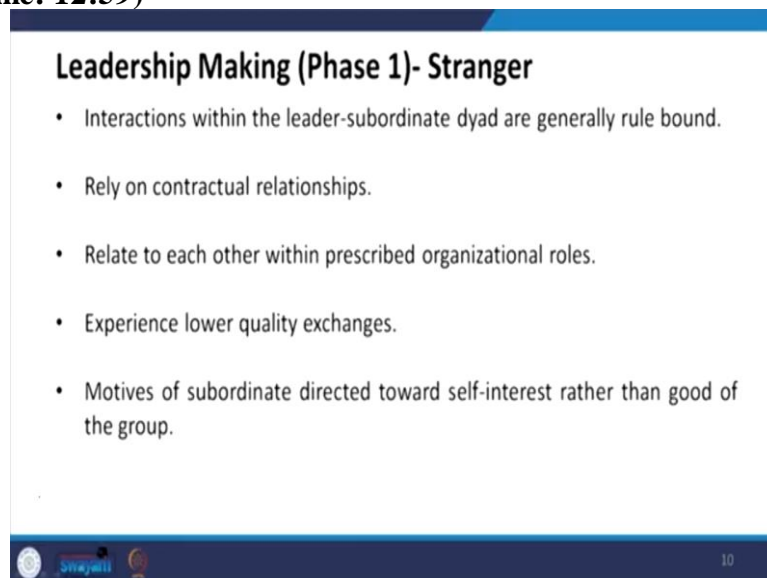
This cycle of the leadership-making process prescribes that the leader should work to develop a special relationship with all followers. This is very important now that if there are ten employees and one supervisor, then all the ten employees will not be part of the leader-member exchange. So, that is, there will be a special relationship with specific followers are there.

And then, when he is interacting with all 10, he offers an opportunity for new rules because he is not biased. He is Frank and free and therefore is given opportunities to all and challenges and then should nurture high-quality exchanges with all followers. Moreover, the leader should focus on building trust and respect with all subordinates, resulting in the entire workgroup becoming an in-group rather than accentuating the differences between in and out-groups.



So, here we will find that that is the how this leader-member exchange theory that helps us to develop a leadership making with these particular from the routinized is there whenever we are talking about this leadership making the if with the phase 1 with the strangers is there now how much the leader is interacting with that particular stranger and interactions within the leader subordinates dyad or generally rule-bound. So, suppose he has to do specific jobs and then out of those jobs, he has to report specific jobs directly to the boss that is a leader, and then that is a rule-bound there that is the A, D, F you have to report to your boss is there.

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**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.

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While under contractual relationships with the stranger it is formal. So, therefore the contractual relationship is the rules and regulations, and the contractual relationship will be there; they will relate to each other within prescribed organizational rules. So, there is nothing like the informal there is nothing like the beyond the boundaries, and therefore the relationship with these will be very much limited prescribed one.

Furthermore, the expenses lower quality exchanges are there, why low-quality exchange? Because the curtain wall is there and that curtain wall is about talking about the formal roles, the motives of subordinates are directed towards self-interest rather than the good of the group, and therefore, it will be more self-focused.

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## 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.

So, therefore it is not suggested much in the beginning. Yes, in the beginning, everyone will have the stranger's role. So, it starts with the stranger, but it is in the stranger it will be limited to the very, very much formal and formality. At the same time, in the case of the acquaintance, you will find that whenever we talk about the relationship between the leader and the member, it begins with an offer by the leader's subordinate for improved carrier oriented social exchanges.

