

LMX and HRM: A multi-level review of how LMX is used to explain employment relationships

Anna Bos-Nehles¹ & Mieke Audenaert²

¹ University of Twente

Faculty of Behavioural, Management and Social Sciences

Department of Human Resource Management

P.O. Box 217

7500AE Enschede

The Netherlands

e-mail: a.c.nehles@utwente.nl

² Ghent University

Faculty of Economics and Business Administration

Department of HRM and Organizational Behavior

Henleykaai 84

9000 Ghent

Belgium

e-mail: mieke.audenaert@ugent.be

INTRODUCTION

To explain employment relationships between organizational members we use a relational theory to shed light on the relationship between managers and subordinates in organizations. The leader-member exchange (LMX) theory focuses on the interpersonal relationship between managers and subordinates (Wayne, Shore, & Liden, 1997) and explains that exchanges between leaders and members are essential to the formation of effective relationships between managers and employees in organizations (Liden, Sparrowe, & Wayne, 1997). LMX is about the extent to which the leader has a high-quality, constructive work relationship with the individual team members. Due to limited time and social resources, the leader cannot develop a high-quality relationship with all of their team members (Graen & Uhl-Bien, 1995). Instead, within the team, leaders form *different* workplace exchange relationships with the different team members. The quality of the exchange relationship of the leader-member dyad determines the emotional and resource-based exchanges (Sparrowe & Liden, 1997). Some team members are in a more advantaged position in comparison to other team members. With more advantaged team members, the leader has unspecified exchanges that are based on mutual respect, contributions, affect and loyalty (Liden & Maslyn, 1998). In such a high-quality, dyadic exchange relationship, managers and employees both offer resources the other values.

HRM scholars usually consider HRM resources, such as HRM policies or practices, the manager can offer to employees. Depending on the quality of the relationship with individual employees, managers differentiate the degree to which they offer HRM practices to their employees (Liao et al., 2009). Employees who have a high-quality LMX with their supervisor will be offered more resources by their manager in terms of e.g. receiving more training opportunities, possibilities to participate in decision making, interesting job responsibilities, or feedback and support (Liden

& Graen, 1980). Employees offer resources themselves, and depending on their relationship with their supervisor, these resources can be more or less valuable for the manager. In a high-quality LMX relationship employees might offer motivation, and valued competences and skills, and can reciprocate the resources provided by the manager by responding with valuable employee attitudes, behaviours and performance (Gerstner & Day, 1997; Gottfredson & Aguinis, 2017; Ilies, Nahrgang, & Morgeson, 2007), such as higher levels of motivation (Schopman, Kalshoven, & Boon, 2017), job satisfaction (Loi, Chan, & Lau, 2014; Martinson & Deleon, 2016), innovative work behavior (Sanders et al., 2010; Wang, Fang, Qureshi, & Janssen, 2015), employee engagement (Barbarossa di Oliveira, & Roitman Aguiar da Silva, 2015; Breevaart, Bakker, Demerouti, & Van den Heuvel, 2015), affective commitment (Casimir, Ngee Keith Ng, Yuan Wang, & Ooi, 2014) and performance (Li, Sanders, & Frenkel, 2012) and or less role stress (Thomas & Lankau, 2009) and turnover (Harris, Li, Bradley, & Kirkman, 2014). As soon as the provided resources are valued by the other party, managers and employees engage in an exchange. But LMX is more than an exchange of resources. It also “functions as an interpretative scheme through which employees interpret HRM” (Audenaert, Decramer, George, Verschuere, & Van Waeyenberg, 2016, p. 2). Relatedly, Uhl-Bien et al. (2000) stress that interpersonal relationships are an indispensable part of HRM systems Purcell and Hutchinson (2007) argue that leadership behaviours and HRM practices engage in a symbiotic relationship. This means that HRM and LMX are related in such a way that employees’ perceptions of their relationship with their manager explains how they interpret HRM resources offered by their managers because (1) employees cannot perceive HRM practices without taking the relationship with their manager into account, since it is line managers who are responsible for the implementation of HRM practices (e.g. Bos-Nehles, Van Riemsdijk, & Looise, 2013) and (2) those employees who are in a high-quality relationship with their managers will be offered more HRM practices or will perceive them as more

effective (Liden & Graen, 1980). In this chapter we will try to understand how the dyadic relationship between managers and employees explains employment relationships in organizations and what we can learn from LMX theory to understand how people are managed at work.

LMX: A SOCIAL EXCHANGE THEORY

LMX theory describes exchanges between managers and employees with the goal of forming effective relationships between both actors in organizations (Liden et al., 1997). These dyadic relationships are developed or negotiated over time through several exchanges between managers and their subordinates (Bauer & Green, 1996). Exchanges can be explained by the social exchange theory (Blau, 1964). Blau (1964, p. 93) defines a social exchange as involving “favors that create diffuse future obligations, not precisely defined ones, and the nature of the return cannot be bargained about but must be left to the discretion of the one who makes it”. Social exchanges are based on trust, which is the basis for the exchange relationship (Blau, 1964). According to Settoon, Bennett and Liden (1996, p. 220), “the specific benefits exchanged may be valued primarily because they are symbols of a high-quality relationship” and individuals involved in the exchange value the exchange of mutual support (Blau, 1964). The norm of reciprocity (Gouldner, 1960) explains that when employees perceive to be treated with respect for their well-being and as worthy assets to the organization, they will feel obligated to provide functional contributions to their manager in return. Employees respond based on the belief that the exchange between their manager and themselves is built on an enduring relationship of mutual commitment (Blau, 1964), in which investments generate employees’ perceptions that their manager values and cares for them (Wayne et al., 1997).

