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**“Exchange Lost” in Leader-Member Exchange Theory and Research:  
A Critique and a Reconceptualization**

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Abstract

Several problems have persisted in the voluminous body of leader-member exchange (LMX) literature. The most salient problem is the absence of an explicit conceptual definition of LMX in earlier theoretical works and later research. In general, LMX is treated as attributes of the leader and the leader-member relationship rather than interaction-based exchange behavior. The lack of clarity in conceptual definition has led to LMX instruments that measure a hodgepodge of leader and relationship attributes other than leader-member exchange. Consequently, findings gleaned with different LMX measures cannot be synthesized meaningfully. This essay introduces a reconceptualization of LMX as a behavior-based construct that consists of four exchange aspects: tangible work, tangible social, work communication, and social communication. A systematic approach to creating a valid measure (LMX-Behavior) is proposed for future research.

*Keywords:* LMX, reconceptualization, exchange behavior, communication exchange

Leader-member exchange theory (LMX) has sparked volumes of empirical research in the organizational sciences since its inception (i.e., Dansereau, Graen, & Haga, 1975; Graen & Cashman, 1975). Unlike prior leadership theories that centered on the leader's individual attributes (e.g., traits and styles), LMX is refreshing due to its focus on the dyadic relationship between the leader and the follower (Dulebohn, Bommer, Liden, Brouer, & Ferris, 2011; Gerstner & Day, 1997; Ilies, Nahrgang, & Morgeson, 2007). LMX's heuristic thesis that leader-member interaction affects managerial effectiveness and organizational outcomes has subsequently inspired more than one thousand empirical studies, as indexed in the recent search of ABI/INFORM databases. Several problems in the body of LMX literature, however, have persisted: vague, inconsistent conceptual definitions of LMX, ensuing incompatible LMX measures, and the lack of a real fix in critics' proposed solutions. This essay examines these problems, critiques the proposed solutions, introduces a reconceptualization of the LMX construct, and proposes a methodological approach to creating a valid LMX measure for future research.

### **Overview of Leader-Member Exchange Theory**

Leader-member exchange theory (e.g. Dansereau et al., 1975; Graen, 1976; Graen & Uhl-Bien, 1991) focuses on the dyadic relationship between the leader and his/her followers. Despite some gradual evolution over the years, the central theses remain constant. First, the leader-member relationship stabilizes via the process of role-development: role taking, role making, and role routinization. Second, due to limited resources (e.g., time and equipment), a supervisor (the leader) develops a close relationship with only a few employees within the unit, forming an ingroup. The remaining employees in the work unit become the outgroup. The ingroup and outgroup memberships, once "established," are quite stable (Graen & Cashman,

1975; Liden & Graen, 1980). The ingroup consists of trusted followers to whom the leader allocates more role responsibilities and physical resources; whereas, outgroup members, who have relatively more distant relationships with the leader, are given formal job responsibilities. Third, the way the leader exchanges with ingroup members (i.e., high quality exchange) is different from the way he/she interacts with outgroup members (i.e., low quality exchange). Fourth, high quality exchange leads to better performance outcomes from ingroup members as opposed to outgroup members who experience low quality exchange with the leader. In essence, LMX theory postulates strong connections among the four main constructs: role development, relationship quality, leader-member exchange, and performance outcomes.

The central theoretical component that has inspired voluminous research is the namesake construct: leader-member exchange (LMX). LMX, operationalized into a series of measures, has been used to predict numerous organizational attitudes and behavior outcomes (Gerstner & Day, 1997; Ilies, Nahrgang, & Morgeson, 2007). Unfortunately, the LMX construct has never been clearly defined in the early works, and the later piece-meal, add-on definitions have caused inconsistencies and posed challenges for interpreting the findings that have been gleaned with LMX measures of varied conceptualizations. A close look into the LMX construct reveals problems regarding how LMX is defined.

### **Problems in Conceptual Definitions of LMX**

A reading of the early works on leader-member exchange theory reveals, surprisingly, that a definition of the central construct of leader-member exchange was missing (Dienesch, & Liden, 1986) and has never been explicitly defined since, even in articles that query the content and dimensionality of the construct (e.g., Liden & Maslyn, 1998). Indeed, in the author's repository of 70+ LMX studies, no explicit definitions of LMX or guidelines/justifications for

selecting LMX measures were discovered. Based on the author's reading of the measurement items, the inferred conceptual definitions appear as a hodgepodge. The LMX referenced in one study often is not the same LMX cited in other studies. To illustrate, the author refers to a widely cited comprehensive review of LMX's conceptual definitions and measures conducted by Schiesheim, Castro, and Cogliser (1999); then, discusses LMX conceptualizations since 1999. After excluding the first five exploratory studies prior to the inception of LMX theory (i.e., Dansereaur et al., 1975; Graen, 1976) as these studies discussed leader-member interaction vaguely without an explicit label, the author tabulated the frequencies of the remaining LMX conceptual definitions listed in Schiesheim et al.'s review (see Table 1).