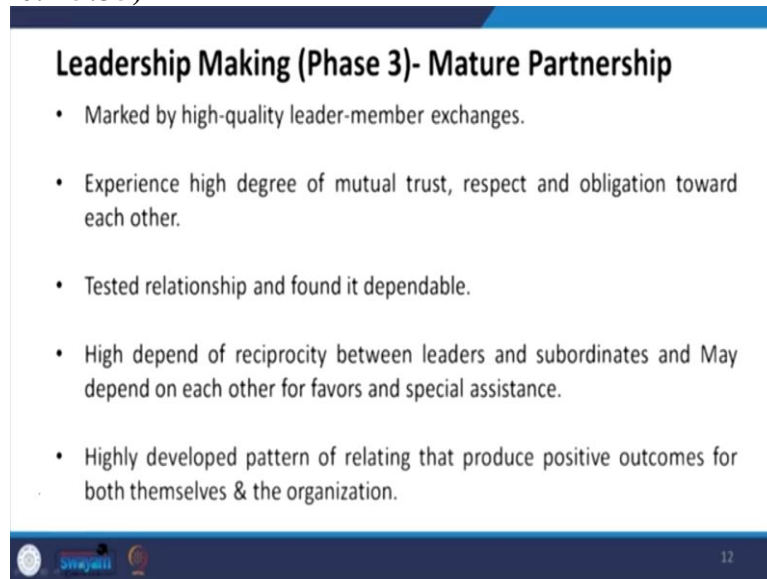
So, therefore now one step ahead so, therefore, in the beginning, it was just a formal, and now the leader is making the offer, offer to the subordinates for the improved carrier oriented social exchanges giving more opportunities it now he is breaking that boundary or raising that curtain and therefore allowing these and the outgroup people to come into the in-group circle and here the testing period will be both.

The subordinate is interested in taking on new roles whether she is interested or not. Otherwise, I will make the excuses that I have so many jobs I had to do this and that I can do this. Why do not you give this assignment to others to provide new challenges shift in dyad from formulas interactions to the new ways of relating quality of exchanges improves along with the greater trust and respect, and the less focus is there in case of that is the self-interest is there.

While in the case of the stranger, there was a much more focus was there in the case of the individual self-interest while when you were into the acquaintance, acquaintance will be the

breaking of the boundaries and therefore the breaking up the boundaries both are having the mutual exchange and for the carrier oriented actions.

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**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.

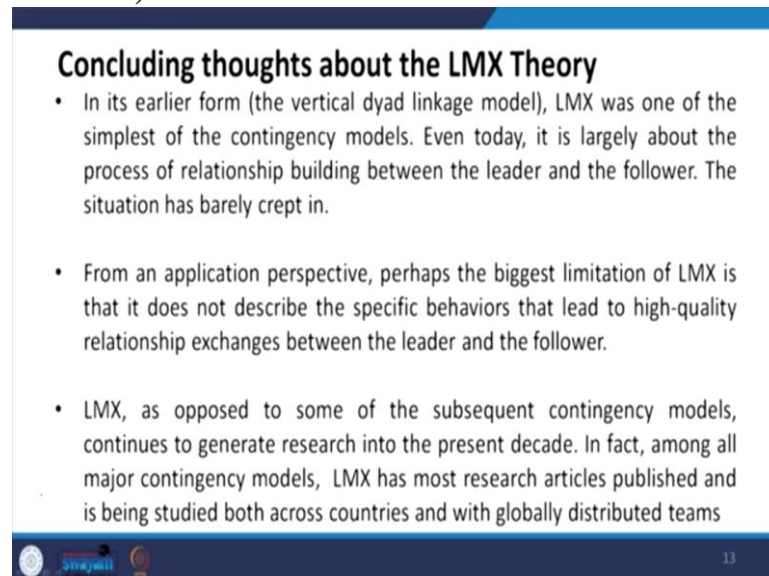
When this acquaintance is going towards a mature partnership, it is marked by the high-quality leader-member exchanges there. Moreover, therefore that communication, interaction, assignments, delegations, and debt will start. Therefore it will be the mature the partnership will move towards their maturing; the partnership is their high experience degree of mutual trust, respect and obligation towards each other.

So therefore, in that case, it is becoming trust, respect, and obligation is very important whenever we are talking about having a mature partnership with each other, a trusted relationship and finding it dependable. So, therefore, in that case, both understand each other, and they say yes, we are ready to make the leader-member relationship high depending on reciprocity and high development of rating that produce positive outcomes for both themselves and the organization.

So, in this case, high dependence on reciprocity is there and may depend on each of our favours, and special assistance is there, so dependency starts. So in the case of the stranger, it was self-centred; in the case of the acquaintance, it was mutual was there, and less focus was further self-centred, but now that the relationship is becoming more and more vital and now therefore when it is a maturity of partnership is there.

