Leader–member exchange, shared values, and performance: Agreement and levels of analysis do matter

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A B S T R A C T

In this study, we first investigate the levels of analysis at which leader–member exchange (LMX) operates; second, we examine the nature of the LMX–performance relationship when a superior and a subordinate agree as compared to disagree concerning the quality of their exchange; third, we test the effect of superior–subordinate agreement about work values on the LMX–performance relationship; and fourth, we simultaneously consider the effects of LMX agreement–disagreement and values agreement–disagreement on the LMX–performance relationship. Our findings indicate that LMX operates primarily at the independent dyad level of analysis. We also found that LMX and performance are most strongly related and display the strongest dyadic-level effects when superior and subordinate assessments of LMX and values are in agreement.

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The study of leader–member exchange (LMX) has a rich theoretical and empirical history (Graen & Uhl-Bien, 1995). This perceived quality of the exchange relationship between a leader and a member is linked to a number of key outcomes such as higher member satisfaction, commitment, and lower intent to turnover. Similarly, LMX is positively related to both perceived and objective member job performance (Gerstner & Day, 1997).

Despite the impressive body of LMX research, several issues remain unresolved (see Diathesis & Liden, 1986; Graen & Uhl-Bien, 1995; Schriesheim, Castro, & Cogliser, 1999; Yammarino, Dionne, Chun, & Dansereau, 2005). First, although LMX is an inherently dyadic theoretical construct, most prior research has not explicitly tested for a dyadic level of analysis (Schriesheim, Castro, Zhou, & Yammarino, 2001; Yammarino et al., 2005). As a result, there is a need to apply rigorous methodology that allows researchers to test for dyadic-level relationships. As with all multi-level studies, the theoretical entities of interest, in this case, dyads, should match the actual configuration of the data. Second, previous research has yet to examine the effects of convergent leader–member exchange relationships (relationships that are marked by high leader/member agreement about the nature of the relationship) on subordinate behavior. Thus, there is a need to extend the leader–member exchange research beyond effects based solely on member perceptions and broaden our understanding of the exchange relationship by focusing more on matched perceptions of both leaders and members. Third, previous research has largely overlooked other factors (e.g., agreement about organizational, team, or dyadic values) that may impact the LMX relationship. As a result, it would be desirable to extend our knowledge to include more of the milieu within which the leader–member exchange occurs.
With these issues in mind, in this study we first attempt to specify and test the level(s) of analysis at which LMX operates; second, we examine the nature of the LMX-performance relationship when a superior and a subordinate agree as opposed to when they disagree on their quality of exchange; third, we attempt to identify and test the effect of superior–subordinate agreement about shared work values on the LMX-performance relationship; and fourth, we simultaneously consider the effects of LMX agreement–disagreement and values agreement–disagreement on the LMX–performance relationship. We address these issues conceptually and then empirically in the following sections.

1. Leader–member exchange theory

The earliest work on leader–member exchange (LMX) theory (see Graen & Uhl-Bien, 1995, for a review) contended that leaders develop differential relationships with their subordinates and categorize them as either cadres (in-group) or hired hands (out-group). The theoretical premise was that, in comparison to other leadership theories in which leaders treated all subordinates in the supervisory group in the same manner with an average leadership style (ALS), LMX was unique because it examined superior–subordinate relationships as dyads. However, the construct of LMX has not been without its problems, including varying definitions and conceptualizations as well as various implied levels of analyses (cf., Schriesheim et al., 1999; Yammarino et al., 2005). One conceptualization of LMX reflects perceptions of how much generalized support is given by the leader to the subordinate (Schriesheim et al., 1999). In return for perceptions of positive support on the part of the leader, the subordinate would respond in kind by providing enhanced performance. This is the perspective of LMX that we adopt in this study (see also Dansereau, 1995).