Building on social-exchange theory, LMX theory suggests that “each party must offer something the other party sees as valuable and each party must see the exchange as reasonably equitable or fair” (Graen & Scandura, 1987: 182). In the process of social exchanges, each member invests resources in the development of the relationship. Some of these relationships will develop into high-quality exchanges, characterized by high levels of mutual trust and respect (Liden et al., 1997), while others will develop into low-quality exchanges, which are characterized by an economic exchange and are predominantly based on the formal employment contract (Bauer & Green, 1996). This means that a high-quality LMX is based on interpersonal trust that goes beyond the formal employment contract (Dienesch & Liden, 1986), while low-quality LMX relationships are based on formally agreed, immediate, and balanced reciprocation of tangible assets. Distinctions between different quality exchange relationships (ranging from low to high) between managers and employees are called LMX differentiation (Henderson, Liden, Glibkowski, & Chaudhry, 2009; Liden et al., 2006). It is a set and outcome of dynamic and interactive exchanges between managers and employees leading towards variability between dyads within a work group (Henderson et al., 2009). These differentiated exchanges can be transactional (low-quality LMX) or social (high-quality LMX) in nature.

The idea that social exchange theory suggests that LMX relationships between managers and employees are social in nature is adopted by the scholars arguing that one can differentiate between social and economic exchanges (Shore, Tetrick, Lynch, & Barksdale, 2006) and thus also between social and economic LMX relationships (Buch, Kuvaas, Dysvik, & Schyns, 2014; Kuvaas, Buch, Dysvik, & Haerem, 2012). LMX theory was usually considered on a single continuum from low- to high quality (Buch et al., 2014), but Kuvaas et al. (2012) argued that this single continuum approach was insufficient to assess employees’ psychological sense-making of both the social and

the economic aspects of the LMX relationship. This is why they suggested to treat social leader-member exchange (SLMX) and economic leader-member exchange (ELMX) as two distinct constructs instead of two ends of one continuum, and to conceptualize SLMX and ELMX as “a phenomenon that contributes to the totality of the dyadic leader-member relationship” (Kuvaas et al., 2012, p. 757). Social and economic LMX relationships are characterized by different criteria. According to Shore et al. (2006), these criteria are trust, investment, duration and socio-emotional aspects of social exchange. In social exchange relationships, employees develop a relationship with their organization that is based on long-term give-and-take of socio-emotional investments based on trust (Shore et al., 2006). Accordingly, social LMX relationships are built on trust and are based on an investment in the relationship between managers and employees. The duration of the exchange is long-term and open-ended and has an emphasis on socioemotional aspects of exchange, such as give and take and being taken care of by the manager. Economic LMX relationships, on the other hand, are impersonal, transactional and contractual, and thus do not require trust between managers and employees. An investment in the relationship is not required, since the exchange is a narrowly defined transactional obligation without long-term implications (Buch et al., 2014; Kuvaas et al., 2012; Shore et al., 2006). The emphasis of the latter relationship is on balancing what one gets from the relationship and what one gives (Kuvaas et al., 2012).

Not only can LMX entail a more economic or a more social orientation in the exchange relationship between the leader and the employee, it can also engender perceptions of the exchange relationship that an employee holds with the organization. According to social exchange theory, the leader functions as an agent of the organization in the eyes of the employees (Levinson, 1965). This function of the leader as an organizational agent that engenders the employee-organization relationship is also recognized in HRM literature (Guest, 1998). Employees form exchange

relationships with their leaders and with the organization, and these exchange relationships are interdependent. Research has shown that the quality of the LMX relationship influences the extent to which the employee views to have a social exchange relationship with the organization as a whole (Loi et al., 2009). Although these exchange relationships are distinct (Cropanzano & Mitchell, 2005), they appear to be interdependent. This is important because it explains why employees who are in a high-quality relationship with their leaders not only exchange favors in return to the leader, but also in return to the organization.

Based on the LMX theory, we can conclude that people at work are managed differently based on the relationship they have with their manager. Those employees who engage in a social or high-quality LMX relationship enjoy more trust, autonomy, more feedback, better resources and more attention than those employees who engage in an economic or low-quality LMX relationship. The first group of employees is able to reach higher outcomes than the second group. High-quality LMX relationships lead to higher levels of commitment, job satisfaction, psychological contract fulfillment, individual and group performance and OCB and lower levels of turnover and labor costs (e.g. Chen et al., 2007; Gerstner & Day, 1997; Henderson et al., 2009; Ilies et al., 2007; Liden et al., 2000; Liden et al., 2006). Kuvaas et al. (2012), e.g., have shown that SLMX relationships lead to higher levels of work performance and OCB, while ELMX relationships result in lower levels of the same outcomes. The SLMX employees also show higher work effort than ELMX employees (Buch et al., 2014) and lower levels of perceived invariable goals (which are related to lower levels of work performance) (Kuvaas & Buch, 2017). LMX theory verifies the importance of relationships between managers and their employees for employee attitudes and behaviors and shows HR managers how important it is to find a good dyadic match between managers and employees for employees to perform well.

ROLE OF LEADERS AND MEMBERS IN HRM

The two main actors of the LMX theory, leaders and members, are considered crucial HRM stakeholders. While LMX theory mainly considers supervisors and their subordinates, the HRM literature specifies the role of line or middle managers and employees as important actors in SHRM, especially for the implementation and perception of HRM practices. According to Wright and Nishii (2013), the implementation of actual HRM practices by line managers might be different from the espoused or designed HRM strategy (Khilji & Wang, 2006) and these actual HRM practices might still be different from what employees subjectively perceive or experience as HRM practices through their individual schemas. Due to idiosyncratic interpretations of the reality, employees make sense of the HRM message communicated through the organization (Bowen & Ostroff, 2004). Bondarouk, Bos-Nehles and Hesselink (2016) and Den Hartog et al. (2013) add to this that line managers also need to perceive HRM practices and experience them through their own subjective schemas to be able to implement them. It is not only line managers and employees who can perceive HRM practices differently leading to “a misalignment or disconnect [...] between manager- and employee-rated HR practices” (Den Hartog et al., 2013, p. 1642), but also employees who perceive HRM practices differently because they perceive the reality differently (Nishii et al., 2008).