So both have high trust, high trust and partnership are there so we can say in its earlier form, the vertical dyad linkage model a leader-member exchange was one of the simplest of the contingency situation model contingency means situation model. Even today, it is mainly about the process of relationship-building between the leader and the follower.

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**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

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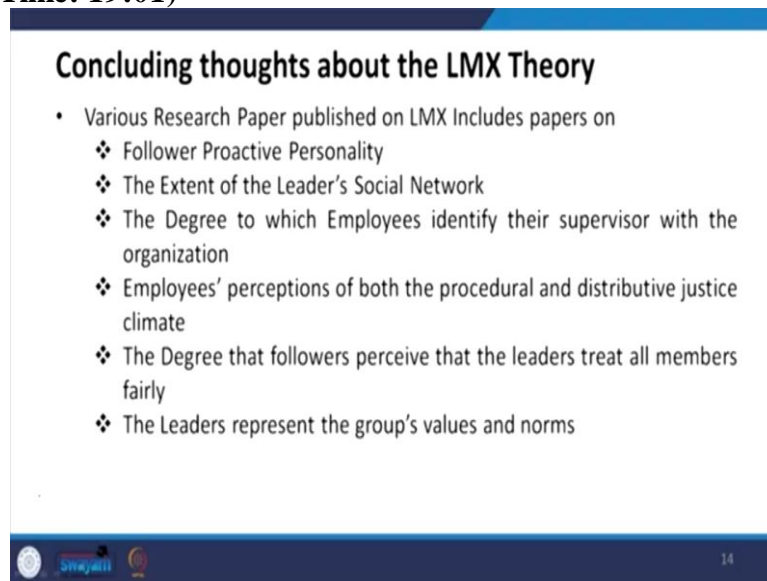
Now the situation has barely crept in from an application perspective. Perhaps the most significant limitation of leader-member exchange is that it does not describe the specific behaviours that lead to the high-quality relationship exchanges between the leader and the follower. So, this might be the theoretical limit, but I think you can understand when you are developing these relationships with your boss or that leader, and then you can find out what the expectations are.

Furthermore, from the application perspective, you can judge some of the subsequent contingency models continues to gender research into the present decade. In fact, among all significant contingency models, the most recent articles are being studied both across countries and with globally distributed teams. Moreover, this leader-member exchange nowadays is a big challenge to whom to get into the inner circle and to whom we should not get into the inner circle.

Because otherwise, all are into the outer circles are there. So, various research papers have been published on the leader-member exchanger, including the paper, and a lot of research work has been done on this leader-member exchange theory, which is the follower's proactive personality. So, when you are a stranger, there is an opportunity to make dear acquaintance

friends. So, it is what I will advise you that whenever you get the opportunity, even a tiny or short opportunity, you have to create your imprint.

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**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

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The extent of the leading social network is how the leader is allowing a social network whether he is interested in the social network or not. Some leaders are even not interested in the social network and how employees identify their supervisors within the organization. Therefore, in that case, whatever the supervisor, employees have that identity that is critical to employees' perception of both the procedural and distributive justice climate.

What is procedural and distributive justice climate is there? As per the rules and regulations and procedures, the second is whatever the leader wants to give to the others. The degree that followers pursue will leaders treat all employees equally, and therefore, in that case, it will not be difficult. If you remember, I have started with this particular concept. Is the leader-member exchange theory is to bring all to an equal level?

Because those who are in they have been developed and when they have developed they will be out and out persons, they will be in, and therefore, in that case, that acquaintance that stranger becoming in the acquaintance and then the maturity of the partnership is there and therefore the leader-member exchange theory that will be working.

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### 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.



Barack Hussein Obama

(Baker & Baker, 2017)

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

Here, the case study of Barack Obama was taken in the United States in 2008. His leadership style was described as transformational, servant leadership, and charismatic leadership during his presidency. Then this functional extreme and non-existence are there. So, therefore whenever these leadership styles have become very popular nowadays, it is becoming the servant leadership style to serve others, serve society, and serve the followers.

