

# Chapter 6

## Significance of LMX Congruence and Its Flexibility on Subordinate Performance and Promotability

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### 6.1 Introduction

The Leader-Member Exchange (LMX) theory, unlike previous theories, contended that there is a unique and definite relationship between a leader and his/her member (Dansereau et al. 1973). Following this contention, various researchers have studied LMX and its consequences in organizations. This theory is interesting as it explores both the leader and member perspective and is dyadic in nature. But only limited number of studies (e.g., Liden and Graen 1980; Rosse and Kraut 1983; Wayne and Green 1993; Scandura and Schriesheim 1994; Deluga and Perry 1994; Deluga 1998; Colella and Varma 2001; Yrle et al. 2002; Greguras and Ford 2006; Harris et al. 2006; Liden et al. 2008) have tried to study and examine both the leaders' and members' perspective while establishing the relationship between LMX and subordinate outcomes. There is no study, as per our knowledge, that has tried to correlate and determine the relationship between LMX and leader assessment. Nonetheless, numerous amount of empirical data has been collected and reviewed with respect to LMX quality, and its impact on in-role and attitudinal outcomes of the members and leaders (Gerstner and Day 1997).

In their pursuit of analyzing LMX quality, many researchers discovered the fact that congruence between the leaders' and members' perception is important to determine task and behavior related outcomes of employees (Coglister et al. 1999). LMX congruence is a concept that highlights how similar is the leader and his/her respective member in perceiving the nature of their relationship. Hence, it will predict consistency in how both the parties of the dyad view and approach their

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relationship, which will further determine the quality of LMX relationship and its relation to leader assessment. The congruence level may vary from high, low, overestimation, to underestimation (Coglister et al. 2009).

The objective of this chapter is to apply this conceptual framework of congruence provided by, Coglister et al. (2009), and explore the flexible relationship between LMX match and leaders' assessment of the subordinates, in terms of job performance and promotability. The uniqueness of this work is, that it looks at the relationship between LMX congruence and leaders' assessment of how he/she perceives the subordinate in terms of job performance and promotability.

Social exchange theory has been used to infer LMX (Dienesch and Liden 1986; Liden and Maslyn 1998), according to which, the leader–member exchange relationship is rooted in social exchanges. Blau (1964) emphasized that unlike economic changes, social transactions result in feelings of higher level of obligation, appreciation, and trust. Therefore, the nature and extent of social exchanges reflect the quality of relationship in a leader–member dyad (Liden and Maslyn 1998).

Exchange is classified as low quality and high quality. *Low quality exchange* encompasses interactions between leaders and members, which are strictly contractual and are characterized by formal roles. Here the leader takes up supervisory role wherein the interaction between him/her and the member, is fundamentally task focused. The term given to such subordinates who experience low quality exchange is out-group (Dansereau et al. 1975). Whereas, *high quality exchange* comprises interactions between the leaders and their subordinates that are over and above the employment contract in the organization. It implies that the boss is expected to use various methods and techniques to impact constructively the behavior of the subordinate, resulting in his/her overall development and that of the organization as well. The foundation of such high quality among the dyad is trust, respect, and obligation. The leader is flexible in terms of forming different varying relationships based on such qualities with different subordinates. The members who experience high quality exchange form the in-group wherein the leader and member share high levels of trust, loyalty, and communication (Graen and Cashman 1975). Reciprocity is an important component to ensure high quality exchange. Uhl-Bien and Maslyn (2003), highlight the significance of reciprocal behavior, which is the extent to which quality of exchange, is equal. In this sense, it is not enough to assess the quality of exchange from one member of the dyad, it has to be assessed from both the perspectives, to first establish the extent of match and then the impact of this match on outcomes and assessments.

## 6.2 Conceptualizing Leader Member Congruence

Over the years, research has been concentrated on effect of LMX quality on individual and organizational consequences. But some theorists, such as Scandura (1999), assert that the extent of coherence between the leader and member regarding the

quality of LMX, is an important indicator of quality of LMX. Limited empirical work on LMX congruence, makes it a viable area to explore further.