Table 1 Conceptual Definitions of LMX ( $K= 137$ )

Labels of LMX Definition	Frequency	Percentage
Exchange	11	8.0%
Quality of Exchange	73	53.3%
Exchange Relationship	8	5.8%
Quality of Exchange Relationship	7	5.1%
Other leader- follower relationships	5	3.6%
Quality of Relationships	11	8.0%
Negotiating Latitude	7	5.1%
Role-Making	4	2.9%
Others (e.g., linking pin quality, participation opportunity/influence, leadership attention, trust in supervisor, leader-making)	11	8.0%

In dictionaries (e.g., Cambridge Dictionaries Online, 2014; Merriam-Webster Online, 2014), exchange must involve at least two parties, and something tangible or intangible must switch hands simultaneously or at a later time. These fundamental characteristics of exchange are the criteria the author applied in this analysis of LMX definitions. As reflected in Table 1, nine

distinctly labeled conceptual categories of LMX were used up to 1999; only one label, the first one, directly names “exchange.” All remaining labels suggest constructs related to exchange but not the exchange itself. Thus, the author first examines the “exchange-labeled” definitions and then the remainder as “exchange-related” conceptualizations.”

**“Exchange-labeled” conceptualizations.** Only 11 definitions fall in this category. Of all the proclaimed exchange definitions, most do not fit the label “exchange.” Some LMX definitions involve only one-sided leader attributes and behaviors and leader-follower relationship characteristics. For example, Graen and Ginsburgh (1977) define LMX as exchange pattern in terms of a leader’s attention, sensitivity, support, reward distribution, and subordinates’ satisfaction with leader relations. Wakabayashi, Minami, Hashimoto, Sano, Graen, and Novak’s (1981) LMX, as vertical exchange, resembles much of Graen and Ginsburgh’s conceptualization. Other exchange-labeled definitions depict evaluations of leader-follower relationships; instances include leaders’ trust and influence (Kim & Organ, 1982), leaders’ support and influence (Steiner, 1988), mutual trust and respect (Bauer & Green, 1996), perceived contribution, loyalty, and affect (Bhal & Ansari, 1996), and high quality relationships (Wayne, Shore & Liden, 1997). These relationship-evaluation definitions are more in line with relationship-quality definitions for LMX. Of the rest, only two definitions seem to capture the two-way interaction between the leader and the follower. Fairhurst and Chandler (1989) characterize LMX as social interaction and negotiation for role making between the two parties. Sias and Jablin (1995) define LMX as social exchange involving open communication, greater negotiation, and subordinate participation in decision making—among other things. Unfortunately, the alluded two-way element of leader-member exchange has not garnered much research interest since. In summary, nine of the eleven “exchange-labeled” definitions portray

attributes of the leader-follower relationship rather than two-way exchange (as illustrated in the current paragraph).

**“Exchange-related” conceptualizations.** The vast majority of the LMX definitions, 126 in total, collected in Schiesheim et al.’s (1999) influential review are exchange-related definitions (i.e., all categories but the first in Table 1). Having read all these definitions carefully, the author discovered that these definitions depict (1) attributes of the leader, (2) attributes of the subordinate, and/or (3) the attributes of the relationship between the supervisor and the subordinate, be it quality or some other characteristics of the relationship. For example, leader attributes such as attention, sensitivity, understanding, structuring behavior, openness, adaptability to change, and/or helpfulness can be found in definitions labeled “quality of exchange” (e.g., Graen & Schiemann, 1978; Rosse & Kraut, 1983), “latitude” (e.g., Yammarino & Dubinsky, 1990) or “negotiating latitude” (e.g., McClane, 1991), and quality of exchange relationships (e.g., Uhl-Bien, Tierney, Graen, & Wakabayasbi (1990). Attributes of the subordinate (e.g., capability, motivation to assume greater responsibility) can be found in definitions labeled “role latitude” (e.g., Leana, 1988). Other labels, such as “role making” (Schiemann, 1977), “quality of exchange” (Scandura, Graen, & Novak, 1986), “exchange relationship” (Borchgrevink & Boster, 1994), and “quality of social exchange relationship” (Deluga, 1992), examine the characteristics of the leader-follower relationship in such terms as affect, trust, loyalty, support, high quality communication, and/or mutual obligation. Quite clearly, researchers have written LMX definitions without any consistent principles; these definitions, overlapping in substance and lacking clear boundaries, depict various attributes of the leader the leader-follower relationship. One commonality that has emerged from all these definitions is the conspicuous absence of “exchange” itself.