The important role of these two HRM stakeholders for the effectiveness of SHRM is further explained by Guest and Bos-Nehles (2013) in their HRM implementation model. There they show that line managers are the primary implementers of HRM practices and that employees can evaluate the actual implementation and its quality. Here as well, the same HRM practice can be implemented differently because line managers interpreted the designed practices differently, and the same

actual HRM practices can be evaluated differently because employees may understand the same HRM practice in idiosyncratic ways. In both HRM implementation models, implementation is depicted as a top down process in which line managers implement strategically developed HRM practices and employees react to their implementation by perceiving or evaluating HRM practices according to their own schemas. Although the relationship between line managers and employees could contribute to effective implementation of HRM practices, it is hardly considered in the SHRM literature. We believe, however, that considering the quality of the relationship between line managers and employees could explain the difference between actual and perceived HRM practices and between a leader's implementation of HRM and its evaluation by employees. When the relationship between line managers and employees can be characterized as a high-quality relationship, line managers and employees may have the same understanding and goals regarding HRM practices and thus the perceptions might be more similar to the actual HRM practices. Not only can LMX explain differential perceptions of HRM within a leader's team, it can also explain differential implementation of HRM within the team.

LMX APPLICATIONS IN HRM RESEARCH

Research evidence has shown that the concepts LMX and HRM are related. However, there is some discussion about how they are related. Many researchers stress that LMX relationships influence employee perceptions of HRM policies and practices (e.g. Kuvaas & Buch, 2017; Martinson & Deleon, 2016; Sanders et al., 2010), while others stress that it is the other way around. This group shows that under certain conditions HRM can also influence LMX relationships (e.g. Stinglhamber & Vandenberghe, 2003). Again others argue that there is no direct relationship between LMX and HRM, but that it is the interrelationship between both concepts that leads to positive employee

outcomes, because the way line managers apply HRM practices depends on their leadership behaviour. When we talk about the interaction of LMX and HRM, we distinguish between a compensatory role of LMX and HRM, in which HRM practices and LMX relationships compensate for the effect of the other, and a consistency role of LMX and HRM, in which HRM practices and LMX efforts need to be combined and need to fit to each other to affect employee outcomes. We will show how LMX theory is applied in HRM research by explaining the direct linkage between LMX and HRM as well as the interactive linkage between both concepts.

Table 1: Key findings about the application of LMX in HRM research

Direct linkage between LMX and HRM	
Kuvaas & Buch (2017)	LMX is negatively associated with perceiving goals as invariable
Kuvaas & Buch (2017)	social LMX is negatively associated with perceiving goals as invariable
Kuvaas & Buch (2017)	economic LMX is positively associated with perceiving goals as invariable
Kuvaas & Dysvik (2010)	Perceived Supervisory Support is positively associated with Perceived Investment in Employee Development
Stinglhamber & Vandenberghe (2003)	Perceived Supervisory Support is significantly associated to intrinsically satisfying job conditions
Martinson & Deleon (2016)	LMX is positively associated with employees' perceptions of HRM practices
Sanders, Moorkamp, Torka, Groeneveld & Groeneveld (2010)	LMX is positively associated with satisfaction with HRM practices
Breevaart, Bakker, Demerouti & Van den Heuvel (2015)	LMX is positively associated with autonomy
Breevaart, Bakker, Demerouti & Van den Heuvel (2015)	LMX is positively associated with developmental opportunities
Breevaart, Bakker, Demerouti & Van den Heuvel (2015)	LMX is positively associated with social support
Breevaart, Bakker, Demerouti & Van den Heuvel (2015)	LMX is positively associated with work engagement
Interactions among LMX and HRM	
Kuvaas & Dysvik (2010)	Perceived Supervisory Support moderates the relationship between Perceived Investment in Employee development and work performance
Buch (2015)	The association between organizational economic exchange and affective commitment is attenuated by SLMX
Audenaert et al. (2016a)	The mediation of psychological empowerment in the relationship between LMX and affective well-being is stronger in the Mutual investment employment relationship
Audenaert et al. (2016a)	LMX and the employment relationship interacted such that LMX compensates for employment relationships with low resources

Audenaert et al. (2016b)	LMX moderates the relationship between employee performance management and individual innovation
Li, Sanders & Frenkel (2012)	HRM consistency positively moderates the relationship between LMX and work engagement
Li, Sanders & Frenkel (2012)	The interaction between LMX and HRM consistency has positive effects on job performance
Wheeler, Harris & Harvey (2010)	LMX negatively moderates the relationship between employee perceptions of HRM effectiveness and organizational job embeddedness
Sanders et al. (2010)	No significant interaction between LMX and satisfaction with HRM practices
Boon & Biron (2016)	LMX at T1 moderates the positive relationship between person-organization fit at T1 and person-job fit at T2, such that the relationship between PO fit and PJ fit is amplified when LMX quality is high.
Loi, Chan & Lam (2014)	LMX and job security interact in such a way that job security moderates the relationship between LMX and organizational identification such that the relationship is stronger among employees possessing low, rather than high, levels of job security
Casimir, Ng, Wang & Ooi (2014)	The interaction among LMX and POS positively affects affective commitment
Casimir, Ng, Wang & Ooi (2014)	The interaction among LMX and POS positively affects in-role performance and affective commitment
Outcomes of LMX in HRM literature	
Employee-level outcomes	
Barbosa di Oliveira & Roitman Aguiar da Silva (2015)	LMX is positively associated with employee engagement
Thomas & Lankau (2009)	LMX is negatively related with role stress
Thomas & Lankau (2009)	LMX is positively associated with organizational socialization (employee perceptions)
Li, Sanders & Frenkel (2012)	LMX is positively associated with employee engagement
Li, Sanders & Frenkel (2012)	LMX is positively associated with job performance
Schopman, Kalshoven & Boon (2017)	LMX is positively associated with worker motivation to continue to work
Schopman, Kalshoven & Boon (2017)	LMX is positively associated with transformational leadership (employee perceptions)

