

3. A REVIEW OF LMX AND LMX THEORY: AN APPLICATION OF IMPLICIT LEADERSHIP THEORIES ON LMX

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ABSTRACT

Supervisors have been known to lead a dyadic process by considering the LMX theory. In this case, the superior will give different treatments to each subordinate as a measure of developing their interpersonal relationships. This approach is useful for developing the LMX relationship, in various industries by implementing implicit leadership theories. Empirical studies on LMX, LMX theory and ILT theory also produce a better understanding of this review paper. Therefore, this paper tends to indicate the implementation of ILT theories on LMX that produces the usage of this theory in developing leader-member exchange in the organizational. This paper stressed out a few issues on leader-member exchange theory and ILT theory that be given full attention in future research.

Keywords: leader-member exchange, leader-member exchange theory, and implicit leadership theories (ILT)

1.0 INTRODUCTION

The leader-member exchange relationship variable plays a major role in transforming the organizational climate for its employees. Positive changes, without doubt, can induce workers to be more committed in their work tasks. This has been verified by Chauhan et al., (2011), Duong (2011), Haritha and Subrahmanyam, (2013) who agree that positive ideas and assessments of followers when tied in with higher caliber leader-member exchange can enhance organizational

commitments, inflate job satisfactions, and increase job performance whilst enhancing the organizational climate. All these outcomes can influence the moral and attitude of the employees who are more likely to work with dedication and cooperation hence, fulfilling organizational objectives.

Liden and Maslyn (1998) define leader-member exchange as “a high-quality relationship characterized by dyad members possessing strong mutual affection based on interpersonal attraction, expressing public

support for the goals of the other member, and perceiving professional respect for one another”.

Eubank, Brown, and Ybema (2012) found that the leader's fundamental quality originates from moral principles and ethics comprising factors such as aspirations, relationships, day-to-day practices, and behaviors. As a result of this, these four factors were also taken into consideration when examining the leader-member's exchange relationships in the current study. In America's Southeastern United States Banks, it was found that the quality of the leader-member exchange relationships helped to determine organizational success. It appears that a shared social exchange relationship helped to build, support and maintain the relationship of the employees.

The leader-member exchange relationship is the most important factor in connecting the relationship between supervisors and subordinates. It plays a vital part in developing leadership behavior while also encouraging subordinates to be more loyal towards undertaking the extra-role behavior.

2.0 LITERATURE REVIEW

2.1 LEADER-MEMBER EXCHANGE

In most organizations, the LMX is a key part of maintaining a better leader-member exchange relationship between superiors and their subordinates. A high quality of the LMX relationship among subordinates and with their leader boosts the followers' capacity to enjoy their task scope and work challenges. As a result of the high quality LMX relationship, followers can also accept challenges and value their job scope for the purpose of fulfilling organizational goals. This is an opportunity for the followers to experience the task challenges in order to contribute to a meaningful task in the workplace. Subordinates with high-quality LMX relationship can build a high level of commitment among other employees. They can receive more directions and information from leaders when operating their tasks. Simultaneously, a leader can also mingle with subordinates all the time in carrying out their tasks if these leaders also possess high quality LMX. The emotional support provided by a leader to the followers is important; it allows the leader to sustain a good quality performance as compared to the low-quality LMX relationship leaders have with their subordinates.

In America's Southeastern United States Banks, it was found that the quality of the leader-member exchange relationships helped

to determine organizational success. It appears that a shared social exchange relationship helped to build, support and maintain the relationship of the employees. Michael (2013; 2014) deliberated on the fact that leader-member exchange is a helpful behavior. It positively correlated among supervisor-subordinates and it could be indicative of job commitments and interpersonal facilitations. The finding noted by Michael (2013; 2014) is consistent with what Weng (2014) stated about LMX. It appears that the quality of the LMX can be enhanced by ethical leaders who show strong emotional support through the exchange of valued resources between supervisors and subordinates. This was most apparent in a large commercial bank in Taichung, Taiwan. The differences in these few studies suggest that ethical leaders show altruism, generosity, care and fairness to their subordinates. Consequently, subordinates expect their leaders to treat them with care and have personal considerations. This finding is further verified by Resick et al. (2011). They claimed that ethical leaders generate good and meaningful exchange relationships with subordinates. Nonetheless, some cultural variations may prevail even though the impact of the leaders and their relationships with subordinates may seem critical (Lee, Chae,

and Shin, 2016; Shao, Rupp, Skarlicki, and Jones, 2013).