**LMX conceptualizations since 1999.** Since Schiesheim et al.'s (1999) article, definitions similar to those included in their review, have gradually achieved a “consensus” label, “quality of exchange relationship.” Indeed, the LMX construct in the 275 studies included in Dulebohn et al.'s (2011) meta-analysis is termed “quality of exchange relationship.” Similar to the author's earlier discoveries, the conceptual bases for the LMX construct, however, are still inconsistent, chaotic, and sometimes not discussed. Exchange still is missing in those “quality of exchange relationship” definitions that have guided most of the LMX research. Perhaps, leader-member exchange theory should be more properly named “theory of leader-member exchange relationship quality.”

### **Consequences of “Lost Exchange” in LMX theory**

At the theoretical level, the absence of a valid exchange construct and the prevailing adoption of quality of exchange relationship as the central exchange construct (see Dulebohn et al., 2011) causes confusion over the boundaries among the key LMX constructs and result in cyclic relationships among them.

Quality of exchange relationship in essence is the quality of a specific kind of relationship—one that is defined by the characteristics of exchange between the leader and the follower. Thus, quality of exchange relationship suggests a compound construct, which combines two simpler ones: exchange and relationship quality. For exchange, although LMX theory misses an explicit discussion, exchange is alluded to as negotiation (as in role development processes) and interaction (e.g., manager allocating resources and subordinate taking on responsibilities) between the leader with the subordinate (refer to the earlier overview of LMX theory). For relationship quality, LMX theory evokes the concept of ingroup membership status (Dienesch & Liden, 1986). An ingroup member has a high quality relationship with the manager, whereas, an



outgroup member has a low quality relationship with the manager. The indicators for relationship quality in LMX literature, typically referred to as trust, loyalty, and affect (e.g., Liden & Maslyn, 1998), are consistent with the indicators of relationship quality in the communication and relationship literature.

Initially, the influential works elucidating LMX theory (e.g., Graen & Cashman, 1975; Graen, & Uhl-Bien, 1991) contained no theoretical construct by the name of quality of exchange relationship. Rather, these works discuss two separate constructs: exchange (as implied) and relationship quality (labeled “ingroup” membership). Somehow, “exchange relationship quality” came into being after Graen and his colleagues first coined it in their research reports (i.e., Graen, Novak, & Sommerkamp, 1982; Graen, Liden, & Hoel, 1982). Unfortunately, no conceptual discussion of the construct was provided in either of the two articles. Most likely, exchange relationship quality was named for the variable measured via LMX-5 and LMX-7 to capture a cocktail of attributes that include leader characteristics, relationship quality, and exchange-related attributes (refer to the next section for a discussion of LMX-5 and LMX-7). Consequently, an explicit definition of quality of exchange relationship is glaringly missing.

Serious LMX researchers inevitably inquire about the boundaries among exchange, relationship quality, and exchange relationship quality, and how exchange relationship quality fits in LMX theory. At this point any demarcation is impossible due to the highly inclusive connotation that embodies “exchange relationship quality.” The lack of an explicit, valid exchange construct and the conventional use of exchange relationship quality as an exchange construct in LMX literature lead to confusion in the logical relationships among the key constructs in leader-member exchange theory. As the earlier overview indicates, LMX theory defines the quality of relationship between a manager and his/her subordinate in terms of

whether or not the subordinate is a member of the manager's ingroup, and subsequently the manager's exchange with a subordinate differs contingent upon his/her ingroup membership status, which is simplified as:

*ingroup membership status (i.e., relationship quality) → leader-member exchange (LMX)*

When LMX is defined as quality of exchange relationship, the above diagram then becomes a tautological fallacy:

*ingroup membership status (i.e., relationship quality) → quality of exchange relationship*

To summarize, LMX theory lacks an explicit description of the exchange construct, and equating exchange with exchange relationship quality nullifies a central thesis of the theory.

### **Problems in LMX Measures**

Aside from the problems in the LMX construct and subsequent theoretical confusion, operationalization of LMX does not fare better. In the realm of social research, a conceptual definition of a construct is meant to guide its operationalization. Systematic examinations (e.g., Dienesch & Liden, 1986; Keller & Dansereau, 2001) of LMX studies reveal that, in the absence of an explicit definition, researchers, with little critical thinking, simply added and/or changed items from the earlier LMX measures--sometimes because the earlier measures failed to statistically predict certain anticipated effects. Quite interestingly, the varied conceptual definitions such as role making, negotiation latitude, exchange, quality of exchange, and quality of exchange relationships (refer to Table 1 for more details) seem to be afterthoughts or post hoc rationalization for the measures already used. Later LMX measures seem markedly different from early ones. Different operationalizations of LMX across empirical studies result in incomparable meanings and consequently measures of different constructs.

