To What Extent is LMX Theory Still Relevant in Contemporary Organizations?

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In contemporary organizations, the source of competitive advantage in the workforce is their employees rather than the material assets of any organization as they have been a few decades ago because of fact nowadays organizations build on the intellectual capital of their employees (Ulrich, 1998). Thus, the Leader-Member Exchange theory is still relevant as it offers a framework to leaders as well as followers of the organizations that how working interactions are being aided in the formation of connections in the workforce. These connections help in influencing employees' behavior and organizational outcomes. To remain competitive, organizations must build on employees' willingness and ability to ensure the continuity of innovation for sustainable competitive advantage (Gupta and Singhal, 1993). This key tool on the part of organizations makes an effective human resource strategy for the retention of creative, well-versed, trained, and highly qualified employees indispensable through effective leader-member relationships where leaders act as major actors (Hollander, 2013). This paper aspires to analyze the importance of Leader-Member Exchange Theory or LMXin blending roles in an organization and in-group and out-group interactions paired with positivity to foster organizational behavior that correlates to successful outcomes in the contemporary organizational world.

Leader-Member Exchange Theory to Foster Organizational Behavior

The LMX theory proposes that leaders in any organization develop different kinds of effective relationships through professional respect, contribution, mutual trust, obligation, and loyalty with their various groups of subordinates either in-group or out-group members in low-quality or high-quality relationships respectively (Basu and Green, 1997). Members of the in-group, according to the theory, are favored by the leader and receive considerably more attention as compared to the out-group members who are mostly disfavored by the leader in an organization. The former group has more access to the valued organizational resources on favorable terms and the latter group has been granted limited access to the organizational resources from their leaders. In return, the former group reciprocates by taking on additional responsibilities due to their refined capabilities and higher levels of performance due to which leaders develop a loyal relationship with in-group followers.

Murphy and Ensher (1999) state that an organizational leader distinguishes between both groups on the basis of the perceived similarity to the members' personality characteristics and personal capabilities to pursue opportunities. Therefore, the LMX theory assesses the degree of compatibility to which leaders and their followers have a deepening sense of strong obligation and mutual respect for one another for each other's capabilities (Basu and Green, 1997). Moreover, Gerstner and Day (1997) in their meta-analysis of the effectiveness of LMX theory in fostering organizational behavior indicate a positive relationship between Leader-Member Exchange theory and various other factors such as satisfaction with job commitment and performance. Moreover, with time, this effective exchange of leader-member relationships due to the high involvement and charismatic behavior of leaders turns into building up long-term social relations (Wayne et al, 1997).

Blending of Roles

In an organization, workers are fortunate enough to find coworkers who are compatible and hard workers who strive to achieve desired results because of which leaders form a bond of trust with them. This is the foundation of leader-member exchange theory which stresses how managers and leaders create connections with their subordinates with whom they have positive relationships. This relationship is developed when a leader begins to appraise his/her employees' commitments and talents through more give and take in terms of communication and they are acknowledged as trustworthy by their bosses. Therefore, the Leader-Member Exchange theory posits that in any organization, a leader develops distinct and effective working relationships with his/her subordinates which the Leader-Member Exchange theory termed as so-called "high quality" organizational relationships to achieve better and desired outcomes (Basu and Green, 1997).

The Theory's Contribution to Successful Organizational Outcomes

In an organization, potential followers and leaders cultivate respectful and trustworthy sustainable, and effective work relationships to make it equally essential for the coworkers in the workplace to increase optimistic outcomes. Northouse (2021) defines LMX as a theory that "describes" and "prescribes" leadership among leaders and subordinates of the organization where the dyadic relationship is the "focal point" to achieve the goals of the organization as a prospective team. The LMX theory contributes high-quality benefits such as job satisfaction, increased levels of trust, preferential treatment, agreeableness, faster progression, increased job-related communication, and increased performance-related feedback to encourage high-quality leader-member relationships throughout the organization (Keskes et al, 2018). For instance

Harvey works as a certified occupational therapy assistant at Qatar Institute for Speech and Hearing to serve children with feeding challenges under the surveillance of his supervisor named John who is the lead occupational therapist of the pediatric feeding department. There is another certified occupational therapy assistant named Schneider who works along with Harvey under the supervision of John making a great team of two certified occupational therapy assistants at a pediatric feeding clinical organization. John trusts Harvey with the treatment plans of each client prior to the commencement of the feeding session to complete the treatment objective as directed. This puts

Harvey in the in-group position where he is essential to the pediatric team and due to his high-quality relationship with John, he is assigned to take on more responsibilities such as collaboration sessions with the supervisor, evaluating patients' feedback and reviews, modifying feeding reports, and performing extra patients' feeding reviews. So, Harvey's added ambition to thrive as the in-group member through achieving the leader's trust enhances his opportunity to prioritize his contributions as a team with Schneider to take on responsibilities that need to be completed at the office. This working relationship between the supervisor and the assistant reflects that people who work harder, are dedicated to their leaders, are passionate about their work, and take on extra responsibilities prioritize the organization's as well as the leader's goals to be met. The rewarding responsibilities in this regard encourage high-quality leader-member relationships to have employees a greater commitment and obligation to their projects and promote networks of successful partnerships throughout the organization (Basu and Green, 1997).