Supervisors and subordinates are very important in organizations because they are the ones developing and establishing the organizational goals. This is achieved through interactions occurring between each other. Findings (Kim, Han, Son, and Yun, 2017) showed that the interactional effect of individual attributes between supervisors and subordinate has not been examined much in the knowledge-sharing process. Yet, based on the conception of the LMX, researchers found that building high-quality relationships is the most important and unique strategy that is linked to all employees in all organizations for the purpose of achieving organizational functions (Graen and Schiemann, 2013).

2.2 Leader-Member Exchange Theory

The Leader-Member Exchange (LMX) is an interactive process occurring between two individuals and the more the interactions prolong, the more the relationship will develop. Based on this, it can be said that the LMX theory is also practical for describing the interpersonal relationship between superiors and subordinates that progresses over time. The LMX theory is unlike the role theory/social exchange theory because it

focuses more on the different roles of the leader-members' exchange development. The high-quality leader-member relationship is better explained through the LMX theory because the theory is able to reflect the mutual trust, respect, and obligations occurring between the two parties.

The LMX development is essential for improving subordinates' behaviour. Using it as a factor to enhance organizational behaviours, leaders and followers can both develop a stronger commitment towards their organizations, particularly through the exchange of the extra-role behavior. The LMX theory has been noted to be strongly and consistently linked with work behaviors that go above and beyond formal role expectations (Meyer et al., 2002; Organ and Ryan, 1995).

2.3 Debate and Discussion on Leader-Member Exchange

The leader-member exchange is strongly related to supervisors and subordinates where the leader's emotions are able to influence their relationship with their subordinates in a working organization. Supervisors have been known to lead a dyadic process by considering the LMX theory. O'Donnell et al. (2012) define a dyadic process as one that operates between superiors and subordinates. In this

case, the superior will give different treatments to each subordinate as a measure of developing their interpersonal relationships. This approach is useful for developing the LMX relationship, in particular, the banking industry. In the LMX context, a work-related stress for both the superior and the subordinates can cause many repercussions to either or both parties. This work related stress may come in the form of poor relationship, time pressure or inflexible working hours, heavy workloads, tight deadlines, lack of autonomy, heavy or less responsibilities, insufficient skills for the job, over-supervision, inadequate working environment and few promotional opportunities (Bitmiş and Ergeneli, 2013). In this context, subordinates who have a low quality LMX relationship would obtain lesser time and lesser interest from their supervisors. It is unfortunate that these work related stress which causes dissatisfaction are caused by top level supervisory control (Bitmiş and Ergeneli, 2013).

Generally, studies focusing on using the LMX tend to indicate that it has a positive effect on employees' affective commitment (Michael, 2013). The LMX also promotes employees' citizenship behaviour (Rastgar et al, 2012) besides enhancing the relationship between

supervisors and subordinates (Imran and Fatima, 2013). Nevertheless, some studies (Sun et al., 2013) found that the LMX has indirect effect with organizational citizenship behaviour (OCB). Yukl (2012) agreed that the LMX theory can be used to continuously develop good interpersonal relationships between supervisors and their subordinates. The presence of the LMX in working organizations can increase work interactions in a two-way communication. The quality of the LMX will be strengthened in the work units of organizations by improving on the organizational work climate. Good leaders with good qualities can establish the good communication and the good working climate for their members in organizations but since the LMX carries a wide-ranging set of variables to enable leaders to develop the relationship with their employees, these leaders have to adapt themselves to the different relationships with each follower, ranging from low to high quality. The LMX is not only used for evaluating the two parties' physical connections but also their interactional connections involving the emotional link that exists between employees and management. Therefore, it would appear the leaders need to have a stronger character and a more disciplined nature in order to be

able to accommodate the relationships forged with the employees via the LMX concept.