Dienesch and Liden (1986) were among the first to observe that all LMX operationalization originated from a 2-item measure on negotiation latitude (Dansereau et al., 1975), and items added over the years have resulted in LMX-4 (e.g., Graen & Schiemann, 1978; Liden & Graen, 1980), LMX-5 (e.g., Graen, Liden, & Hoel, 1982), LMX-6 (Schriesheim, Neider, Scandura, & Tepper, 1992), LMX-7 (Scandura & Graen, 1984), and scales with even more items. Dienesch and Liden (1986) further noticed that none of these scales were based on explicit construct validation or other forms of systematic, psychometric principles, and consequently, the many LMX scales likely measured different things. To test their hypothesis that the pattern of relationships changes as more items are added to LMX measures, Keller and Dansereau (2001) conducted two studies successively. The results supported their hypothesis in that adding items could increase internal consistency, but sacrificed content validity and reduced predictive validity of any given item. In particular, they found that the newer LMX measures (e.g., LMX-4, -5, and -6) differed from earlier negotiation latitude based LMX measures. Thus, they concluded that these different measures could create problems for interpreting the results of meta-analyses of LMX studies using varied LMX measures.

Of all, the most commonly used scale is LMX-7 (Scandura & Graen, 1984; Graen & Uhl-Bien, 1995), as concluded in two meta-analyses (Gerstern & Day, 1997; Dulebohn et al., 2011). Graen and Uhl-Bien's LMX-7, which slightly updated Scandura and Graen's LMX-7, consists of these items:

1. Do you usually know how satisfied your leader is with what you do?
2. How well does your leader understand your job problems and needs?
3. How well does your leader recognize your potential?
4. Regardless of how much formal authority he or she has built into his or her position, what are the chances that your leader would use his or her power to help you solve problems in your work?
5. Again, regardless of the amount of formal authority your leader has, what are the chances that he or she would "bail you out" at his or her expense?
6. I have enough confidence in my leader that I would define and justify his or her decision if he or she were not present to do so?

7. How would you characterize your working relationship with your leader?

The above items show little consistency in examining an underlying construct. Item 1 is about the follower's satisfaction with the leader, Items 2 and 3 tap the follower's meta-knowledge of the leader's understanding and recognition of the follower. Items 4 and 5 examine the follower's perception as to whether the leader would protect the follower and solve problems for him/her. Item 6 is about the follower's confidence in understanding the rationale behind the leader's decisions. This item, no longer delineating perceptions of the leader's actions, is quite out-of-place with the earlier five items in both statement content and format. Item 7, in fact, is a centroid or a summary question that gauges the overall nature of the leader-follower relationship. None of these items pertain directly to exchange, only Item 7 measures relationship, while the first five items assess the subordinate's perceptions of the manager's attitudes and actions toward the subordinate and Item 6 measures the subordinate's confidence of some sort. In the end, the popular LMX-7 scale neither measures exchange nor quality of exchange relationship. The seven items in essence are a hodgepodge of correlates that together predict quality of leader-member relationship. Results in studies using variations of LMX measures cannot be interpreted with consistent accuracy. Exchange has been largely lost in LMX operationalizations.

After an in-depth examination of all available LMX measures, Schriesheim et al. (1999) conclude:

Because a systematic program of development and validation has not been conducted, exactly what these scales are measuring is unknown and attempting to substantively synthesize the existing literature may therefore not make much sense. As such, we believe that either a reconceptualization of the LMX construct is needed or further development and validation of a suitable LMX scale should be undertaken (p. 100).

### **Efforts in Reconceptualizing LMX and Subsequent Operationalizations**

Notable efforts in improving the LMX construct and its instrumentation can be found in Dienesch and Liden's (1986) essay on LMX dimensionality, Liden and Maslyn's (1998) construction of a multidimensional scale of LMX (LMX-MDM), and Bernerth, Armenakis, Feild, Giles, and Walker's (2007) development of Leader-Member Social Exchange Scale (LMSX). Dienesch, and Liden's (1986) were the first scholars who explicitly advocated that LMX (as quality of exchange of relationship) should be multidimensional due to multifaceted leader and member roles. Despite criticizing the lack of an explicit definition of the LMX construct, these two scholars excavated three dimensions for LMX without developing an a priori conceptual definition. They simply reviewed how LMX was described in the literature, used the criterion of mutuality (i.e., an LMX dimension must be important for both the leader and the follower), and chose perceived contribution, loyalty, and affect as the three dimensions that constitute relationship quality. They labeled these three aspects as currencies of exchange that each party brings to the relationship. The currency definition deviates from quality of relationship or the idea of exchange as interaction. The number of dimensions, extracted from the literature, is susceptible to haphazard additions as no common underlying properties among the three dimensions are given.