Regardless of different perceptions, leaders must interact with many to accomplish goals and advance organizations. Leaders also interact with a small group of close advisers or the confidence who lend guidance and support in return for increased loyalty and or favouritism is there. There are so many dimensions for this comment, but we are restricted to the LMX theory here.

I want to say that is the yes when you are making the inner circle, it is expected that your inner circle people will give his loyalty to the leader is there. However, I know that there are limitations to these theories, and so often that you do not find that return on these leadership investments, that is, I will say ROLI, so that your return on leadership investment always will not be the 100%.

So, the loyalty you may get, you may not get, but what is the importance? The importance is that is a percentage of getting the loyalty will increase. If you increase this LMX theory, the percentage of getting the inner circle people will increase, but all will be loyal, not necessarily.

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### 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-de46-4165-87f6-2a91a5ebcac>

This dynamic of interacting with a small group yet having to rely on the support of a large group is critical to the leadership process and known as leader-member exchange theory. So, therefore, you are making some people inside. So, what is about the rest of the people? They should not be dissatisfied; otherwise, your whole theory will waste. It was during his time in the Illinois state senate that Obama began building a close relationship with advisors and legislators.

One was with his Illinois senate aide Dan Shomon, who would later become his close political adviser. Shomon's essential contribution to Obama's political development was making Obama realize that he needed to understand all of the political cultures of Illinois and, therefore, in that case, including the external people. So, when you have these, including the external people, that is becoming very important.

So, therefore in LMS theory, please do not focus on the inner circle. Otherwise, that will not create a good image and the leadership's fair image. So, there are some people because of their competency. However, as I mentioned, the inner will go out and will go in.

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### 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)

A strong relationship with the people who, in turn, had a more significant influence on Obama during his 2004 US Senate campaign was David Axelrod, a highly regarded political consultant Jim Cauley, who became Obama's campaign manager. Peter Giangreco so, who ran the direct mail operations, and the pollsters' Paul Harstad are there. So, therefore these inner circles which Obama created, there are many nationally known advisors.

Robert Gibbs, David Plouffe, and the Valerie Jarrett political advisors Austan Goolsbee and David and Christian Romer economist and Susan Rice national security Obama's inner circle. Moreover, many of these people later become some of Obama's first appointments to his staff and cabinet. One Valerie Jarret remained with Obama through his final year in office and held significant influence with him.

So, naturally, they will be the people like here Obama is having that is the certain his advisors those who are in the past for the different verticals and they have been continued , and some of them have continued till their final year also. So therefore, in that case, it becomes essential that you create a team. So, when you create a team, this LMX theory is where you talk about the stranger. Because they must be the stranger first, they have reached the mature relationship of the leader-member relationship.

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### 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 Valerie Jarrett

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

So, he also had close ties both politically and personally with vice president Joe Biden who, by his title, was included in every significant discussion Obama held with his senior leadership team. So, this was the case written when Joe Biden was the vice president. Moreover, now we see that he said he was the president. So, Obama's close confidence has provided him with guidance and assistance when making difficult decisions.

This closed group has also created criticism from those inside and outside the administration regarding the openness and transparency of Obama's decision-making processes. It has created the perception of following less participation while deciding the critical matters facing the United States is there. So, therefore, in that case, it becomes crucial whatever the transparency of Obama's decision-making processes there.

He can create transparency, and because of the transparency that members, especially the inner circle members or even the outer circle members they, were able to see and understand what my leader wants to do, what he is doing? and what will be his vision or objectives to perform in that particular organization? Moreover, therefore, in that case, it becomes essential that you have this transparency in your leadership.

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### 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)

President Obama has the 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 and inclusive and allowing others to participate in the decision-making process is there. So, therefore in that case, in this process, the question arises.

Who is in President Obama's group and why? Is his group an asset or a detriment to the perception of his presidency? Moreover, now, you can write the answer to these questions in the current situation. How important are in groups regarding the leadership process very interestingly and wisely? How important? Are they more of an asset or liability for the leader, and why? So, now today, we can say that his inner circle Joe Biden now proved to have assets are there.

