Business decision making

Business, Management

Leadershipin today's organizations is a tough business. Organizational leaders face a number of significant challenges as their jobs, and the world around them, become increasingly complex (Zaccaro & Klimoski, 2001). Trends such as organizational " delayering, " rapid technological advances, the proliferation of teambased organizations, and increased employee empowerment require that leaders adapt their techniques and styles of leadership to meet these new challenges.

In the face of all these changes, researchers and managementeducationspecialists are working to find methods to develop more effective leaders. Old techniques of development are criticized and questioned, and new techniques are created—often before they are adequately tested and thoroughly understood. New techniques can become instant " fads. " In recent years, there has been an explosion of interest in leadership.

The bulk of research efforts has gone into trying to understand leadership— how it operates— and into identifying the characteristics of effective leaders. Although interpersonal relationships have always held importance within the organizational literature (Blau, 1964), a focus on relational perspectives is recently experiencing renewed interest in organizational behavior and leadership research (Day, 2000). According to Hunt and Dodge (2001), relational perspectives are at the forefront of emerging leadership thrusts.

A relational focus is one that " moves beyond unidirectional or even reciprocal leader–follower relationships to one that recognizes leadership wherever it occurs, is not restricted to a single or even small set of formal or informal leaders, and in its strongest form, functions as a dynamic system

embedding leadership, environmental, and organizational aspects" (Hunt & Dodge, 2001, p. 448). An area of research that speaks directly to leadership development, as defined by Day (2000), is Leader–Member Exchange (LMX) theory.

Researchers working with this leadership model have been investigating the value of developing effective work relationships between managers and subordinates for the past 30. During this time, LMX has shown the value of high-quality relationships and the problems associated with lower quality relationships. The purpose of this work is to discuss LMX theory, research, and practice on leadership development. The paper begins by briefly reviewing the value of relationships from a social capital perspective and then defines leadership relative to relationships.

Leadership is engaging in behaviors that create change, and creating change requires influence. To be leaders, therefore, individuals need to have and effectively use influence. Influence is the power to affect others: the ability to produce outcomes due to some personal characteristic that gets others to follow. By definition, influence is inherently interpersonal. Influence takes place within the context of interpersonal relationships. According to relational leadership theories, influence comes from relationships.

Relational perspectives in leadership view leadership as generated through mutual influence that results from the development of trust, respect, and obligation among dyad members. LMX theory describes this influence as being created through stages of relationship building. Individuals begin at a " stranger" stage, get to know one another through testing processes, and as

a result of the testing process, either progress to an advanced stage of leadership development (e. g.

, partnership) or remain at lower levels of relationship development (e. g. , acquaintance or stranger). Those who attain more advanced stages of relationship building—and thus develop more effective relationships with interdependent others (e. g. , managers and other higher-ups, subordinates, peers, clients, external constituents)—are able to more effectively perform their roles. More effective, or high-quality, leader– member exchanges are described as leadership rather than as supervisory relationships.

High-quality relationships are considered mature partnerships based on respect, trust, and mutual obligation for one another (Graen& Uhl-Bien, 1995). These relationships go beyond the formal contract and generate personal power (i. e. , influence given by the other), rather than position power or authority. They are also characterized by willing followership, meaning employees are driven by intrinsic as opposed to extrinsicmotivation. As a result, dyad partners (i. e.

, individuals engaged in an exchange) act because they want to, not because they have to. Research on LMX shows that more effectively developed relationships have significant and positive associations with performance, organizational commitment, employee citizenship behavior (i. e. , extra-role behavior), job satisfaction, delegation and participation in decision making, and enhancedcareerdevelopment opportunities. These relationships are negatively related to turnover, job problems, and role conflict and ambiguity.

The benefits of high-quality relationships come from relational resources they create. Such resources include durable obligations (e. g. , arising from feelings of gratitude, respect, andfriendship), network contacts and connections (including privileged access to information and opportunities, social status, and reputation of influential others), and the ability to have open information exchanges with those around them (Nahapiet & Ghoshal, 1998). Relationships that do not develop so well are considered lower quality.

These relationships are not as beneficial for the individuals involved or for the organization as a whole. Lower quality relationships are described as contractually defined, formal exchanges based on limited trust and in-role interactions (Uhl-Bien et al. , 2000). These types of relationships generate management rather than leadership. They are characterized by lack of mutual respect, formal downward communications, little mutual understanding, limited support and commitment for one another, and no mutual obligation (i. e. , a " stranger" relationship).

Findings have shown that lower quality relationships are negatively related to satisfaction, organizational citizenship behaviors, and commitment, and are positively related to turnover. Thus, based on relational leadership theory, effective relationships may generate mutual influence and understanding that allow leaders to more effectively perform their roles. In contrast to hierarchical and leader-dominated perspectives on relational differentiation, the goal andresponsibilityof leadership should be to work to develop effective relationships more broadly with interdependent others, rather than with only a group of " trusted assistants".