Schopman, Kalshoven & Boon (2017)	LMX is positively associated with intrinsic motivation
Martinson & Deleon (2016)	LMX is positively associated with job satisfaction
Sanders, Moorkamp, Torka, Groeneveld & Groeneveld (2010)	LMX is positively associated with innovative employee behaviour
Rutishauser & Giessner (2017)	LMX relationship during organizational changes is positively associated with job satisfaction during organizational change
Rutishauser & Giessner (2017)	T1 LMX is negatively associated with job satisfaction during organizational change
Rutishauser & Giessner (2017)	T1 LMX is not significantly associated with T2 job satisfaction
Rutishauser & Giessner (2017)	T1 LMX is positively associated with organizational commitment (T2)
Rutishauser & Giessner (2017)	T1 LMX is negatively associated with turnover intention (T2)
Rutishauser & Giessner (2017)	T1 LMX is negatively associated with organizational commitment during organizational change
Rutishauser & Giessner (2017)	T1 LMX is positively associated with turnover intention during organizational change
Rutishauser & Giessner (2017)	LMX relationship during organizational changes is positively associated with organizational commitment during organizational change
Rutishauser & Giessner (2017)	LMX relationship during organizational changes is negatively associated with turnover intention during organizational change
Wang, Fang, Qureshi & Janssen (2015)	LMX is positively associated with IWB
Loi, Chan & Lam (2014)	T1 LMX is positively associated with T2 organizational identification
Loi, Chan & Lam (2014)	T1 LMX is positively associated with T2 job satisfaction
Casimir, Ng, Wang & Ooi (2014)	LMX is positively associated with in-role performance
Casimir, Ng, Wang & Ooi (2014)	LMX is positively associated with affective commitment
Organization-level outcomes	
Wheeler, Harris & Harvey (2010)	LMX is positively associated with organizational job embeddedness

Direct linkage between LMX and HRM

LMX and individual level HRM

Arguments can be developed for both viewing LMX as antecedent to HRM perceptions and for HRM perceptions to precede LMX quality. Both line of arguments are provided below, together with a discussion of empirical support for each of these reasonings.

LMX as antecedent to HRM perceptions. Employees experience HRM practices differently depending on their relationship with their line manager. As agents of the organization (Eisenberger et al., 1986), line managers are crucial in generating perceptions of the extent to which the organization supports them (Loi et al., 2009) and in generating impressions of the organization. Line managers influence the extent to which employees' jobs are demanding, and the extent to which their jobs provide autonomy and meaning (Purcell & Hutchinson, 2007). Some findings from HRM literature suggest that line managers, and more specifically, the employees' relationship with their line manager, also influence how employees experience HRM practices.

First, LMX can affect perceptions of the performance management system. When employees have a high-quality LMX relationship, they may perceive more favorable performance appraisals (Levy & Williams, 2004). Furthermore, employees may perceive that the goals of the performance management system cannot be changed. When employees perceive that goals are invariable, they believe that the set standards must be met without exception. Employees who are in a high-quality social exchange relationship with their line manager are found to perceive that goals are more variable relative to their colleagues in a low-quality LMX relationship or an ELMX relationship. This implies that their LMX relationship determines the extent to which employees adhere rigidly to their goals also when circumstances ask for less stringent or more challenging goals for optimal work performance: 'followers in a high-quality LMX relationship will believe

they have the competence to know when goal performance is at odds with work performance because of low role ambiguity and because they experience less conflict when they give priority to work performance over goal performance' (Kuvaas & Buch, 2017: 3). An economic LMX relationship encourages compliance to goals that were set with the transactional oriented leader, rather than commitment to the higher purpose of the organization. The optimal result from the performance management system is thus not reached when it is implemented by an economically oriented leader who is motivated by self-interest or who may lack leadership competences to go beyond setting specific, contractual goals that are easily countable. Setting broader goals that are more difficult to measure, requires that the leader trusts the employee to be loyal to the organization (Liden & Maslyn, 2001). Accordingly, Kuvaas et al. (2014: 9) argued that 'organizations and their supervisors could clearly communicate that they trust their followers to use their knowledge, skills, abilities, and proximity to the task to make discrete judgments during the performance cycle'.

Second, LMX can also affect employee perceptions of investments in employee development. The line manager implements HRM practices and therefore determines how employees perceive HRM practices (Purcell & Hutchinson, 2007). Martinson and Deleon (2016) and Sanders et al. (2010) have found evidence for this positive effect of LMX on perceptions of HRM practices. Martinson and Deleon (2016) based their findings on a structural equation model in a single large organization in the U.S., in which they showed that those employees who perceived positive evaluations of their supervisors also perceived the offered HRM practices as more positive. Also data from the Netherlands and Germany confirm this positive relationship. LMX had a positive effect on employees perceptions of their satisfaction with HRM practices in four technical organizations (Sanders et al., 2010).