2.4 Dimension of Leader-Member Exchange

The LMX is a construct made up of four dimensions including affect, contribution, loyalty and professional respect (Liden and Masyln, 1998)). In this review, the LMX was applied and the four dimensions (see below) recommended by Liden and Masyln, (1998) were also employed.

Affect

Affect is a feeling and concern that exists between superiors and subordinates. It especially refers to those feelings and concerns based on the attraction between individuals and not just on the job or the professional course. Such concerns may be expressed as a profitable and useful desire for developing leader-member relationship within organizations. Mutual liking or affect is an essential dimension in the LMX relationship because it can develop a high quality LMX. Researchers like Liden and Maslyn (1998) have been arguing that high levels of affect are not highly influenced by the quality of the LMX relationships. Sometimes, a different relationship can be dominated by a lower quality of LMX.

Contribution

Contributions are connected to the oriented activities of certain levels of task which each member strives in order to achieve common goals. The individuals' contributions is an important criteria for evaluating the oriented activities to the task level where subordinates are responsible and complete their tasks beyond job descriptions. Individuals' contributions also provide superior resources and opportunities for employees to perform beyond their normal job descriptions. The concept of contribution has been used throughout organizations since the earliest conceptualization of the LMX (Graen, 1976; Liden and Graen, 1980). Researchers (Shu and Quynh, 2015) found that less contribution from subordinates can lead to lesser commitment and a lack of concern for their organizations. In that case, subordinates should contribute more to their organisation as a way of showing their willingness to communicate well with their supervisors.

Loyalty

Loyalty is the full expression articulated by the individual to support the purpose and nature of other individuals in a reciprocal relationship such as those involving superiors and subordinates. Loyalty is manifested as the full

commitment one has for another, consistently and from one situation to another situation. Loyalty shows a high quality LMX relationship. Monzani, Ripoll, and Peiró (2014) deliberated that individuals who are less agreeable tend to be more critical and disobedient, and loyalty depends on how the leader behaves toward them.

Professional respect

Respect for the profession is the extent to which each employee has for a reciprocal relationship; he/she builds a reputation within and outside the organization, beyond what is stipulated in the job (Liden and Maslyn, 1998). Professional respect can be formed without mutual trust and without expectations in employment relationship between superiors and subordinates.

2.5 Implication between Implicit Leadership Theories (ILTs) on Leader-Member Exchange (LMX)

The key factors of effective leadership are to identify the maturity level of an individual's thinking, and to group the subordinates based on their appropriate leadership behaviour. There are various theories pertaining to leadership. One that helps to differentiate leaders' traits is the Implicit Leadership Theories (ILT) which is related to the leader-

member exchange (LMX) concept. The Implicit Leadership Theories is able to detect an individual's traits and behaviors that are usually associated with 'good workers'. These traits and behaviours have effects on the quality of the leader-member exchange (Engle and Lord, 1997). The leadership trait is reflected in the characteristics and personality which distinguish leaders from followers. This approach was developed from the combination of behavioral relationships and the maturity level of subordinates' tasks at work. Lord and Maher (1991) stated that people interpret behaviour through the Implicit Leadership Theories which is able to identify superiors from non-superiors at the workplace. Gibson (1997) indicated that leaders should understand their own behaviours, attributes as well as their subordinate's situation before applying certain leadership behaviors that can influence the group of subordinates into achieving the organizational goals. In this vein, the Implicit Leadership Theories is linked to the LMX because it enables leaders to influence, change and direct the behavior of their subordinates by developing their co-operation and communication to work productively within the demands of the situation. Singh, (2015) believed that the leader's function is in the situation and

effective leaders assess the situation by using the appropriate method that is flexible and can influence the members into adapting to the situation when it changes.

The Implicit Leadership Theories, when linked to the LMX, is able to identify the high-quality relationships of the leaders and the followers (Coyle and Foti, 2014; Engle and Lord, 1997; Hiller, DeChurch, Murase, and Doty, 2011; van Gils et al., 2010). The ILT is traced to the works done by Eden and Leviatan (1975). They had ILT to define people's evaluations of the leader's cognitive processes which forms the basis of the evaluation and perception of leadership (House and Aditya, 1997). Therefore, the ILT theory is manifested when individuals hold the LMX theory of leaders-followers exchange (Epitropaki, Sy, Martin, Tram-Quon, and Topakas, 2013). From the leader's perspective, if a leader's self-view aligns with his/her partner's expectations for leadership; he/she will be likely to emphasize in ILTs when judging relationship quality (Engle and Lord, 1997; DeRue and Ashford, 2010; van Gils et al., 2010). The contribution made by the leader and follower in implicit expectations regards how each leader and follower should act within a specific leader role or follower role (Lord and Maher, 1991; van Gils et al., 2010).