Drawing from the foundations established by Day (2000), leadership development needs to be considered (a) beyond hierarchical notions of manager–subordinate relationships, (b) as the responsibility of both members of the dyad (rather than leader-controlled), and (c) with allowance for more variability in what is considered a high-quality, or effective, relationship.

A high-quality exchange is characterized by positive leadership processes that are indicative of a social exchange, such as increased subordinate job latitude and influence in decision making, more open and honest subordinatecommunicationwith the supervisor, and greater trust andloyaltyamong dyad members (Cogliser & Schriesheim, 2000). Low-quality LMX relationships are more economic or transactional in nature, and dyadic behaviors rarely progress beyond what is specified in the employment contract.

With regard to leadership development, those subordinates interested in leadership development receive it as part of the relationship contract. Those that are not interested in becoming leaders do not receive leadership development as part of their psychological contract and receive a different allocation of on-the-job training. Effective organizations have units that are tied together, through " linking-pin" positions, where members in these organizations become more aware of problems at lower levels in the system and coordinate activities efficiently through accurate flows of information, influence, and resources among the units involved.

The persons occupying these linking-pin positions are integrated members in two or more groups and play the role of both supervisor and subordinate.

Graen and his colleagues explored the effectiveness of the LMX relationship between incumbents of linking-pin positions and their supervisors and the behavior, attitudes, and treatment of lower level members (Graen, Cashman, Ginsburgh, & Schiemann, 1977). They found that the quality of LMX of the linking-pin incumbent was related to the quality of working life of the followers who reported to the linking pin.

When subordinates develop high-quality exchanges with their bosses, they receive greater influence, latitude, support, and attention from their bosses, and they experience a more desirable situation overall. These researchers continued by pointing out that the quality of members in a higher dyad (hierarchically) contributed to the quality of life of members in hierarchically lower dyads. The LMX model clearly has utility for its application to leadership development.

Empirical studies have supported the relationship of high-quality exchanges with positive organizational outcomes, and the broader leadership literature supports the cascading or waterfall effect of the supervisor's leadership behavior impacting the subordinates. There is a clear need for methods that more effectively socialize junior managers for executive positions. Dyad-level coaching may be one of the most effective means for transmitting organizationalculture, thereby promoting the organization's core values.

Dyad management development has not been utilized to the full extent possible to leverage the potential of the pool of executive talent. The LMX literature says that LMX differentiation, in which leaders have higher quality relationships with some subordinates and lower quality relationships with others, occurs because leaders do not have time (or the need) to generate

highquality relationships with everyone. Therefore, they develop a group of trusted assistants to help them perform the work of the unit.

These trusted assistants would supposedly be the best or most reliable employees in the unit. Twenty years after the inception of the theory, Graen and Uhl-Bien (1995) argued that the creation of " in-groups" and " out-groups" within work units is not beneficial, and that instead leaders should strive to develop high-quality relationships with all subordinates. They do this by " making the offer" of high-quality relationships to all and then through testing processes, different quality relationships result (Uhl-Bien et al.

, 2000). This perspective allows for the fact that all relationships may not (and likely will not) reach high quality, but at least the dyad members both take part in how the relationship develops (rather than the leader determining who will be the trusted assistants) and have the opportunity to create a high-quality relationship. This perspective also recognizes that a focus on differentiation rather than on high-quality relationships offered to all creates tremendous opportunity for lost potential in organizations.

When individuals are not fully committed (or are dissatisfied), they will withdraw discretionary behaviors that benefit others or the organization (e. g. , helping, altruism, civic behaviors). These discretionary behaviors are beneficial to the organization, and as a result, much attention has been given in the literature to determining when and how individuals engage in these behaviors. Instead of LMX differentiation, therefore, goal should be for individuals to strive to have influence with one another (and with higher-ups).

With the support of a relationship, individuals are freer to open up and provide one another with more accurate and complete information (Avolio, 1999) so they can provide the " real" information (the " real" story). This goes both ways: with a good relationship comes reduced filtering (holding back) of information, both up and down the hierarchy. It allows individuals to share with one another the hard truth. Too many leaders do not have good information, and too many hold back in being truthful with their subordinates.

If to extend this beyond managers to leaders more broadly, then organizational members need to be comfortable with providing information to one another, and this comes with having effective work relationships. Remembering that effective leaders are defined as those who use influence to create change, individuals' abilities to be effective leaders are directly related to their ability to have influence in the organization. Since effective work relationships can extend individuals' influence networks, those who have more effective relationships with others will likely have more opportunity to gain and use influence.

Therefore, leadership effectiveness is likely enhanced by the ability to build effective work relationships with a broader range of interdependent others. In a study of communications within Leader-Member Exchanges, Schiemann (1977) found that those members with relatively higher quality LMXs communicated more frequently with their managers about administrative and technical matters than did members with relatively lower quality LMXs. These results were cross-validated on a holdout sample of managers.