The resource exchange perspective also explains why LMX can lead to more HRM perceptions (Law-Penrose, Schwind Wilson, & Taylor, 2016). For example, Breevaart, Bakker, Demerouti and Van den Heuvel (2015) explain this relationship on the basis of the conservation of resources theory. They show that LMX is an important resource from which other resources can be built, which is confirmed by a positive effect of LMX on perceptions of job resources. In a high-quality LMX relationship, line managers may foster the availability of more job resources resulting in employees' perceptions that they are offered more job resources, such as autonomy, developmental opportunities and social support (Breevaart et al., 2015). Based on the organizational support theory (Eisenberger et al., 1986), PSS (Perceived Supervisory Support) also supports that the relationship between the employee and the line manager influences HRM perceptions. More specifically, Kuvaas and Dysvik (2010) found that the perceived support of the immediate line manager influences employees' perceptions of investments in employee development. This supports the view that the supervisor acts as an agent of the organisation (Eisenberger et al., 1986) which determines how employees interpret their organisation's investments in them. Considering their primordial role in implementing HRM, line managers have leeway in selecting which employees get what developmental opportunities. Line managers are inclined to reserve their scarce HRM resources to those employees with whom they have a high-quality LMX relationship.

HRM as antecedent to LMX perceptions. Some research also suggests that the line manager's implemented HRM practices can foster high-quality LMX. While Sanders et al. (2010) could not confirm that perceptions of HRM practices lead to higher levels of LMX, Stinglhamber and Vandenberghe (2003) found that intrinsically satisfying job conditions foster a constructive relationship of the leader with their employees (PSS). When employees get intrinsically satisfying

job conditions they can interpret this as being valued and cared for by the line manager. This can be explained by the fact that line managers are in control of scarce resources that can entail intrinsically satisfying job conditions. Line managers can provide opportunities for challenge and personal development, and this is able to foster a constructive work relationship based on respect (Stinglhamber & Vandenberghe, 2003).

Interactions among LMX and HRM

In their research, Purcell and Hutchinson (2007: 3) bring actually implemented HRM and leadership behaviour together in the term ‘people management’: ‘the way FLMs [Front-Line Managers] undertake their HR duties of selecting, appraising, developing, communicating, involving, etc., is inextricably linked to a wider set of what are increasingly called leadership behaviours, which aim to influence employee attitudes and behaviour and give direction.’ They suggest that the line managers’ application of HRM practices and their leadership behaviour are in a symbiotic relationship with each other. While line managers need the HRM department to design HRM practices that they can use to motivate employees, the way they enact their HRM responsibilities will depend on their leadership behaviour. Wheeler, Harris and Harvey (2012) add to this that LMX relationship qualities influences the effect of HRM systems on employees. Building on this work of Purcell and Hutchinson (2007), research on the interactive role of HRM and LMX can be divided in studies on (1) a compensatory role of HRM practices and LMX quality, and (2) a consistency role of HRM practices and LMX quality.

Compensatory role of HRM practices and LMX quality. Purcell and Hutchinson (2007: 4) suggest that HRM and LMX can compensate for each other. They state that ‘poorly designed or

inadequate policies can be ‘rescued’ by good management behaviour in much the same way as ‘good’ HR practices can be negated by poor FLM behaviour or weak leadership’. Accordingly, they argue for a compensatory model where high versus low quality of leadership behaviour and HRM practices could compensate for each other.

First, there is support for the compensatory role of high-quality LMX for low-quality HRM. Kuvaas and Dysvik (2010) found that a high level of perceived investment in employee development could not compensate for a low level of PSS and vice versa. In contrast, LMX could influence the interpretation of the employer's intended HRM practices. Since LMX functions as an interpretation filter through which employees interpret aspects of their work environment (Gerstner & Day, 1995), high-quality LMX can compensate for a lack of supporting HRM practices or economic orientations of HRM practices, and that high-quality HRM can compensate for a lack of trust in the line manager. HRM practices such as pay-for-performance and performance management result in an economic exchange between the employee and the organization. Buch (2015) found that employees who experienced an economic exchange are more affectively committed when they have an SLMX relationship with their leader. In other words, SLMX reduces the negative association between economic exchange and affective commitment. When employees enjoy a higher level of SLMX with their line manager, this implies that line managers will be more inclined to emphasize the long-term, socio-emotional aspect of the employment relationship. Therefore, the economic exchange with the organization and the associated short-term orientation may become less salient to the employee. The uncertainty about future organizational obligations may also be reduced to the employee. The effects of HRM practices such as pay-for-performance and performance management may thus depend on the employee’s exchange relationship with the line manager (Buch, 2015). Employees may engage in extra-role behaviours when their line

managers are extremely supportive and stimulating, also when the employment relationship specified by the employer is disadvantageous for the employee in terms of low offered inducements such as low extent of training, job security and career development (Tsui & Wang, 2002).

Some studies have found that LMX can compensate for an economic orientation of HRM, but that HRM cannot compensate for an economic orientation of LMX (Audenaert et al., 2016; Audenaert et al., 2017; Buch, 2015). For example, Audenaert et al. (2017: 15) note that ‘the compensation of resources from the leader for resources from HRM systems does not work in both directions’ because they found that LMX compensates for HRM practices that signal economic exchange (quasi-spot employment relationship and underinvestment employment relationship), but HRM was not found to compensate for low-quality LMX. They concluded that the mutual investment employment relationship in which the employee gets developmentally and materially advantageous offered inducements is not able to compensate for low-quality LMX. Similarly, Buch (2015) found that SLMX compensates for HRM practices that signal economic exchange, but he did not find support for the compensation of social exchange for ELMX. Accordingly, Audenaert et al. (2016: 5) also found that LMX quality compensates for employee performance management because ‘when employees perceive high-quality LMX, they experience employee performance management as supportive rather than controlling. The organization’s employee performance management is interpreted through their individual LMX relationship’.