Indeed, professional respect was later added as a fourth dimension of LMX by Liden and Maslyn (1998). These two researchers selected 11 items from an initial pool of 120 items that were generated based on their literature review and interviews with graduate students who were employed or had work experiences. Their factor analysis of the 11 items resulted in a four-dimensional scale (LMX-MDM) that consists of affect, loyalty, contribution, and professional respect. When item content is inductively derived from information reported by respondents, differences in respondent backgrounds often lead to differences in dimensionality of a scale.

Because the researchers conducted item generation within their graduate student circles, respondents with different work and life experiences, say without university education, may report additional exchange currencies. Thus, these four aspects of exchange currencies unlikely are a closed list.

The 11 items examine the subordinate's perceptions of the degree to which he/she likes the supervisor, contributes to the work, and respects the supervisor professionally, and the supervisor is loyal to the subordinate. The characteristics of these items do not differ much from those of LMX-7. Because these highly correlated dimensions indicate high interdependence, LMX-MDM does not appear as a much better alternative to the unidimensional LMX-7. Further, these LMX-MDM perception items are one-sided, measure no mutuality, and capture psychological states rather than two-way exchange. For example, the affect items measure affect but not the exchange of affect. In the end, exchange still is patently missing in LMX-MDM.

A much sounder effort in reconceptualizing leader-member exchange has come from Bernerth et al.'s (2007) development of Leader-Member Social Exchange Scale (LMSX). Deviating from earlier LMX conceptualizations, Bernerth et al. define leader-member exchange explicitly as a behavioral entity rather than a cognitive construct (e.g., affect, loyalty, trust, and respect), and, hence, observable. Basing their reasoning in social exchange theory (Blau, 1964), these researchers postulate that LMX, same as social exchange, is a course of actions in which one gives another something tangible or intangible with the expectation that the latter would return something of similar value in an unspecified time frame (now, today, tomorrow, or later). To illustrate, if a manager gives privy information to a subordinate, the latter, as an exchange, offers his/her own privy information to the former at the time of the conversation or sometime later. Bernerth et al.'s conceptualization differs from earlier transactional treatments of LMX.

For example, Danserreau, Graen, and Haga (1975) regard LMX as a transaction in which a superior gives a subordinate the latitude to negotiate his/her role and the subordinate, in exchange, reciprocates with taking on more responsibilities and better performance. Likewise, Graen and Scandura (1987) describe LMX as a process in which the superior gives greater work-related resources to an ingroup subordinate (who has a high quality relationship with the superior), and, in return, the subordinate exhibits high performance. This type of LMX, in essence, is more similar to transactional leadership (which is typified by the use of rewards to solicit performance) than to social exchange. Ironically, when LMX is treated as a reward-performance transaction, the LMX theory loses its heuristic value because LMX then would be no different from transactional leadership.

With the social exchange approach, Bernerth et al. (2007) embarked on the development of a Leader-Member Social Exchange Scale (LMSX). They first conceptualized LMSX as “the perception held by subordinates as to whether or not voluntary actions on their part will be returned by the supervisor in some way” (p. 985). Guided by that definition, the researchers reviewed Blau’s (1964) work and created 12 items to capture the characteristics of social exchange such as balanced inputs and outputs, reciprocity, and voluntary actions. Then they tested these items for their social exchange content validity against all items of LMX-7 and LMX-MDM. They arrived at 8 items for inclusion in the final LMSX scale:

1. My manager and I have a two-way exchange relationship.
2. I do not have to specify the exact conditions to know my manager will return a favor.
3. If I do something for my manager, he or she will eventually repay me.
4. I have a balance of inputs and outputs with my manager.
5. My efforts are reciprocated by my manager.
6. My relationship with my manager is composed of comparable exchanges of giving and taking.
7. When I give effort at work, my manager will return it.
8. Voluntary action on my part will be returned in some way by my manager.

Bernerth et al.'s (2007) social exchange definition is a significant improvement over previous LMX conceptualizations as that definition includes the key exchange attributes in two-way process, voluntary interaction, and reciprocity. Unfortunately, two weaknesses pose threats to construct validity. First, as much as Bernerth et al. claim LMX as a behavioral construct, they nonetheless define LMX as *expectation* that one's own voluntary actions (i.e., not stipulated by job responsibilities) will be returned, which does not portray interaction behavior. LMX as a behavioral construct must contain descriptions of exchange behavior (e.g., possibly "interact," "communicate," and "trade"). Second, the definition is too general and contains little substantive information regarding the types of workplace exchange taking place between the leader and the follower. That general definition can easily apply to social exchange in any type of dyad—be it leader-member, coworker-coworker, or friend-friend. The definition does not go far enough to provide meaningful information regarding social exchange in the workplace. Accordingly, the operational definition, the LMSX scale, is content-valid only in the sense of falling in the social exchange scope, but the scale is content-inadequate in capturing key characteristics of exchange in the workplace. Of the 8 items, if "manager" is replaced with "my friend" or "my classmate," all items but Item 7 work well. With all loadings  $>.75$  on only one factor and the alpha coefficient of .96 (reported in Bernerth et al., 2007), LMSX clearly consists of overlapping, redundant items, which measure largely the same thing.