Relationships take time to develop and so do those between leaders and subordinates as they go through different stages and phases (Sin et al. 2009). The first stage is the *role-taking phase*, in which the leader's role is to make the subordinate aware of his/her expectations with respect to tasks and assignments. The member acknowledges this and responds, which, in turn, is evaluated by the leader. The next phase is the *role making*, followed by *role-routinization* wherein a pattern of interaction is observed and sustained, despite LMX quality developed between the leader and the member. Therefore, over a period of time through interactions, both are aware of and proficient enough to determine the kind of relationship they share. Hence, it would be reasonable to foresee that the congruence between the leader and member, about the relationship, would be clear in terms of the present scenario as well as how it will develop in future course of time. Hence, both the members of the dyad are expected to assess their relationship quality similarly, leading to higher LMX congruence (Sin et al. 2009).

However, in real life things are not as perfect between leaders and their subordinates, nor as clear as they seem to be. People have varying perceptions about the same reality even if they look at it from a common perspective about each other, which may or may not match with each other. The difference in perception is much more likely to be present when viewed from different positions of authority, e.g., between a boss and a subordinate.

Various researchers, such as Gerstner and Day (1997), have revealed that member perceived LMX correlated only modestly with leader perceived LMX, challenging the basic foundation of LMX theory. This absence of perfect match shows that there is disagreement between the perspective of LMX relationship with the dyad. Lack of convergence in the dyad's perspective of their LMX quality is likely due to different perceptions of LMX dimensionality (Zhou et al. 2009).

Previous research highlights the fact that LMX quality assessment is incomplete if taken only from one perspective.

### ***6.2.1 Assessing Leader–Member Congruence***

LMX congruence can stimulate and ensure high quality exchange. According to Schyns and Day (2010), LMX agreement is not just a high correlation between the ratings of leaders and members, but, it is the match and congruence between them, which may be positive or negative. Scandura (1999) has emphasized on the relevance of examining all dimensions in determining the implications of LMX match. According to her, dyadic data, wherein data from both the leader and member is collected, is a suitable method of understanding the match. Since equivalence between leader and member impressions of LMX has been fairly low, it looks like these impressions are mostly not shared impressions.

### 6.2.2 LMX Congruence

Coglister et al. (2009) have given a way of classifying LMX congruence that examines its impact on subordinate outcomes. They used a model inspired and taken from Atwater and Yammarino's (1997) model of self-other agreement which constitutes of LMX as four varied dimensions with balance as a concept. These are balanced high, balanced low, member overestimation, and underestimation. Humans tend to show flexibility and variance in their perceptions and behaviors. As a result there can be four varying scenarios due to differences in leader and member perceptions. *Balanced high LMX* congruence is the optimal state in which the leader and member perceive relationship as high quality that indicates the relationship is balanced in terms of perception and high match. *Balanced low LMX* is described as a stage wherein both parties of the dyad perceive the relationship in a similar manner, but the quality is low wherein they are aware that the relationship is strictly transactional and none of them will go over and above, their formal roles to develop the relationship.

*Follower/member overestimation* occurs when the member perceives the interaction to be of high quality in nature but the leader perceives otherwise. This situation is said to be unbalanced as the opinions of both the parties of the dyad are not similar and there is a mismatch. This can be due to the error in judgment of cues by the leader or a case of miscommunication. *Follower/member underestimation* wherein the relationship is again unbalanced as in this scenario, the leader views the relationship highly, but the subordinate does not see it in a positive manner.

LMX research on dyad congruence is parallel to the performance appraisal research in the early 1980s, when Wexley and Pulakos (1983) studied the relationship of perceptual congruence and performance appraisals in leader-subordinate dyads and showed concern over the lack of studies that simultaneously examined the perceptions of both the leader and member. It was seen that there were differences between the leader and member ratings, and there were cues that agreement affected outcomes.

In fact, Wexley et al. in 1980 realized that majority of studies done so far were centered on actual similarity, rather than interpersonal perceptions about each other. In their study, they revealed that more similarly a leader perceived his/her subordinates' attitude, the more positively the subordinate was evaluated. Likewise, the more similarly the subordinate perceived the leaders attitude, the more contented he/she was with his/her supervision. Mutual agreement can actually be seen as a form of apt communication, which subsequently leads to interpersonal satisfaction.