Nevertheless, maybe there might be the experiences with your leadership style are the industrial experiences that you will find that is some of them those who are working with you and are you were working with your leader. Hence, you were into the inner circle, and then you will find it is they are becoming into the outer circle is there, so it depends on that particular situation that is in a given situation your leadership style how it is working?

And then when you are making these groups, whether the inner group is there or the outer group is there, you have to be considered enough that is anytime that exchange can be done, you can convert from the inner circle to the outer circle in from the outer circle to the inner circle is there. Once you are making these types of these inner circle and outer circle from the

case study, you can adopt that is the yes you can find out that is the how you are a style of leadership that is working.

While answering these two questions is an assignment, you will find that is you will be able to study your research the contents and then find outdo your research, your objectives and inputs what works for you and whether the transparency, transparency will be workable for you it will not be workable for you so that you will be able to decide nowhere during leader-member exchange your work engagement and job performance.

**(Refer to Slide Time: 28:29)**

The image shows a research paper cover page. On the left side, there is a dark blue header with the text 'Research Paper' in white. Below this, the paper title 'Paper: Leader-member exchange, work engagement, and job performance' is written in white. The authors' names 'Authors: Kimberley Breevaart , Arnold B. Bakker , Evangelia Demerouti , Machteld van den Heuvel' are listed in white. The journal name 'Journal: Journal of Managerial Psychology' is also in white. The publication date 'Published: 14 September 2015' and the DOI 'DOI: https://doi.org/10.1108/JMP-03-2013-0088' are at the bottom left. On the right side, there is a white area with a blue header containing the title 'Leader-member exchange, work engagement, and job performance' and the authors' names. Below this, there is a small abstract in Dutch and English. At the bottom of the white area, there is a Swayam logo and the number '20'.

This particular paper that has explicitly been edited, as I have mentioned earlier, also is at this type of research that has become very popular, and nowadays, in journals, you will find so many research papers out there. So, you can differ the different journals for this particular theory, leader-member exchange theory, which has become the authors' favourite for writing papers.

Because that is making the study and then based on the studies, you can write a journal paper or write about these particular findings of these your research study may help you for your effective leadership is there.

**(Refer Slide Time: 29:17)**

## 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.



The purpose of this paper is to examine the process through which the leader-member exchange is related to the followers' job performance, and it is always better that is you can understand that is whatever the follower's job performance is there then you are making them to the taking them from inside to out, or the right from this stranger is continuing into the stranger are you are taking from the stranger to the acquaintance is there.

You are integrating the literature on LMX theory and research theories. The authors hypothesize that the positive relationship now is very, very important. There is a relationship between the leader and member between LMS, and job resources sequentially mediate employees' job performance. So, why it is so and what is to be done while making you are exchanging from your inner circle to the outer circle? This is becoming very important to the employee's job performance. Are you providing the autonomy on how to do this?

Taking the employees from the outer circle to the inner circle means how exactly you take by providing autonomy. So, suppose you have ten subordinates, and out of those ten subordinates, five if you are giving the autonomy, so you are shifting then you are shifting them from the outer circle to the inner circle as we have seen in the earlier slide that it was becoming only the formal relationship.

If you restrict the formal relationship, autonomy will not be there because it will be subject to the rules and regulations of the organization guided by the rules and regulations of the organization. Moreover, if it is rules and regulations, there is no autonomy because every job,

every position has certain rights and duties, and you are just following that; you are not going to break the boundaries. So, therefore it is autonomy only.

Then developmental opportunities now out of those ten people to whom you are providing the development opportunities are there if you are providing the development opportunities to some of them but based on what it is not just because you like them, or they are you are from the there is some similarity, or there is a shortcut in judging and shortcut in judging others means what? You are judging the other person only by them because he is from your place or he always favours you.

Moreover, therefore, in that case, you are giving the development opportunities no it is because of the competency. Whenever the inner circle was there, you were given a specific assignment and based on that assignment; there were developmental opportunities and social support. So, all the superior-subordinate colleagues and peers are supported there because he is the follower those who are into the inner circle are there.