These expectations are developed based on an individual's experience as a leader or follower that can influence their perceptions of a partner's behavior in a dyadic relationship (Carsten et al., 2010; Schyns and Schilling, 2011; Zhu, 2013).

The Implicit Leadership Theories (ILTs) is used to interpret the behavior of the leadership roles (Lord and Maher, 1991; Shondrick and Lord, 2010) and followers use the ILTs to understand and predict the behavior of their leaders (Lord and Maher, 1991). The ILTs can influence the quality of the working relationship (Coyle and Foti, 2014; Engle and Lord, 1997; Lord and Maher, 1991; Shondrick and Lord, 2010; van Gils et al., 2010). The LMX relationship quality can be achieved when the behavior of both dyadic partners aligns with the expectations and when both dyadic partners interpret it similarly (Coyle and Foti, 2014; Engle and Lord, 1997; Lord and Maher, 1991; Shondrick and Lord, 2010). It is important for leaders and followers to have an understanding of the LMX relationship because it impacts on a number of work-related outcomes such as organizational commitment and supervisory support (Hsieh, 2012), organizational climate (González-Romá et al., 2015) and organizational citizenship behaviour (Huang et al., 2014).

3.0 Contribution of ILTs on LMX

Implicit Leadership theories have several contributions to existing leadership literature. Lord and Maher (1990, 1991) strive followers' perceptions play a vital role in attribution of leader behaviors and leader-member relationships' development (Lord, Brown, & Freiberg, 1999; Nye & Forsyth, 1991; Shamir, 2007) while processing theory it affords a central role to followers in the leadership process (Lord and Maher's, 1991). According to Rahn et al. (2016), the understanding role of a follower's ILT as an antecedent to perceptions of leadership proposes a valuable extension of existing leadership theory. Second, the most paper examines why leaders perceived as transformational (Bacha & Walker, 2013), while most researcher examines ILT as an antecedent to transformational leadership.

The role of a follower's ILT as an antecedent to LMX provides insights into how high-quality LMX exchange relationships have developed. The fourth contribution is the value of the potential contributions is enhanced because previous research used a cross-sectional design, while employed a sample of new hires and data collection at three different points in time. Researchers

(Rahn et al. 2016) stated that utilizing newcomers to the organization can result in ILT on perceptions of leader-member relationship because it displays accurate outcome when ILTs stimulus leadership. In the socialization literature, Rahn et al. (2016) indicated that perceptions of support, identification with the organization and development and intentions to remain in the organization of leadership contribute as an outcome for the organizational.

4.0 Conclusion

In the LMX context, a work-related stress for both the superior and the subordinates can cause many repercussions to either or both parties. This work related stress may come in the form of poor relationship, time pressure or inflexible working hours, heavy workloads, tight deadlines, lack of autonomy, heavy or less responsibilities, insufficient skills for the job, over-supervision, inadequate working environment and few promotional opportunities (Bitmiş and Ergeneli, 2013). In this context, subordinates who have a low quality LMX relationship would obtain lesser time and lesser interest from their supervisors. It is unfortunate that these work related stress which causes dissatisfaction are caused by top

level supervisory control (Bitmiş and Ergeneli, 2013).

Based on this, it can be said that the Implicit Leadership Theories (ILT) is linked to leader-member exchange (LMX). The contributions drawn have been judged to fit the expectations of the leader and the follower. It is likely to rate the relationship quality more highly (van Gils et al., 2010). Ehrhart, (2012) found that followers' self-concept influences certain dimensions of the followers' ILTs (dedication and sensitivity) that had been used to determine their preference for certain leadership styles. In other words, it helps followers to view themselves as the representation of a leader and to subsequently react to specific leadership styles.

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