Thus far, the efforts in improving the conceptualization and operationalization of LMX, particularly those made by Liden and Maslyn (1998) and Bernerth et al. (2007), are commendable. However, these efforts have not resulted in viable LMX conceptualizations and measures that minimize the problems in LMX literature. Schriesheim et al.'s (1999) call for a



clean reconceptualization rather than patchwork for the LMX construct must be addressed. In answering the challenge, the author adopts a systematic approach to reconceptualizing LMX.

### **Reconceptualizing the LMX Construct**

With the objectives to minimize the previous weaknesses and provide heuristic insights for future research, the current conceptualization, grounded on the foundation constructed by Bernerth et al. (2007), begins with an explicit definition of leader-member exchange. Fundamentally social, leader-member exchange is a two-way interaction process, in which a leader and a subordinate voluntarily exchange tangible or intangible commodities that directly pertain to work tasks and social intentions. By two-way process, the leader and the member co-contribute to the leadership process rather than a leader-defined one way process (see Tourish, 2014; Tourish & Robson, 2006). By social interaction, leader-member exchange is observable behavior rather than cognition or attitude and such behavior inevitably includes communicative acts. As Fairhurst and Connaughton (2014) reason, communication enables organizing acts (that sustain the existence of an organization) and is also the defining feature of leadership and leader-member interaction (also see Fairhurst, 2011). The voluntary nature of the interaction implies that the give and the return between the manager and the subordinate are not stipulated either in timing or in type. The give and the return can happen simultaneously as, for example, the manager and the subordinate engage in face-to-face communication in which information is exchanged; or, the return can be delayed. Regarding the type of exchange, the give and the return may or may not match in the exact nature; however, fairness in value is expected for continuing future exchange interaction. Related to voluntary actions, LMX requires reciprocity or mutuality in that the manager and the subordinate must co-participate in the exchange processes and the

giver also is the recipient of the return. Either party, not necessarily the leader, can initiate an exchange.

In addition to the characteristics of general social exchange interaction, leader-member exchange has its qualities unique to the workplace. First, as an organizational/work unit is defined by its instrumental goals and functions, substance exchanged in a leader-member dyad primarily serves work tasks. LMX that directly serves organizational (or work-unit) goals is termed work exchange. Second, the social nature of human beings leads both the leader and the member to inevitable social interactions not directly relevant to work; for example, discussing hobbies, introducing family members, and spending happy hours after work. Further, from the behavioral aspect, LMX can be viewed as consisting of (a) tangible (i.e., noncommuncative) exchange, in which material commodities and/or tangible services/behaviors are reciprocated, and (b) communication exchange, in which information, messages, and ideas are traded or discussed. Taken together, LMX can be classified into the italicized quadrants below, where exchange is abbreviated as “X.”

	Work X	Social X
Tangible X	<i>Tangible Work X</i>	<i>Tangible Social X</i>
Communication X	<i>Work Communication X</i>	<i>Social Communication X</i>

*Tangible work exchange* involves bartering services, compensation, rewards (e.g., promotion and development opportunities), commodities, time, and work tasks to serve organizational goals. Tangible work exchange is a key aspect of a work unit. In *tangible social exchanges*, leaders and followers reciprocate favors and gifts or swapping other commodities to facilitate social relationships, which are not directly related to work tasks. Desivilya, Yoav, and

Efrat (2006) conclude that social exchange (including tangible exchange) is quite common in the workplace, particularly in organizations characterized by positive interpersonal relationships.

Communication, a central attribute of leadership (Barge, 2014; Fairhurst & Connaughton, 2014) is a defining feature of leader-member interaction which includes leader-member communication exchange. Tourish (2014) posits that leader-member interaction is a dynamic process in which leaders and members exert mutual influence and accomplish each other. The notion that subordinates engage in upward communication with managers has received wide empirical support (e.g., Castro, Douglas, Hochwarter, Ferris, & Frink, 2003; Herold & Fields, 2004; Sheer & Chow, 2014). In the present context, *work communication exchange* denotes processes in which the leader and the follower discuss and share ideas and give feedback to each to each other regarding issues and problems directly related to organizational policies, tasks, performance, development, reward, and individual and coworker work problems, and other work-related matters (see Jablin, 1979; Tourish & Robson, 2006). *Social communication exchange* between the manager and the subordinate refers to discussing and disclosing nonwork-centered, personal and family affairs, hobbies, opinions, and societal issues, or otherwise interacting for self-interest, impression management, and social relationships (see Vigoda-Gadot, 2007). A form of prosocial behavior, social communication exchange is prevalent among organizational members across different ranks (e.g., between managers and employees) (Desivilya, Yoav, & Efrat, 2006; Everett, 2011). Social communication exchange is an inevitable aspect of work experience.