An employee's work engagement is there and naturally here sequentially mediated by the job resources or work coming into the internal circle. Those who have been provided autonomy development opportunities, social support, and high work engagement are there. Now here design methodology approach is. There in total, 847 Dutch police officers filled out an online questionnaire. Multi-level structural equation modelling was used to test the hypothesized relationship and to account for employees' nesting in teams. So, therefore in that case, how these teams were formed.

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**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**

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.

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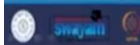
In the findings, employees in high-quality LMX relationships work in a more resourceful work environment that reports more developmental opportunities and social support but not more autonomy. Here is a very, very interesting finding is. There, we were talking about autonomy, social support and developmental opportunities. All three are provided. However, when we are making this particular analysis of these samples, we find that they report more developmental opportunities and social support in the inner circle of people.

However, not more autonomy may be the leaders are not were in favour of this autonomy. This innovative work environment, in turn, facilitates work engagement, and the job performance is there for which this particular activity was formed. The limitation of a research paper is the value of a high LMX relationship for building a creative environment. In turn, this innovative environment has important implications for employees' work engagement and performance, which I have mentioned earlier in the above findings.

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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



What is the practical implication of this tab of finding how this is useful to you? The study results of the study emphasize the importance of subordinates having a good relationship with their leaders since the quality of element relationship is associated with the quality of the work environment. Hence, naturally, there is a good relationship, which also stresses the importance of having a good relationship with subordinates.

Since this is positively related to employees' work engagement, now you see that it is becoming vertical, so when the leader has an inner circle is having a positive relationship with their subordinates, research shows that engaged employees also have better health and are absent less often. So, higher is the work engagement is there that so for is this work on this the employee engagement bigger absorption and dedication.

So, as you will find they are more involved in a job there is less absent. Studies also showed that it is possible to train leaders in their active listening skills, spending time talking to each subordinate interaction more and more interaction and listening to them and shearing expectations and telling them what is expected? This communication is vital in my 35 years of experience; I have often seen subordinates complain that they are not very clear about what they are bosses want.

So, why because that is a lack of communication? It may be because of the formal roles or maybe the lack of trust and interpersonal relationship compared to the control groups, and this little training gangs in the leader-member exchange quality job satisfaction and the productivity is there and that you can find out.

(Refer Slide Time: 35:35)

**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

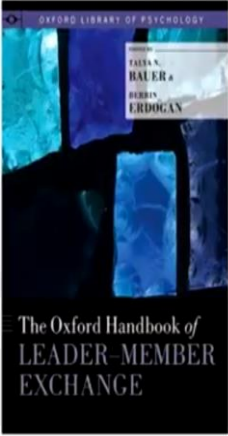


Image Source: <https://www.amazon.in/Handbook-Leader-Member-Exchange-Library-Psychology/dp/0199326177>

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The book recommendations for this leadership are Oxford Handbook of the Leader-Member Exchange.

(Refer Slide Time: 35:37)

**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.

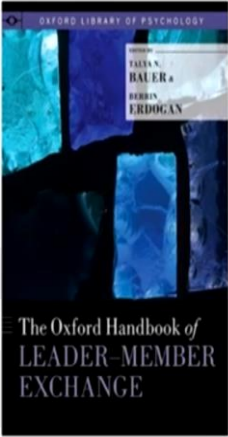


Image Source: <https://www.amazon.in/Handbook-Leader-Member-Exchange-Library-Psychology/dp/0199326177>

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Moreover, in this book, we will find new theories in the 1970s to mature research areas in 2015. So, 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 the Leader-Member Exchange takes stock of literature to examine its roots, what is currently known, what research gaps may exist, and what areas need the most urgent research.