However, other studies also found support for the opposite, namely that high-quality HRM compensates for low-quality LMX. Wheeler et al. (2012) have rejected the claim that HRM perceptions could not compensate for low-quality LMX relationships. According to them, the compensation goes the other way around. In their opinion, the idea is that not LMX can rescue bad HRM, but that good HRM can rescue bad LMX relationships in the way that when employees

perceive low quality relationships with their line managers, they will look for additional sources of organizational support to compensate for the negative consequences of the low quality exchange. They believe that when LMX relationship qualities are low, effective HRM practices become more important for employees. This implies that HRM practices, and even the perception of the quality of HRM practices, are resources from which employees make use of to justify their stay with the organization (Huselid, 1995). Although Wheeler et al. (2012) do not discuss the implications of their finding for the compensatory role of HRM and LMX, we believe that their finding means that although employees may perceive low-quality relationships with their line managers, the excellent opportunities HRM practices offer to gain e.g. training and development or career advancements can compensate for the bad experiences with their supervisors. They have proven that employee perceptions of effective HRM practices can ‘rescue’ bad employee-line management relationships. Thus, we are now able to conclude that the compensation between LMX and HRM does indeed work in both directions.

Taken together, studies have found support for the compensatory role of LMX and HRM in both directions, as Purcell and Hutchinson (2007) had originally claimed. In this compensatory role, it is interesting to reflect on which of the ‘resources’ would have the largest effect. In the joint effect of HRM and the leader, especially the leader may be salient. In HRM literature, HRM practices are typically conceptualized as more distal to employee reactions than the line manager’s application and use of these HRM practices in their daily people management role (Wright & Nishii, 2013). An unpublished source from Rutishauser and Giessner (2017) supports this reasoning. They explain that since both HRM and LMX are perceived as organizational resources, they can compensate in their effect on employee outcomes. Their longitudinal data show that LMX has a bigger impact on job satisfaction and on employee outcomes during organizational change

than perceived HRM practices. The indirect effect of LMX is found to be twice as strong as the effect of HRM practices.

Consistency role of HRM practices and LMX quality. Purcell and Hutchinson (2007: 16) suggest that HRM and LMX will reach the best results when effective HRM practices are combined with high-quality LMX relationships between the line manager and the employees. They suggest that ‘HR practices, to be successfully applied, need effective FLM activity of the sort recognised and reciprocated by employees. FLMs to be effective in people management need HR policies to work with and apply’. Kuvaas and Dysvik (2010) build on Purcell and Hutchinson’s (2007) research and arguments. They investigate the moderating role of PSS on the relationship between perceived investment in employee development and OCB, work effort and work quality. They found that both the perceived investment in employee development and the PSS need to be high. These investments in employee development do not result in better performance unless it is accompanied by high levels of PSS. They argue that the ‘line manager can, for instance, be supportive by decoupling his or her employees from practices that are deemed unnecessary, a waste of time, or simply unproductive or trying to make sure that the implementation of ‘good’ or ‘proper’ HR practices is carried out in a flexible way that considers both local context and individual needs’ (Kuvaas & Dysvik, 2010: 141). The finding that PSS and perceived investments in employee development both need to be high is in accordance with the view in HRM literature that signals from HRM practices must be internally consistent with line manager’s communications in order to achieve maximum effect (Wright & Nishii, 2013; Bowen & Ostroff, 2004).

Not only is it relevant to have HRM practices that send consistent messages, it is also important to consider that line managers may send messages or make decisions that are incongruent with formal HRM practices (Tsui & Wang, 2002). Li, Sanders and Frenkel (2012) could show that

LMX and HRM consistency need to interact to have positive effects on work engagement and job performance. Based on arguments of the attribution theory and social exchange theory, they explain that when HRM practices are internally consistent, organizational goals become salient to employees, in such a way that in a 'strong situation' individuals reciprocate their high-quality LMX exchange with higher work engagement and job performance. In a 'weak situation', on the other hand, employees find it difficult to see how they can contribute to organizational goals and objectives. This implies that they will rather reciprocate with behaviours that are in line with their personal goals rather than organizational goals, which weakens the relationship between LMX and employee outcomes valued by the organization (Li et al., 2012). Also Audenaert et al. (2017) found that consistency among social exchange signals of HRM practices and LMX quality leads to the most effective employee reactions in terms of psychological empowerment (beyond the compensation effects described above). The employment relationship entails signals of the espoused social exchange orientation and the LMX relationship entails signals of the inferred social exchange orientation. When these signals are consistent it is clear to employees what level of investments and what socio-emotional support they can rely on in the longer term. In contrast, inconsistency would foster confusion. Even when employees are in an HRM environment with abundant offered inducements, low-quality LMX may threaten their possibilities to get meaningful assignments and to get impact through participation. Also when employees enjoy a high-quality LMX in an HRM environment with low offered inducements, it may be less clear to what extent material and developmental rewards can be extended in the future.

In sum, although research indicate that LMX quality can compensate for an economic orientation of HRM practices, research also suggests that the best results with respect to employee reactions are reached when both LMX and HRM practices have a social exchange orientation.