Finally, all four leader-member exchanges are two-way interactions rather than leader-centered management processes. This classification of leader-member exchange can be incorporated into LMX theory to demonstrate its utility.

### **Exchange “Restored” in Leader-Member Exchange Theory**

With LMX redefined as a behavior construct, elucidating LMX theory means explaining how LMX theoretically connects with the other three main components: role development, leader-member relationship quality, and employee performance outcomes.

**Role-development and LMX.** Beginning from an individual’s entry to an organization or a work unit as a newcomer, he/she embarks on a journey of role development: role taking, role making, and role routinization. New employees, due to varied backgrounds (e.g., education and experience) and personality traits, exhibit different social exchange behavior with the manager, who interacts with different individuals differently. Over a period of time, a new employee completes the role development process with a routinized role in the organization. Toward the end of the role development process, on-going leader-member exchange gradually and incrementally leads to a stable relationship between the manager and the employee. Greater overall LMX in work and social affairs leads to a higher quality relationship (e.g., ingroup membership); whereas, low exchange, particularly low communication exchange, contributes to a low quality relationship (e.g., outgroup membership). To test how changes in LMX incrementally contribute to relationship evolution, a short- or medium-term (i.e., a time period typically needed for completing role development) longitudinal design can be used. Also of interest to the organizational behavior researcher is how levels of tangible work exchange, tangible social exchange, work communication exchange, and social communication exchange may differ in the three stages of the role development process. A longitudinal study that collects data at three times to correspond to the role development stages should find answers for the organizational behavior researcher.

**Relationship quality and LMX.** The stable relationship, formed when an employee completes the role development process, sets the tone for leader-member exchange interactions. The manager tends to exchange more in all four exchange areas (i.e., tangible work, tangible social, work communication, and social communication) with ingroup subordinates (those in high quality relationships with the manager) than with outgroup subordinates (those in low quality relationships). Researchers may use a one-shot survey to examine the relationships between relationship quality and the four leader-member exchanges. For statistically significant relationships discovered via cross-sectional data, the current theory would guide researchers to interpret relationship quality (e.g., ingroup membership status), the more stable construct, as the predictor of LMX, the less stable one, rather than vice versa.

**LMX and performance outcomes.** Similar to any other organizational leadership theory, LMX theory, too, concerns performance outcomes; specifically, how leader-member exchange affects employees' performance outcomes. The original LMX theory posits that greater exchange between the manager and the subordinate happens in ingroup relationships rather than in outgroup relationships; and, subsequently, ingroup subordinates exhibit greater performances than outgroup members. This proposition should still hold. With the four-aspect classification of LMX conceptualized as a fundamentally two-way process, more specific predictions can be made. As the primary functions of a work unit concern completing tasks and serving organizational goals, exchange directly relevant to work likely exerts greater influences on employee outcomes than exchange not directly relevant to work functions. To that end, work exchange (tangible work exchange and work communication exchange), compared to social exchange (tangible social exchange and social communication exchange), exerts more influence on instrumental outcomes, mainly employee performance; whereas, social exchange contributes

primarily to psychological outcomes such as job satisfaction and relationship satisfaction. Naturally, greater overall LMX enhances overall employee outcomes.

### **Suggestions for Operationalizing LMX**

The four-aspect classification of leader-member exchange provides a conceptual basis for operationalizing LMX as a behavior-based construct. To mitigate problems of previous LMX measures, systematic operationalization of LMX must concern measurement scope, measurement structure (or dimensionality), item content, measurement reliability, and measurement efficiency. To differentiate from earlier measures, the new LMX measure to be developed can be labeled “LMX-Behavior.”

**Measurement scope.** For the purpose of theory validation and development, the new measure, LMX-Behavior, must be constructed with a general, context-invariant approach; that is, the new LMX measure can be used in most work contexts in which LMX theory applies. The general scope of the new measure is consistent with earlier LMX measures which attempted to capture some *universal* characteristics of manager-employee relationships.