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## Book Recommendation (Contents)

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<p><b>Part One - Foundations of Leader-Member Exchange (LMX)</b></p> <p>1. Leader-Member Exchange (LMX) Theory: An Introduction and Overview Julius F. Basseches and Dennis E. Folger</p> <p>2. Leader-Member Exchange (LMX): Conceptual Evolution, Contributions, and Future Prospects for Advancing Leadership Theory David W. Day and George M. Steidlmeier</p> <p>3. Leader-Member Exchange Mechanisms Robert J. Liden, Stephen W. Aime, Suzanne C. Liu, and Sarah J. Wayne</p> <p>4. Leader-Member Exchange (LMX) from the Resource Exchange Perspective: Behavioral Resource Production and Distribution of LMX Joseph C. Longenecker, Barry Schermer-Walker, and David C. Dunbar</p> <p>5. Leader-Member Exchange and Justice Nancy S. Wittenstein and Marissa L. Longenecker</p> <p><b>Part Two - Antecedents of LMX</b></p> <p>6. How and Why High Leader-Member Exchange (LMX) Relationships Develop: Examining the Antecedents of LMX Jennifer D. Walumbwa and Stephen J. Yammarino</p> <p>7. Leader and Follower Personality and LMX Ralph Steidlmeier</p> <p><b>Part Three - Consequences of LMX</b></p>	<p>8. LMX and Work Attitudes: Is There Anything Left Unexplored? Eliza C. Lyman and Robert M. Steidlmeier</p> <p>9. Leader-Member Exchange and Performance: Where We Are and Where We Can Go Next Julius F. Basseches and Lorne Van Dyne</p> <p>10. LMX and Creativity Francis T. L. Leong</p> <p>11. Leader-Member Exchange from a Job Design Perspective: Antecedents, Implications, and Research Agenda Thomas W. R. Hyman, David M. Stimpert, and Scott W. Liden</p> <p>12. Leader-Member Exchange and Network-Relationship Quality and the Workday Le Zhou and Wei Wang</p> <p>13. Consequences of High LMX: Career Mobility and Success Marie E. Kravitz, Scott E. Sellen, and Nancy J. Ashkanasy</p> <p><b>Part Four - LMX Beyond the Dyad</b></p> <p>14. LMX Differentiation: Understanding Relational Leadership in Individual and Group Levels James Robert Pappas, R. Subramaniam, and Hui Song Park</p> <p>15. Facing Inaction: The Strength and Cognitive Networks in LMX Theory and Research Richard J. Quinlan and Judith E. Fryer</p> <p>16. Leader-Member Exchange and Organizational Culture and Change Yvesvan Lemaire-Baud</p> <p><b>Part Five - Issues in LMX</b></p> <p>17. "You'd" Leadership: Using Corporate Social Responsibility to Enhance Leader-Member Exchange Chris E. Mullins and Deborah E. Rupp</p> <p>18. Relational Leadership through the Lens of International LMX Research Ellen K. Pappas</p> <p>19. Dimensions and LMX Development</p>	<p>20. Career Coaching and LMX Caren Goldberg and Patrick F. Weber</p> <p>21. Does Age Matter in LMX and the Outcome? A Review and Future Research Directions Christina M. Mueller and Catherine Barbera</p> <p>22. Leader-Member Exchange Theory: A Glimpse into the Future Dennis E. Folger and Julius F. Basseches</p>

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

This is the contents of the book, and here you will find different authors have given their different it is compiled book basically, and therefore you will find that is there are the issues and about the leader-member exchange beyond the dyad foundation and also you will find that what are the current issues are there in the leader-member exchange.

**(Refer Slide Time: 36:34)**

## References

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2. Robbins, S. P., Judge, T. A., & Vohra, N. (2019). *Organizational Behavior* (18th Edition). Pearson Education Inc.
3. Graen, G. B., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. *The Leadership Quarterly*, 6(2), 219-247. [https://doi.org/10.1016/1048-9843\(95\)90036-5](https://doi.org/10.1016/1048-9843(95)90036-5)
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These are specific references for further reading, which you can refer to, and this is all about the leader-member exchange and how to become into the inner circle and, as a leader, how to interact with the inner circle people and outer circle people. However, one thing which, before I end, I want to share with you is that is inner circle people find, but you also have to understand analyze until you do not have the support of the outer circle people.

Moreover, the leadership will not be complete without confidence and trust between the inner circle people and the outer circle people. It will be incomplete ineffective, so be careful while making the leader-member exchange more successful as possible; thank you.