DEVELOPMENT OF A RESEARCH AGENDA FOR THE USE OF LMX THEORY IN HRM RESEARCH

LMX measures in HRM research

The dyadic aspect of leader-member exchange relationships presupposes the relevancy of measuring LMX at two levels: employees are asked about their relationship with their leader and leaders are asked about their relationship with their employees. In HRM research, it is a shortcoming that LMX is usually only measured at the employee level. The relationship between the leader and his/her subordinates is not considered from a line management perspective in HRM articles. There might be reasons for this. First, HRM researcher may decide to suffice with measuring LMX relationships based on employee records because leader records are difficult to gather in teams with higher spans of control. Here, we distinguish between three reasons why measuring leader records is difficult. (A) Measuring the relationship between the line manager and each of his/her subordinates may be time-consuming. In larger teams, line managers would need to answer the same questions multiple times for all of their subordinates. (B) The quality of the data may become affected when line managers were asked to evaluate their LMX relationship with each subordinate individually. In larger teams, employees may work in sub-teams or project teams and line managers may not be able to distinguish between their relationship with each employee independent of his/her team members. (C) The chances of missing data are much higher when line managers are asked to answer the same questions several times. Second, HRM researchers may focus on employee records because the focus in HRM research lies on employees perceptions and usually not so much on managerial perceptions (e.g. Piening, Baluch & Ridder, 2014). We applaud

this trend in HRM research, since it is HRM perceptions of employees that make employees committed or satisfied, and not intended or actual HRM practices. However, neglecting line managers' perceptions of the LMX relationship could be dangerous we know that interpersonal relationships are an indispensable part of HRM systems (Uhl-Bien et al., 2000), that HRM practices and leadership behaviors are related with each other (Purcell & Hutchinson, 2007), and that leadership behaviors can be considered a subset of HRM practices (Gonzalez-Roma, 2016).

Although these reasons for neglecting leader records in LMX measures are understandable, we believe it would be insufficient to evaluate the LMX relationship based on employee records only. As the LMX literature shows, depending on the perceptions of line managers about their LMX relationships with their subordinates, line managers may treat some employees better than others by offering them more resources or holding back information from those they have poor relationships with (e.g. Graen & Uhl-Bien, 1995). Depending on the line management perceptions of the LMX relationship, the HRM implementation may be less or more effective. In this case, employees may still perceive a high-quality LMX relationship because they are not aware of the missed opportunities and wrongly-informed decisions.

Another reason to add leader records to the measurement of LMX is the lack of focus on team-level HRM outcomes. HRM research usually focuses on individual-level HRM outcomes, such as employee commitment, job satisfaction or organizational-citizenship behaviors. The reason for this may be the focus on individual-level LMX measures, which complicates measuring relationships with team-based outcomes, such as team performance or team climate. Measuring LMX on the basis of employee and leader records offers opportunities to collect team-level LMX measures, which would foster our understanding of relationships with team-level HRM outcomes.

Finally, besides measuring the leader's viewpoint on his LMX relationship with their team members, it may also be interesting to study the leader's LMX relationship with their own leader. When leaders perceive a high-quality LMX relationship with their leader they may invest more in HRM with their employees. These investments in HRM for their employees can be regarded as the leader's contribution to the organization in the social exchange process for the beneficial treatment that they get with their own leader.

The role of context to explain HRM-LMX relationships

Our review showed that HRM scholars could not agree whether LMX compensates for HRM or HRM compensates for LMX. This means that some indicated that high-quality LMX relationships could compensate for poor HRM practices and others were able to show that this was not true, but that excellent HRM practices could compensate for low-quality LMX relationships. This means that until now, we cannot take solid conclusions about the compensatory mechanisms between LMX and HRM. This could imply that this interaction depends on a third (not studied) variable. Since employees are nested in multiple contexts simultaneously (Shore et al., 2004; Shore et al., 2012), we need to take the broader context into account in order to explain the relationship between HRM and LMX. The importance of context has been stressed in management research by Johns in 2006. He even received an AMR Decade award in 2017 for recognizing this important need. Also in HRM research it is recognized that neglecting context is a shortcoming in much HRM research (e.g., Guest, 2011; Paauwe, 2009). Context is multifaceted which is why LMX and HRM are 'embedded in multiple contexts that all can exert influence simultaneously... it is important for researcher to recognize the simultaneous influence of multiple internal and external contexts' (Shore et al., 2004: 57-58).

It is thus insufficient to only study the nesting of employees with their leaders (LMX) and in the organization (HRM). Instead, the potential of HRM to compensate for low-quality LMX may depend on other contexts in which the employee is nested. Other contexts in which employees are nested are their job, the sector, the macro-level economy, and the broader culture. Meta-analysis of LMX has shown that culture determines the effectiveness of LMX (Rockstuhl et al., 2012). Future studies could consider how culture and other contextual factors impact the potential of HRM to compensate for low-quality LMX. For instance, in countries/jobs with very high unemployment rates, HRM may be more likely to compensate for low-quality LMX than in countries where employees have more employment security (be it in other organizations). The majority of the developed reasonings of how HRM and LMX interact are developed from Western lenses. When the conducted studies would be done over in Latin-American, Arabic or Chinese cultures, the findings could be quite different.

LMX-organizational climate relationships in HRM research

LMX research shows that LMX and organizational climate are interrelated. Since line managers provide employees with “information about organizational policies, procedures and practices” and they “act as interpretative filters of relevant events and facts”, they influence the climate formation of employees (González-Romá, 2016, p. 317) by shaping employees’ perceptions through informing them about which behaviors are expected and rewarded in the organization (Bowen & Ostroff, 2004). These ‘climate engineers’ (Naumann & Bennett, 2000) are considered as the most salient organizational representatives of the organizational policies and practices, and thus employees who have high-quality LMX relationships with their managers will perceive the climate as more positive than employees in a low-quality LMX relationship. Further the organizational climate sends signals to employees on how they can reciprocate high-quality LMX relationships

(González-Romá, 2016). Since the organizational climate is usually based on the strategic objectives of the organization, employees in an innovative organization may understand that they can reciprocate with innovative behaviors because the organizational climate focuses on enhancing innovation.

