

Essay on leader-member exchange theory

[Business](#), [Marketing](#)



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Abstract

The leader-member exchange theory attempts to explain various ways in which a leader can develop relationships with team members. It is important that the leader nurtures good relationships with the subordinates. A leader many times develops special relationships with certain employees, forming an in-group and others are put in the out-group. Members of the in-group enjoy bigger responsibilities and their input is much more valued compared to those of the out-group. Such groups are however a source of conflict within the organization. This compromises the performance of the team, and thus results in the organization not realizing its potential.

Key words: leader-member, in-group, out-group, team

Introduction

The leader-member exchange theory attempts to explain various ways in which a leader can develop relationships with team members (Truckenbrodt, 2011). This theory aims to promote positive relations between subordinates and leaders. A leader may develop a special relationship with a certain group

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of assistants, who have better access to resources and who bear greater responsibility. This inner circle is known as the ‘in-group’. The members of the ‘out-group’ are not accorded the same levels of responsibility or influence and may in fact put constraints on the leader (Truckenbrodt, 2011).

In-group and Out-group Dynamics

I worked as a sales representative for Orange Inc., which deals with electronics in telecommunications. My sales team consisted of ten young salespeople like me, and I was part of the in-group. The sales manager was a very aggressive man who did not appreciate laxity. Being a very driven individual myself, I strived to achieve my sales targets and often surpassed them. As a result, I won the approval of the manager and became part of the ‘in-group’. This group consisted of two other fellow colleagues. The manager often gave us additional roles in the firm and we sometimes even accompanied him to certain meetings. One of my colleagues, Tom, was not so popular with the manager. He was often berated by the manager for various reasons, and the manager regarded him with suspicion. Tom can be said to have been in the ‘out-group’.

My experience of being in the in-group was quite different from Tom’s experience. I enjoyed the favor of my boss and such; I was motivated to work harder. This is because I felt that my input was important and valued and as such, I was always confident in myself. Tom, however, was often unhappy and bitter. He grumbled a lot and often voiced his discontent to the rest of us. Since the manager regarded him with suspicion, he was sometimes reluctant to voice his opinions or ideas. As a result, Tom was unmotivated and was not passionate about his work.

Having this in-group and out-group greatly affected the dynamics at Orange. Though it was not very obvious, there was tension between the two groups. The out-group felt that we tried to make them look bad intentionally by offering to take on more responsibilities. The members of the in-group felt that the out-group members were lazy. There was definitely a lack of cohesion among us which affected how the group functioned. We were supposed to be a team, but our tensions affected our overall team performance. Due to the compromised team performance, the organization did not perform as well as it could have.

Membership either as an in-group or out-group at Orange Inc. was to a large extent based on performance. Those who performed well were part of the in-group, while those whose performance ranged from average to low were part of the out-group. However, in certain cases, it seemed that there were personal issues involved in this grouping. This is because the manager seemed to intensely dislike Tom and thus pushed him into the out-group. Early on as we began our sales work, Tom performed well and demonstrated great potential to succeed. However, for some personal reasons, Tom was relegated to the out-group causing him to turn into a bitter and unmotivated employee.

The relationship between employees and supervisors in an organization directly correlates to performance (Hannah et al., 2011). When there is a good relationship between the two, work performance is enhanced. This has been exemplified by the two situations where I was part of the in-group and because of my good relationship with the manager; I was highly motivated to

perform well. Tom did not perform well at work because of his relegation to the out-group due to his poor relationship with the manager.

Conclusion

The phenomenon of in-groups and out-groups in an organization occurs because leaders do not treat their subordinates equally (Schyns and Croon, 2006). The employees are assigned this group based on their performance and relationship with the leader. The presence of such groups however has been shown to create division and lack of cohesion between the groups. This compromises the team and organizational performance. It is therefore vital that a leader fosters positive relations with all his subordinates to ensure that the team functions optimally.

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