1.1. LMX–performance relationship

Leader–member exchange has been found to have a positive relationship with various individual-level outcomes (see Gerstner & Day, 1997; Schriesheim et al., 1999; Yammarino et al., 2005). Researchers have established that high-quality exchanges are positively associated with both (1) perceptual/subjective performance ratings (Bauer, Erdogan, Liden, & Wayne, 2006; Dunegan, Uhl-Bien, & Duchon, 2002; Janssen & Van Yperen, 2004; Kacmar, Witt, Zivnuska, & Gully, 2003; Liden, Wayne & Stillwell, 1993; Schriesheim, Neider, & Scandura, 1998; Wang, Law, Hackett, Wang, & Chen, 2005) and (2) objective performance ratings (Duarte, Goodson, & Klic, 1994). A meta-analysis of the LMX literature (Gerstner & Day, 1997) has shown that subordinate performance is a strong correlate of LMX along with other affective outcomes such as commitment, turnover intention, and satisfaction.

In terms of how a new leader–member relationship is initiated, typically, the leader has the primary role of presenting initial performance expectations to the subordinate. Leader–member exchange theory, however, implies that determination of expectations is ultimately a joint phenomenon; thus, a stronger bond (high-quality exchange) between the superior and the subordinate occurs when the two parties in the exchange relationship share beneficial and valued goals. Exchange relationships can be transactional, as in the case of low-quality exchanges, or can exceed expectations, as in the case of high-quality exchanges (Liden et al., 1993). Positive perceptions by the superior regarding the exchange relationship should lead to increased levels of satisfaction on the part of the subordinate, and then manifest itself through higher perceived performance (Liden, Sparrowe, & Wayne, 1997). Thus, perceptions of a higher-quality LMX produce higher subordinate performance than lower-quality exchanges. To adequately understand this proposition, however, requires an examination of LMX in a multiple-levels-of-analysis framework (Dansereau, 1995; Schriesheim et al., 2001; Yammarino et al., 2005).

1.2. Levels of analysis and LMX

The primary focus of leader–member exchange theory has emphasized the exchange relationship between a superior and a subordinate. This theoretical relationship is, by definition, dyadic, but “dyadic” relationships have rarely been tested in the literature; instead, most studies have proceeded from only the member’s view of the LMX (Schriesheim et al., 1999; Yammarino et al., 2005). (In contrast, a full test of a dyadic model would require simultaneous, matched perceptions between pairs of superiors and subordinates.) The earliest empirical development of LMX theory viewed the exchange relationship as dyads within-groups; i.e., in all supervisory groups, leaders treat subordinates differently, and this differential treatment is dependent upon the other leader–subordinate relationships within this larger supervisory group (see Dansereau, Yammarino, & Markham, 1995; Graen & Uhl-Bien, 1995). While there is some degree of reciprocity in any exchange relationship (Maslyn & Uhl-Bien, 2001; Uhl-Bien & Maslyn, 2003), the degree of reciprocity varies, such that some leaders are more closely linked with some subordinates than with others (Graen & Uhl-Bien, 1995). From a level of analysis perspective (Dansereau, Alutto, & Yammarino, 1984), a “dyads-within-supervisory groups” condition is characterized by the presence of significant variation among the dyads within the group, but can only be observed by anchoring the dyad scores within the group environment. For example, in a supervisory group with one leader and two followers, one of the leader-follower LMX relationships could be viewed as a “9”, but the other leader–follower relationships could be viewed as a “1”, resulting in an average relationship of “5” for the group. The amount of variation between groups, however, is insignificant as this pattern can occur in other supervisory groups also. For example, Groups A, B, and C all can be characterized by mixture of both high and low LMX relationships, but the average of all the LMX relationships in Groups A, B, and C is a “5”.

Another view of this mutual exchange-based relationship (Dienesch & Liden, 1986) is that the dyads are interpersonal, one-to-one relationships – a purely dyadic, individualized leadership view for which information about the group as a whole is not needed (Dansereau, 1995; Dansereau et al., 1995; Mumford, Dansereau, & Yammarino, 2000; Schriesheim et al., 1999; Yammarino & Dubinsky, 1992; Yammarino, Dubinsky, Comer, & Jolson, 1997). This view asserts that superiors treat subordinates differently, but
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