How Leaders Influence Members' Behavior

Building on the illustrated example, Harvey works as an in-group member whereas Schneider works as an out-group member who has less access to the leader and organizational resources as compared to his coworker. John, Harvey, and Schneider work in the clinic on the daily basis but Schneider has a different work approach as he offers services only that are mandatory in his work description. He is not willing to provide extra services as Harvey does which annoys the supervisor John, and he does not assign Schneider extra work. This puts Schneider in the out-group as he always takes the path of least resistance whereas Harvey is placed in the in-group by the leader due to his positive attitude to work. This working relationship between John and Schneider puts them in the position where John the leader of the pediatric clinic treats Schneider fairly but does not give him special attention which restricts Schneider to work extraordinarily, and he feels unmotivated. Therefore, Northouse (2021) reflects that an out-group member in such a situation feels resentful towards his/her leader because of the minimal support from the leader of the organization and only receives "standard benefits" according to the formal contract of the workplace setting. He further adds a shortcoming of the LMX that decreases the chances of success as one group receives extra attention and produces desired outcomes, but the other group feels neglected and remains unmotivated due to the appearance of discrimination and injustice against the members of the out-group (Scandura, 1999).

In the example, Harvey is seen as the confidante of the leader due to the close relationship and special treatment from John, but Schneider is receiving only "standard benefits" due to the limited work relationship with John. Whereas, as LMX theory views the members of both in-group and out-group as equal, John should make an effort to have high-quality and equal work exchanges with both Harvey and Schneider. The positive exchanges would demonstrate goal-oriented subordinates and rebuild the relationship of a leader with his/her out-group members to improve productivity and morale for better organizational outcomes (Basu and Green, 1997). It is viewed in contemporary organizations that knowing the subordinates, meeting followers' needs, and providing a high sense of morale to the out-group members contribute to improved work efficiency and a more productive work environment. Therefore, creating a positive way of at-office communication for interacting with each other is a key predictor of a high-quality leader-member relationship for establishing better work behavior as well as performance (Northouse, 2021).

Leader-Member Exchange Theory in Management

The Leader-Member Exchange theory focuses on developing the relationships between leaders and followers of the organization that must go through three important stages including role-taking, role-making, and routinization. Cropanzano et al (2017) discuss the three stages in detail and the first stage of role-taking occurs when the new subordinates join the organization, and the leader groups them into in-group and out-group based on their capabilities, skills, and potential. When new followers begin their work on various projects assigned to them as a team, leaders assess the performance of each subordinate to check how loyal and trustworthy they are to their new job and responsibilities. During this stage, role-making occurs and the leader sorts members into in-group and out-group for their additional training and professional advancement to keep a check on their work ethic. After this stage, the last phase of the leadership process occurs where routine relationships between the leader and his/her subordinates are established based on followers' work ethics. This last phase 'routinization' of the leadership process reflects how in-group members maintain the good opinion of their leader by showing their work ethic, persistence, abilities, and skills and how out-group members focus on self-fulfilling through "standard benefits" they receive (Sparrowe and Liden, 1997).

Conclusion

In conclusion to the discussion regarding what extent Leader-Member Exchange theory is still relevant in contemporary organizations, quality leader-member relationships and exchanges are significant for establishing a better work environment for both leaders as well as followers of a prospective organization (Dienesch and Liden, 1986). The Leader-Member Exchange theory utilizes an effective approach to leadership that stresses leader-member association as the key projector of the leadership process to foster organizational behaviors and outcomes. It focuses the attention on communication strategy in the organizations as it is a potential medium through which leaders and followers grow, learn from each other, accept each other's capabilities, and develop effective relationships irrespective of gender and race relations (Scandura and Lankau, 1996). Thus, this theory posits a positive exchange of outcomes between leaders and subordinates. The Leader-Member Exchange theory reflects the validation of leaders as well as in-group and out-group followers' experiences within an organization and how working people relate to each other and their leader to contribute more to the success of the organization. LMX validates the positivity and successful outcomes through effective team relationships with leaders and followers of the organizations by improving trust, leader-member bond, and communication to make followers focus on the work goals.

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