From HRM research we know that organizational climate and HRM are interrelated as well. Bowen and Ostroff (2004) have shown that a strong HRM system will send unambiguous messages about which employee behaviors are expected and rewarded and thus all employees will perceive the same organizational climate. They have further argued that the organizational climate mediates the HRM-performance relationship (Bowen & Ostroff, 2004).

Knowing that LMX relationships shape climate perceptions and that LMX and climate interrelate, and also knowing that HRM perceptions are related to the climate, we wonder why the HRM literature does not stress (1) LMX-HRM interactions and (2) LMX-climate interactions much more to foster our understanding of the linkage between HRM climate and employee outcomes. Since understanding the effect of climate is difficult without taking LMX relationships into consideration (González-Romá, 2016), and since understanding the effect of HRM is difficult without taking LMX relationships into consideration (Purcell & Hutchinson, 2007), we see more potential for HRM research when they would consider LMX-climate relationships much more.

The role of economic and social LMX in HRM research

This review indicates that most HRM research that studies LMX relationships considers ‘social’ LMX. By doing so, it is assumed that economic LMX and low-quality social LMX are the same. However, this is not correct since the economic and the social dimension are two different dimensions of the social exchange theory (Blau, 1964; Shore et al., 2006). We consider the lack of

studies on the interaction of HRM and ELMX as a shortcoming, and argue that HRM research can benefit in multiple ways from studying both, SLMX and ELMX.

Another reason why research focuses most on SLMX is the assumption that SLMX is preferable in all situations. However, this assumption starts from three assumptions which may be tenuous. First, SLMX is preferable beyond ELMX because lower turnover, higher affective commitment and higher employee creativity are always better. Second, SLMX is preferable beyond ELMX because all leaders have good intentions. That is, if employees develop a good connection with their leaders, they will always benefit from that. Third, all employees prefer an SLMX over an ELMX relationship. Several arguments can be developed in contrast with these assumptions. ELMX may be beneficial in some situations, and even preferable over and beyond SLMX. In some situations, however, ties that bind the employee too close with the leader may be counterproductive. Below, we further develop some argumentations for how ELMX may further increase our insights into the HRM-outcome linkage.

First, considering that many organizations cope with dynamic changes and have to be agile, research on LMX and HRM pays too little attention to dynamic changes. What is the effect of organizational change on the linkage among ELMX and SLMX? Organizational change can affect the LMX relationships among the employee and the leader. In many organizations, there are pressures on the sustainability of HRM investments in employees such as compensation and benefits, training expenditures and career management. Due to organizational changes, the HRM investments in the employee also change. This may imply going from mutual investment situations to situations of underinvestment in which expected contributions are high relative to offered inducements (Tsui & Wu, 2005). At first, employees may be inclined to regard this as necessary for organizational sustainability and effects on SLMX and ELMX may be minimal. On the longer

term however, the SLMX relationship may be infected when employees doubt the necessity of the measures in the longer term. In the best case scenario, these employees still have a high ELMX relationship, because if not, their felt obligations to fulfil their work within the boundaries of the employment contract may also be very low. Furthermore, ELMX may be preferable in situations the employee has to deliver a highly predictable service for safety reasons such as an airport's traffic controllers. In these situations, there is a need for transactional control type ELMX relationship with the leader. There is no space for creativity, and rather than commitment to the organization, a commitment to the strict rules in the job is crucial. For instance, since traffic controllers need to process so much information simultaneously, they need to stick strictly to their rest times, and the hour scheme in their employment contract. Finally, agile organizations and very innovative organizations may actually benefit from employee turnover. SLMX lowers employee turnover and may thus also lower functional employee turnover. Employees who do not have the 21st century competencies that are required to function well in an agile context will be more inclined to stay in the organisation when they have a high-quality SLMX.

Second, ELMX may be preferable when the leader is highly narcissistic, despotic, or psychotic. When an employee develops a high-quality SLMX relationship with a psychotic leader, for instance, the latter may avoid that employees take benefit from the resources that HRM practices provide. In addition, these leaders may not offer HRM resources to their employees and hold back important information from their subordinates. Such leaders may also be the first to take disadvantage to employees that they are close with (SLMX) and may even offer more resources to employees with whom they have a transactional relationship (ELMX). Future research on the joint role of HRM and LMX could take dark leadership styles into account to better predict important employee outcomes. The study by Naseer et al. (2016) may function as an inspiration source for

future work on HRM, LMX and dark leadership styles. They have demonstrated that being close to a despotic leader is detrimental to employees' job performance, organizational citizenship behaviour, and creativity. This detrimental effect is particularly salient in a context of high organizational politics.

Third, employees may have different needs pertaining to ELMX and SLMX. Research on self-determination shows that everyone benefits from fulfilling the belongingness need, but that people also differ in the extent to which they long for belongingness (Mellor et al., 2008). There may be generational differences in the extent to which employees prefer ELMX or SLMX. Some employees may have high needs to separate their working life from their private life. They may want to develop an economic exchange with their organization and in extension with their leader that acts as an agent of the organization. They may have the need to know what their responsibilities are and what are the responsibilities of their supervisor and to know what is expected of them to perform well, but they may feel that in order to be motivated and perform well, they do not need to have a social relationship with their manager. This may make the SLMX relationship less required for them to engage in performances as a response to the organization's HRM investments in them.

In sum, future research would benefit from studying ELMX and SLMX to foster our understanding of the interplay of HRM and LMX. While doing so, it should be considered that more SLMX may not always be better. For achieving a nuanced understanding of the joint role of HRM and SLMX/ELMX, future research may benefit from studying organizational dynamics, functional employee turnover, dark leadership styles, as well as generational differences.

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