Apparently, there is much more communication in higher quality LMXs than in the lower quality LMXs. Thus, effective communications are an important aspect of the development of high-quality LMXs. Flauto's (1999) study is in response to the global question, " How are communication and leadership linked? " This study drew subjects from a variety of organizations in Ohio, eastern Indiana, northern Kentucky, and western West Virginia. Twenty to fifty subjects were drawn from each of nine organizations.

Organizations participating in the study were two financial service organizations, a retail sales organization, a military unit, a subsurface coal mining organization, a suburban police department, a rural bank branch, a local post office, and afoodservice organization. Transactional and transformational leadership were measured using subscales of the Multifactor Leadership Questionnaire (MLQ). A six-item, three-factor subscale was created for the transformational leadership dimension and a four-item, two-factor subscale was created for the transactional leadership dimension.

Subjects responded to each of the behavioral anchored items by selecting one of five responses that applied to their leader. The leader-member exchange dimension was measured by a subscale consisting of the six items of the LMX-6 scale. The LMX-6 scale contains items that measure the three factors of leader-member exchange. Responses are on a five-point Likert-type scale. The relationship is the highest among all of the variables in the study. This finding supports the conclusions of Day (2000) that communication attributes can distinguish between levels of leader-member exchange quality.

The finding also fits into the theoretical framework of the leader-member approach to leadership that requires successful communication exchange in order to form the " in-group" relationship that characterizes high quality leader-member exchange. The communicative competence of the leader, and its affect on communication effectiveness as evidenced by member perception of leader-member agreement, appears to be a necessary precondition for a high quality leader-member exchange relationship. At the lower levels of communication competence, high quality leader-member relationships do not exist.

The leader displays charisma by communicating enthusiasm and providing a model, shows individual consideration by direct interaction and providing tailored assistance, and stimulates intellect by communicating ideas. Day (2000) defines transformational leaders as leaders who use rhetorical skills to establish a common vision. Not surprisingly, members report a high relationship between transformational leadership and communication competence. In the least squares hierarchical multiple regression analyses, transformational leadership is the best single predictor of communication competence.

Transformational leadership is of high quality when the leader exhibits high communication competency. Dyads with high communication competence and low transformational leadership and dyads with low communication competence and high transformational leadership do not exist. Leadership, however it is theoretically or operationally defined, is a social process and involves a relationship between individuals. This social process and this

relationship are enacted through communication. These sessions were conducted with all participants in the treatment group.

Before and after results, in terms of performance, were compared for this group and for other groups from the department, which were not exposed to the LMX treatment. Productivity increases measured in terms of the quantity of cases handled showed a significant advantage in favor of the group that was trained in LMX. Furthermore, this gain was primarily a function of effects that occurred in a high–growth need group of subjects. This latter index was included in the study because a job enrichment treatment based on job characteristics theory was introduced, along with the LMX treatment.

Any job enrichment effects per se, however, were negated by certain policy changes that were introduced by the organization unknown to the experimenters; thus job characteristics theory was not, in fact, tested. A subsequent publication, based on data from the same context, was aimed at determining whether low or high initial LMX subjects were most responsive to the treatment effects. The results clearly indicated that the low LMX subjects responded most positively to the treatment in terms of both the quality of their leader–member exchanges and the quantity of their productivity.

Another report on this project substantiates the moderator effects of growth need strength, but makes no mention of the finding that low– quality leader–member exchange translates into greater productivity with the appropriate training. This latter result is most consistent with theory in that it means that dyadic partnership building applied across the board should result in both low– and high–quality dyads initially moving with training to high–quality

relationships. However, if growth need strength is a moderator of the training effect, one would anticipate that it would also moderate the initial dyadic choices as well.

In such an event low–quality dyads would not contain many high– managed strength people and thus would offer little potential for upward movement. This seeming contradiction is neither explained nor even confronted. Growth need strength is not a component of the theory as stated in comprehensive forms. Research on LMXs illustrates the importance of leader-follower relationships. The point here is simply that 30 years of research on LMXs has conclusively demonstrated the effect of exchange quality on a number of important organizational outcomes.

Specifically, in a meta-analysis of this area of leadership research, Gerstner and Day (1997) found that the quality of the LMX was significantly related to job performance, satisfaction with supervision, overall satisfaction, commitment, role conflict (negative relation), role clarity, member competence, and turnover intentions (negative relation). After reviewing the extensive LMX literature, Gerstner and Day's conclusion was " we view the relationship with one's supervisor as a lense through which the entire work experience is viewed" (p. 840).

However, although LMX offers evidence to support the value of relational approaches to leadership, many questions still remain about key issues related to leadership development. In particular, a question that needs to be addressed in LMX research is: what leads to development of higher and lower quality work relationships (e. g. , antecedents to LMX)? Although past research has investigated antecedents to LMX, a clear picture of what these

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