**Measurement structure.** The new conceptualization calls for four dimensions to constitute the LMX-Behavior measure: tangible work exchange, tangible social exchange, work communication exchange, and social communication exchange. These four dimensions are correlated, contributing to total leader-member exchange. Depending on the research interest, researcher may configure tangible work exchange and work communication exchange as work exchange, a meaningful higher-level facet, and, likewise, tangible social exchange and social communication exchange as social exchange. By the same token, scholars may, too, configure tangible work exchange and tangible social exchange into a larger facet, tangible exchange, and work communication exchange and social communication exchange into communication

exchange. Items contained in the new measure need to correspond to the four conceptual dimensions.

**Item content.** The fundamental problems of earlier LMX measures point to the lack of content validity; specifically, item statements describe a hodgepodge of the manager's attitudes and anticipated actions toward the subordinate in various situations and respondents' evaluation of leader-member relationships. With the redefinition, the subsequently derived measurement structure and item statements can be created to capture a general scope of characteristics of leader-member exchange in terms of the four conceptual aspects. To validly reflect LMX as a behavior construct, each statement must describe interaction behavior rather than attitudes, perceptions, or other types of cognitions. For the two-way exchange properties of leader-member interaction, items can include such descriptors as "my supervisor and I," "we mutually/both," "each other," and "reciprocate." Two possible examples are provided for each LMX dimension to illustrate the construction of LMX-Behavior.

*Tangible Work Exchange*

My supervisor and I cover work load for each other when needed.

My supervisor and I give each other help at work when needed.

*Tangible Social Exchange*

My supervisor and I give each other small gifts for holidays.

My supervisor and I invite each other to meals after work.

*Work Communication Exchange*

My supervisor and I discuss both my positive and negative performance.

My supervisor and I give each other feedback about our work.

*Social Communication Exchange*

My supervisor and I express views to each other on matters not related to work.

My supervisor and I chat about our hobbies.

A rigorous approach to item content generation includes both deductive and inductive methods. Deductively, the new conceptual definition should provide a basis for researchers to write out items. Inductively, both managers and subordinates of various types of organizations

can serve as “informants” who provide descriptions of leader-member exchange in the four aspects. Descriptions from both managers and subordinates are compared and exchange behaviors mentioned by both parties serve as the basis for inductively developed items. Finally, researchers reconcile the differences between the deductive items and inductive items and form a pool of leader-member exchange behavior indicators, which are to be quantitatively tested and selected for the LMX-Behavior measure. Once the items are finalized, to ensure that all items measure behavior, instructions to respondents need to expressly clarify that they are to estimate the frequency at which the behavior depicted in each item occurs. Typical anchors for behavior patterns include “never,” “rarely,” “occasionally,” “frequently,” and “always.” Attitudinal anchors, such as “agree” and “disagree” may not be used.

**Reliability and measurement efficiency.** Internal consistency reliability typically is stressed in measurement development, but scale efficiency often is neglected. Although more items often increase reliability, lengthy scales create difficulty in research administration. With all items loaded on the same factor, the eight content-repetitive items in Bernerth et al.’s (2007) LMSX scale yielded a reliability of .96, an indicator of item redundancy. The LMX-Behavior measure needs to be economic and reliable. To that end, each dimension probably should command no more than 4 items with the total measure not exceeding 16 items. Researchers may initially create more than 4 items for each dimension and then use inter-item correlations, item-total correlations, and scale reliability as the basis for discarding less fit items.

### **Conclusion**

With the reconceptualization and corresponding operationalization of LMX as a social exchange-premised, behavior-based construct, research is warranted for retesting and further developing LMX theory and connecting with past research findings. In retesting and developing



LMX theory, researchers can examine how the four aspects of leader-member exchange evolve to contribute to role-development processes, how relationship quality (e.g., ingroup vs. outgroup membership) may affect substance and quantity of tangible work exchange, tangible social exchange, work communication exchange, and social communication exchange; and how the four LMX aspects exert impact on employee outcomes. In connecting with past research, studies can be conducted to examine the relationships between the new LMX-Behavior measure and the existing LMX measures because such relationships offer a basis for researchers to make educated hypotheses regarding how LMX behavior may be linked to certain effects predicted by previous LMX measures. Of course, the four-aspect typology of LMX is not the only viable way of conceptualizing the behavior-based construct; other typologies also are possible.

A good theory must go beyond valid conceptual relationships among the constructs to be applied in real world situations (Cramer, 2012; Schriesheim et al., 1999). By the same token, the measurable utility of LMX theory, an organizational leadership theory, is its applied value to management practices. With LMX defined as a behavior construct and an accurate corresponding measure developed, future LMX research findings can easily be applied to leadership training and assessment. If positive relationships between certain exchange behaviors and employee outcomes are found, managers can be trained to maintain or exhibit more such exchange behaviors. This behavioral approach to leader-member exchange alleviates the problem of low applied value of the earlier behavior-less cognitive approaches.

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