According to Graen and Uhl-Bien (1995), low match would imply low quality of LMX. But Sin et al. (2009) expressed that low LMX match does not inevitably indicate low quality LMX relationship. We posit that high agreement (even if both perceive LMX to be low) would actually predict a healthy leader member exchange, as both perceive each other in a similar pattern and hence there is congruence between them. A balanced perception (high or low) is psychologically more stable and a viable option than an imbalance one.

Conforming to balance theory given by Hieder in 1958, human beings have a propensity to organize their likes and dislikes in a balanced proportional manner. When people are complementary in some facet and feel positive about each other, it is a balanced state of being emotionally pleasant. However, there are situations when people may not be similar, yet are fond of each other. This unbalance leads to emotional unpleasantness, which they try to resolve through change in ones' attitude and behavior to compensate for the same. Hence, being in a balanced state of agreement is not only desirable but ensures stability.

The issue of agreement in LMX ratings may have been explored, but the consequences of diverse ratings: high congruence, low congruence, or none at all, have not been examined. Prior studies have used the leader and member ratings in isolation due to which the possible effects of mismatch or divergent LMX perceptions were not credible, nor were they explored.

The need for studying the impact of LMX match/mismatch on subordinate outcomes, hence, is well established. We proceed with the four types of match/mismatch proposed by Coglister et al. (2009) and their likely impact of subordinate outcomes.

## 6.3 Outcomes of LMX Congruence

### 6.3.1 *LMX Balance and Member Performance*

Job performance is one of the most important indicators for explaining organization performance. It is not only determined objectively in terms of financial figures, but also in terms of behavior and task related issues. According to Gerstner and Day (1997), job performance is a significant and prominent outcomes of high LMX quality. There are many other studies that support this (e.g., Liden and Graen 1980; Vecchio and Norris 1996; Varma and Stroh 2001; Schyns and Wolfram 2008). It is clear that better the LMX quality, better are the opportunities the members get to perform, which, in turn, increases the performance rating by the leader. Similarly, better the congruence of ratings amongst the leader and member, better are the possibilities of favorable outcomes with respect to performance. Hence, it is expected that this will be further validated in this research along with the proposition that high LMX congruence will also lead to high job performance as appraised by both the leader and the member (Coglister et al. 2009). According to the congruence framework provided by Coglister et al. (2009) we posit that job performance ratings will be at its peak when both the leader and member have a high balanced match in perceptions, followed by underestimation, overestimation, and low balance.

*Hypothesis 1* Members in high balanced relationships will obtain the highest ratings of job performance among the four relationship types, followed by underestimation, overestimation, and low balance.

### **6.3.2 LMX Balance and Member Promotability**

Another important consequence of LMX quality is promotability. Subordinates with high valued relationships with their leaders, are expected to have positive effect on their promotability assessments. They are expected to be given more exposure, roles, and challenging tasks for career growth. It would be expected that these subordinates would be given more opportunities to grow, which then, would lead to higher levels of promotability than those who have a low quality LMX (Harris et al. 2006). Studies done in the past support this (e.g., Scandura and Schriesheim 1994; Liden and Maslyn 1998). Similarly, higher the congruence between the leader and member, better is the chance of communicating and understanding the expectations from one another. Hence, we posit that the highest congruence in promotability will be achieved when both the leader and member have a high balance in their perceptions, followed by underestimation, overestimation, and low balance.

*Hypothesis 2* Members in high balanced relationships will receive the highest ratings of promotability among the four relationship types, followed by underestimation, overestimation, and low balance.

## **6.4 Methods**

### **6.4.1 Sample**

Survey questionnaire was administered to a total of 208 working executives, out of which a total of 103 dyads were identified and studied. The leaders and members were asked questions about job performance and promotability of the member. The executives were from a part-time MBA program at IIT Delhi and a government construction based organization wherein they were given questionnaires to fill personally and the responses collected as well. A total of 259 responses were received, out of which 103 dyads were identified and analyzed.

### **6.4.2 Variables and Measures**

#### **6.4.2.1 Leader-Member Exchange (LMX)**

LMX lays emphasis on the two-way relationship between supervisors and subordinates. It was measured with the help of 12 items on a 7-point Likert-type scale taken from Liden and Maslyn (1998). The Cronbach's alpha of the items was 0.865.

### 6.4.2.2 LMX Balance

To facilitate the checking of the hypotheses proposed, LMX balance variable was defined and then we performed a median split on the leader and member LMX data. Dyads, wherein both the leader and member have rated their LMX at or above the median, were assigned to be high balanced dyads. Relationship where the leader and subordinate have rated LMX below the median were defined as low balanced dyads. Relationship where the leader has rated LMX at or above median, but the subordinate has rated LMX below the median, is described as subordinate underestimation. Finally, relationship where the leader has rated LMX below the median but the subordinate has rated LMX at or above the median, is described as subordinate overestimation (Coglister et. al 2009).

The outcome according to the agreement levels defined above among the 60 dyads is as follows: (i) high balanced=21 matched responses (20.4%); (ii) low balanced=37 matched responses (35.9%); (iii) subordinate underestimation=13 matched responses (12.6%), and (iv) subordinate overestimation=32 matched responses (31.1%).

### 6.4.2.3 Subordinate Performance

Job performance of the subordinate as rated by the leader, was measured with the help of 7 items on a 7-point Likert-type scale. The Cronbach's alpha of the items was 0.824.

### 6.4.2.4 Subordinate Promotability

Promotability of the subordinate as rated by the leader, was measured with the help of 7 items on a 7-point Likert-type scale developed by Harris et al. (2006). The Cronbach's alpha of the items was 0.755.

## 6.5 Results

Table 6.1 displays that the dependent variables are significantly different for the four types of LMX match/mismatch. In the table, mean, standard deviation, and F ratio values are displayed.

The MANCOVA model was significant ( $F = 8.052$ ,  $Willis\ y = 0.644$  and accounted for 34% variance ( $1 - y$ ) indicating overall differences among the means for the set of dependent variables across the four LMX relationship types.

**Table 6.1** Analysis results

Subordinate outcomes		High balanced N=21	Low balanced N=37	Underestimation N=13	Overestimation N=32	F ratio
<i>Job performance</i>	<i>Mean</i>	6.40	5.4	6.5	5.6	16.786***
	<i>Std. D</i>	0.58	0.76	0.40	0.55	
<i>Promotability</i>	<i>Mean</i>	6.32	5.1	6.09	5.4	10.592***
	<i>Std. D</i>	0.59	1.09	0.75	0.81	

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

## 6.6 Discussion

### 6.6.1 Subordinate Performance

As we see the mean values, underestimation (mean=6.5) resulted in highest subordinate performance as perceived by the leader. This is followed by high balanced relationship (mean=6.4), overestimation (mean=5.6), and low balanced relationship (mean=5.4) respectively. The mean of performance rating by the leader for subordinate, for underestimation, is more than high balanced relationships and are significantly higher than overestimation and low balanced relationships. However, it is not significantly different from high balanced relationships. Contrary to what we had predicted in terms of order, member underestimation has had the highest mean for subordinate performance as rated by the leader. Hence, hypothesis 1 was partially supported.

### 6.6.2 Subordinate Promotability

In case of subordinate promotability, the high balance relationship, as predicted, displays the highest mean value (mean=6.32). This is followed by underestimation relationship (mean=6.09), overestimation (mean=5.4), and low balance relationship (mean=5.1) respectively. The mean of promotability rating for high balanced relationships, is more than underestimation and are significantly higher than overestimation and low balanced relationships. However, it is not significantly different from high balanced relationships. Contrary to our conjecture of the four relationship types examined, follower underestimation had the highest mean. Hence, hypothesis 2 was partially supported.



## 6.7 Conclusion

The objective of this chapter is to understand the concept of LMX congruence, and to provide further empirical evidence and establish the relevance of flexibility within a dyad to have a match/mismatch of perceptions between a leader and his/her subordinate. This study supports the existing work of Coglister et al. (2009) and reestablishes the fact that, the four types of LMX congruence, have different impact on subordinate outcomes. This study being dyadic in nature, views performance outcomes, that is, job performance and promotability of the subordinate from the leaders' perspective. To our knowledge, there is scarcity of work done in this field specifically Indian context. The results are similar to the study done by Coglister et al. (2009) in the USA. Our study has certain limitations like sample size and limited number of outcomes being tested. There needs to be more work done to establish the impact of different types of LMX congruence on performance and attitudinal outcomes of subordinates. LMX congruence is an emerging area of interest and has the potential to further explore the flexible dynamic leader member relationships and determine its unique outcomes.

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